

Municipal District of Opportunity No. 17

FINANCE POLICY

TITLE: INVESTMENT POLICY

EFFECTIVE DATE: March 9, 2026

POLICY NUMBER: F.13

I. PURPOSE:

This policy is established to ensure that any funds which the Municipal District of Opportunity No. 17 (hereinafter "The MD") may identify by way of temporary cash surpluses during the current operating fiscal year, annual cash surpluses at the end of the operating fiscal year, and trust funds or reserves are invested to provide the best possible return after due consideration of yield rates, term, security, and diversification as to type of security and investment institution. It provides guidance to the MD's Director of Finance and the Chief Administrative Officer (CAO).

The MD of Opportunity No.17 ("MD") will invest public funds in a prudent manner that provides the highest return with the maximum security while meeting daily cash flow needs and conforming to all provincial statutes and regulations governing the investment of municipal funds.

The purpose of this policy is to establish and maintain practices and procedures for investment of funds held by the MD. This investment policy applies to all investment transactions involving the financial assets of the MD and must be applied by any party managing MD investments

II. GOALS & OBJECTIVES:

The primary objectives of the MD's investment activities are preservation of capital, liquidity, risk mitigation, and governing legislation.

Preservation of Capital

The MD recognizes its fiduciary responsibility for the stewardship of public funds with which it has been entrusted. Therefore, its foremost investment objective is to ensure the preservation of capital. To accomplish this objective, the policy will define minimum quality standards for all individual investments held, and mandate sufficient diversification within the portfolio itself.

Liquidity

The investment portfolio will remain sufficiently liquid to enable the MD to meet operating requirements which might be reasonably anticipated. The portfolio should consist largely of securities with active secondary or resale markets.

Risk Mitigation

The MD will manage risk by ensuring there is sufficient diversification among the assets in its investment portfolios. Additional risk control is provided by the constraints on the permitted investments.

Compliance with the Municipal Government Act

The MD will ensure that all investments purchased and owned by the MD are in accordance with the Municipal Government Act, RSA 2000, c. M-26 (Section 250).

III. STANDARDS OF CARE:

Prudence

- a) Investments are to be made with judgment and care, under prevailing circumstances, which persons of discretion and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of capital and income to be derived.
- b) Investment officials exercising due diligence and acting in accordance with procedures consistent with this investment policy shall be relieved of personal responsibility for market price changes or the credit risk of a certain investment provided that appropriate action is taken to control adverse developments and that such developments are reported on a timely basis.

Conflict of Interest / Ethics

Investment officials shall refrain from personal business transactions that could conflict with the proper execution of their responsibilities, or which may impair their ability to make impartial investment decisions. Investment officials shall disclose to the Chief Administrative Officer any material interests in financial institutions that conduct business with the MD, and they shall separate their personal investment transactions from those of the MD.

Where external resources have been engaged to provide investment services, they are required to follow the CFA Institute Code of Ethics and Standards of Professional Conduct.

Authority and Internal Control

The Chief Administrative Officer is ultimately responsible and accountable for the control, management, and administration of the MD's investments in accordance with the investment policy approved by Council. The Chief Administrative Officer may delegate this responsibility. The Chief Administrative Officer or Appointed Delegate shall establish appropriate guidelines, procedures, and internal controls;

- a) To ensure the achievement of the objectives identified within this policy.
- b) For authorizing officers and employees to engage in investment activities.
- c) For purchasing and selling investments.
- d) For custody and safekeeping of investments.
- e) For the accounting and reporting of investment activities.

Permissible Investments / Safety

- a) The Schedule of Approved Investments identifies the Securities that can purchase on behalf of and in the name of the MD.
- b) The portfolio shall not hold shares of a corporation (equities) or corporate bonds (excluding Schedule 1 Chartered Banks in Canada).
- c) The portfolio shall not hold units of pooled funds, derivative securities, real estate, residential mortgages, asset-backed securities or ownership interests in any unincorporated body.

