

Schedule "A"
TO BYLAW NO. 2006-06

CITY OF MELFORT
INVESTMENT POLICY

NUMBER
1.3.10

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| POLICY TITLE Investment Management Policy | ADOPTED BY: City Council | ORIGINAL DATE: August 16, 2004 |
| ORIGIN/AUTHORITY Administration | AMENDED: April 3, 2006 | PAGE NUMBER 1 of 4 |

1. PURPOSE

The purpose of this policy is to establish guidelines governing the City of Melfort's investments.

2. STATEMENT

The City of Melfort shall invest public funds in a manner which will provide the highest investment return with the maximum security, while meeting the cash flow demands of the City.

3. DEFINITIONS

3.1 General Definitions

- 3.1.1 Bonds, Notes & Debentures - evidence of indebtedness carrying a fixed term to maturity of one year or longer, but not including mortgages.
- 3.1.2 Bond Rating Service - a corporation whose primary business mandate is to analyze the credit-worthiness of debt securities issued by all levels of government and corporations and make recommendations as to the risk level of such debt.
- 3.1.3 Commercial Paper - is the name given to unsecured promissory notes issued by a wide range of Canadian corporations. The notes are backed by the general credit rating of the issuing corporation and are usually unsecured.
- 3.1.4 Portfolio - collection of securities held by an investor.

3.2 Rating Definitions

3.2.1 Money Market Ratings

- *R-1 High* - highest credit quality, unquestioned ability to repay assessed liabilities as they fall due.
- *R-1 Middle* - superior credit quality, above average strength in key areas of consideration for debt protection.
- *R-1 Low* - satisfactory credit quality, considerations for debt repayment still respectable.

3.2.2 Bond Ratings

- *AAA* - bonds rated AAA are of the highest credit quality with exceptionally strong protection for timely repayment of principal and interest.
- *AA* - bonds rated AA are of superior credit quality and protection of interest and principal is considered high, they differ from AAA only to a small degree.
- *A* - bonds rated A are of satisfactory credit quality as protection of interest and principal is still substantial - the degree of strength is less than AA rated entities.

4. INVESTMENT GUIDELINES

4.1 Portfolio Objectives

The City Treasurer will be responsible for the investment program of the City and for ensuring that investments strictly adhere to the objectives as stated. The portfolio is to be structured and managed in such a way as to provide maximum long term consistency and stability of return. The priorities for the investing of funds are as follows:

1. legality of investments;
2. preservation of principal;
3. diversification of the investment portfolio;
4. competitive rate of return.

Within the context of the above requirements, the objective of the investment portfolio is to generate annual investment revenue sufficient to fund the City's capital programs. Therefore, consideration must be given regarding the purchase of securities and the timing of their distribution.

4.2 Eligible Investments

The following Investments are to be considered as eligible investments, provided they carry an appropriate credit rating in accordance with the investment limits detailed in Section 4.3 of this policy and provided they are in compliance with *The Cities Act* and its regulations:

- 4.2.1 Government obligations (i.e. treasury bills, notes, strip coupons, debentures and/or bonds) issued directly or indirectly by the federal government or an agency of the said government or any of the provinces.
- 4.2.2 Obligations of a municipal government, school unit or district in Saskatchewan.
- 4.2.3 Canadian Chartered Bank Securities, being bearer discount notes, deposit receipts, term notes, certificates of deposit, bankers acceptances, bonds and

- strip coupons.
- 4.2.4 Commercial paper, bonds, debentures and strip coupons issued by Canadian companies.

4.3 Investment Limits

- 4.3.1 The purchase of any securities carrying a credit rating below A for bonds or R1-Mid for commercial paper is strictly prohibited.
- 4.3.2 Ratings used will be from one or more of the following ratings agencies: Canadian Bond Ratings Service, Dominion Bond Rating Service, Standard and Poor's Credit Rating Service and Moody's Investor Services.
- 4.3.3 Aside from those securities unconditionally guaranteed by the Government of Canada and the limitations applying to investments in Canadian corporations as described below in clause 4.3.7, the securities of any one issuer will comprise no more than 20% of the portfolio value.
- 4.3.4 The term structure of each security held in the bond portfolio shall not exceed 10 years.
- 4.3.5 Only Canadian dollar investments are allowed to mitigate foreign currency risk.
- 4.3.6 Term Notes and Certificates of Deposits will be limited to the maximum dollar amount covered by the Canadian Deposit Insurance Guarantee Corporation (CDIC) or other such insurance guarantees by institutions (i.e. Credit Union Deposit Guarantee Corporation).
- 4.3.7 Investments in Canadian corporation obligations are further subject to the following conditions:
- i) The securities of any one issuer will comprise no more than 7% of the entire portfolio value.
 - ii) Investment within any particular market sector shall not exceed 7% of the entire portfolio value.
 - iii) The aggregate of Canadian corporation obligations shall not exceed 15% of the entire portfolio value.

4.4 Payment and Safekeeping

The City Treasurer and any one of the Mayor, City Manager or City Clerk, shall be allowed signing authority for the disbursements of funds to purchase the investment.

A dealer or financial institution, as approved by the City Treasurer, will hold securities purchased in safekeeping.

4.5 Exceptions

Under certain circumstances the organization may conclude that though an investment may not meet the criteria outlined in the investment policy statement, the investment may be within keeping of the spirit of the policy. In such an event, the City may deviate from stated policy subject to the City Treasurer receiving approval of City Council prior to the investment.

5. INVESTMENT STRATEGY

- 5.1 Dedicating the investment portfolio to one specific relationship generally enhances the quality of service, reduces hard costs and minimizes internal costs; therefore, relationship, not return, is the key factor in the City of Melfort's investment strategy.

- 5.2** The bond market is lucrative only when you plan to hold investments for long durations; therefore, liquidity is a key principle of the portfolio while City Council is considering decisions in relation to the construction of City facilities.
- 5.3** The Treasurer is to maintain contact with the City's investment advisor in order to continually monitor and assess the City's investment returns, decisions and practices.

6. RESPONSIBILITIES

City Council:

- i) Adopt, by bylaw, the City of Melfort's Investment Policy.
- ii) Ensure that as part of the annual audit, performed by the external auditors, that compliance with this policy has been achieved.

City Manager:

- i) Implement, monitor and review the Investment Policy Bylaw and ensure that all proposed changes to these guidelines are firstly approved by City Council.

City Treasurer:

In accordance with the terms, guidelines and strategies outlined in the Investment Policy Bylaw:

- i) Review the total amount of funds available and make decisions as to term and type of securities, taking into consideration the existing portfolio and anticipated cash requirements.
- ii) Responsible for reconciling all investments to the general ledger and submitting quarterly listing of the City's Investment portfolio to the City Manager and City Council.
- iii) Give consideration to investing with local institutions and doing business with local brokers over non-residents, providing rates, terms, quality of investment and service is comparable.
- iv) Ensure that an investment whose rating is downgraded below the investment policy guidelines is sold as soon as practical without compromising the portfolio.