Credit Quality

- a) Investments in the portfolio will ensure preservation of capital and adhere to the following credit quality restrictions:

| Debt Rating Category | Minimum | Maximum |
|----------------------|---------|---------|
| "BBB" or lower | 0% | 0% |
| "A-" | 0% | 75% |
| "AA" or higher | 25% | 100% |

- b) Investments rated below "A-" or equivalent at the time of purchase are not permitted. If a security's credit rating falls below "A-" after time of purchase, it shall be removed from the portfolio as soon as practical.
- c) All ratings refer to the ratings of Dominion Bond Rating Service Ltd. (DBRS).
- d) In the event that DBRS does not rate a security, the equivalent ratings from any of the other agencies allowed by the *Municipal Government Act*.

Policy Review

This policy may be modified at any time based on issues related to the administration of this policy, or fundamental changes in the overall investment objectives, (etc. social, economic or political change).

Safekeeping and Custody

- a) All investment certificates shall be issued in the name of the MD.
- b) Investment certificates may be held for safekeeping by the financial institution.

- c) Responsibility for the safekeeping of assets, income collection, settlement of investment transactions, and accounting for investment transactions is delegated to a trust company custodian duly registered in Canada.

Portfolio Diversification

| Schedule of Approved Investment – Operating Portfolio | | | | |
|--|---------------------|-----------------------|-------------------|----------|
| Investment Description | Max Per Institution | Total Portfolio Limit | Min Credit Rating | Max Term |
| <i>Government:</i> | | | | |
| Federal Government | Unlimited | Unlimited | R-1 (L) | 2 Years |
| Provincial Government | 70% | Unlimited | R-1 (L) | 2 Years |
| <i>Financial Institution:</i> | | | | |
| Securities issued or guaranteed by a bank, treasury branch, credit union, or trust corporation | Unlimited | Unlimited | R-1(L) | 2 Years |

| Schedule of Approved Investments – Long-Term Portfolio | | | | |
|---|---------------------|-----------------------|-------------------|----------|
| Investment Description | Max Per Institution | Total Portfolio Limit | Min Credit Rating | Max Term |
| <i>Government:</i> | | | | |
| Federal Government | Unlimited | Unlimited | A- | 10 Years |
| Provincial Government | Unlimited | Unlimited | A- | 10 Years |
| <i>Financial Institution:</i> | | | | |
| Securities issued or guaranteed by Schedule "1" Chartered Banks | 35% | Unlimited | A- | 10 Years |
| <ul style="list-style-type: none"> • Not more than 15% of the portfolio shall be invested in any single security. • All percentages are based on market value. • The maturity dates of investments in the long-term portfolio will be diversified to minimize effects of fluctuations in any given part of the yield curve and to maintain liquidity for projects anticipated in the County's long-term financial plans. | | | | |

IV. DELEGATION OF AUTHORITY

The CFO, Director of Finance and the CAO shall have the overall responsibility for the prudent investment of the municipality's portfolio. Authority to manage and implement the investment program may be granted for all or a portion of the municipality's overall investment portfolio, to an external investment Agent, to act as an Investment Manager on behalf of the municipality, as determined through an independent and competitive bidding process. That Agent shall act in accordance with the established procedures and internal controls consistent with this investment policy.

V. REPORTING

The Director of Finance or designate shall submit a quarterly investment report to the Council, together with the annual audited municipality financial statements. The investment report shall include the following:

- a) Total amount in the investment portfolio(s);
- b) Total return in the investment portfolio(s); and
- c) Statement on Policy compliance

VI. PERFORMANCE BENCHMARK

The investment portfolio shall be managed in accordance with the parameters specified within this policy. The portfolio should obtain a market average rate of return throughout budgetary cycle that is commensurate with the investment risk constraints and cash flow needs of the municipality.

VII. MARKET VALUE

The market value of the portfolio shall be calculated at least quarterly with the following conditions.

1. Investments in publicly traded securities shall be valued monthly.
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 provided to the Manager of Finance no less frequently than quarterly. In all such cases, the methodology must be applied consistently over time.

VIII. SIGNING AUTHORITY

Transactions related to investments made by the municipality shall require approval by the CFO or designate and the CAO or designate. Decision making authority for investment transactions may be delegated by the municipality directly to an Investment Manager, following an independent and competitive process, to invest and manage funds on behalf of the municipality.

IX. RESPONSIBILITIES OF ENTRUSTED PARTIES

The responsibilities of various parties with respect to this policy are as follows:

The Council:

- ▶ Approve, by resolution, the MD investment policy as may be amended from time to time; and
- ▶ Delegate responsibility to the Director of Finance or designate to establish and/or modify practices and internal controls for its investment operations consistent with this policy.

Chief Administrative Officer:

- ▶ Execute resolutions relating to the establishment and maintenance of accounts with the qualifying financial institutions and/or investment brokerage firms; and
- ▶ Obtain adequate insurance coverage to guard against any losses that may occur due to misappropriation, theft, or other unscrupulous acts of fraud with respect to the municipality's financial assets.

CFO or designate:

- ▶ Enter into arrangements with an external Investment Manager(s), if needed;
- ▶ Execute and sign documents on behalf of the municipality and perform all day-to-day processes related to the investment and cash management functions;
- ▶ Develop and maintain all necessary operating procedures for effective control and management of the investment function and reasonable assurance that the municipality's investments are properly managed and adequately protected;
- ▶ Transact investment on behalf of the MD in accordance with the policy;
- ▶ Establish and modify procedures and internal controls for investment operations consistent with this policy;
- ▶ Establish an annual process of independent review by an external auditor to ensure compliance with policies and procedures;
- ▶ Conduct all investment transactions on a delivery versus payment basis; and
- ▶ Report quarterly to the Council as previously outlined in section "V. Reporting".

Investment Manager(s):

- ▶ Allocate assets and select securities or investments within such classes, in accordance with established investment policy;
- ▶ Provide regular reports (quarterly, at a minimum) to the Administration, which include the performance and risk characteristics of the municipality's Investment Portfolio and meets with the Administration and/ or the Council as required;
- ▶ Recommend changes to the established investment policy that is deemed appropriate;
- ▶ Provide advice and counsel with respect to the Investment Portfolio; and
- ▶ May also act as Custodian.

Investment Custodian:

- ▶ Provide safekeeping of the Investment Assets;
- ▶ Process transactions as directed by the Investment Manager(s) and / or the Administration;
- ▶ Collect interest, dividends and the proceeds of cash equivalent and fixed income instrument maturities;
- ▶ Deposit funds and pay expenses as directed by the Administration;
- ▶ Maintains a record of all transactions;
- ▶ Provide regular (monthly at a minimum) reports to the municipality; and
- ▶ Provide the Investment Manager(s) and the Administration with information required to fulfill their duties.

X. DEFINITIONS

1. **Administration** in this policy document means the municipality's officials directly involved in the investment process, i.e., the CAO and the Manager of Finance.
2. **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. **Diversification** means the division of investment monies among a variety of securities offering independent rates of return. Investments may be diversified by asset, term, corporation, country or currency.
4. **Investment Instruments** include the following:
 - a) Banker's Acceptance
 - b) Bonds
 - c) Notes
 - d) Certificate of Deposit
 - e) Commercial Paper
 - f) Deposit Receipts
 - g) Debentures
 - h) Guaranteed Investment Certificates or Receipts
 - i) Treasury Bills
 - j) Trust Certificates
5. **Investment Manager** means an investment professional who will administer the MD's investment portfolio.
6. **Liquidity** means a liquid asset that can be converted easily and quickly into cash.
7. **Market Value** means the price at which a security is trading and could presumably be purchased or sold.
8. **Portfolio** means consolidation of investments by an Investment Manager.
9. **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.
10. **Prudent Person** 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.
11. **Rate of Return** means the yield obtained on a security based on purchase price and term only
12. **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.

13. **Annual Cash Surplus** means any cash funds that are not required for disbursement within 120 days following the end of the operating fiscal year for the MD's operating or capital expenditures.

XI. REFERENCES/LINKS

- a. *Municipal Government Act*, RSA 2000, c. M-26 (section 250)
- b. CFA Institute Code of Ethics and Standards of Professional Conduct
- c. CFA Institute Asset Manager Code of Professional Conduct