


APPENDIX A

		<h1 style="margin: 0;">POLICY AND PROCEDURE MANUAL</h1>	
Category: Financial Administration	Number: FIN.20	INVESTMENT POLICY	
Type:	Authority:	Approved By:	
<input checked="" type="checkbox"/> Policy <input type="checkbox"/> Procedure	<input checked="" type="checkbox"/> Council <input type="checkbox"/> Administrative	<input checked="" type="checkbox"/> Council <input type="checkbox"/> Chief Administrative Officer <input type="checkbox"/> Department Head	
Office of Primary Responsibility: Finance			
Date Adopted: October 19,1987	Council Resolution No: RC12/648	Date to be Reviewed: August 2024	
Manner Issued: Intranet, memo			

PURPOSE:

The purpose of this policy is to provide management with a framework for the City's investment portfolio. The City will invest its funds in a manner that will provide for the optimal blend of security, risk-adjusted returns, while meeting current and future cashflow demands. Furthermore, this Policy adheres to the statutory requirements in Section 183 of the *Community Charter* that specifies what investments are permissible by a local government.

POLICY:

1.0 POLICY STATEMENT

The City of Mission will invest and manage its financial assets in a prudent and conservative manner that focuses on capital and earnings preservation, meeting the daily cash flow requirements of the City while complying with the statutory requirements of the *Community Charter*. Sound and reasonable investment practices will be followed in order to achieve these goals.

2.0 SCOPE OF POLICY AND DEFINITIONS

This policy shall apply to all cash assets not reasonably required for immediate operational needs. The "Glossary of Terms" can be found in Appendix A.

3.0 RESPONSIBILITY, DUTY OF CARE, & CONFLICT OF INTEREST

The Director of Finance (the "*Officer*"), is responsible for the City's overall investment portfolio. In fulfilling this responsibility, the *Officer* shall exercise professional judgment and due care, including gaining a full understanding of the risks, returns, and characteristics associated with different investment instruments before investing in those instruments.

All staff involved with the investment decisions must conduct themselves in compliance with the City's Standard of Conduct for Employees (HUM.02(A)). Any significant financial security investments in financial institutions and/or investment dealers is to be reported as per HUM.02(A) which outlines the conflict of disclosure requirements. All investment decisions are to be consistently impartial and always in the best interest of the City. Furthermore, all

investment subscription and redemption transactions are to be in compliance with the City's C-FIN.05 Designated Signing Authorities Policy ("C-FIN.05"). No one person can independently execute an agreement for purchase or sale of investments.

4.0 OBJECTIVES

The City's investment practices will reflect a conservative management philosophy, based on the following three fundamental objectives. It is recognized that these objectives may, at times, conflict with one another and, as such, they are listed in priority order.

4.1 Safety

Safety of principal is the foremost factor to be considered during each investment transaction. Safety in investing refers to minimizing the potential for loss of principal, interest or a combination of three types of risk: Credit Risk, Market Risk, and Concentration Risk.

- 4.1.1 Credit Risk, defined as the risk of loss due to failure of the issuer of a security, shall be mitigated by investing in higher "investment grade" securities and diversifying where feasible.
- 4.1.2 Market Risk, defined as market value fluctuations due to overall changes in interest rates, shall be mitigated by structuring the portfolio based on liquidity needs as to avoid the need to sell securities prior to maturity. Also, limiting the term of the investments per investment type and, when it makes sense, diversifying the holdings to include investments that values are not correlated.
- 4.1.3 Concentration Risk, defined as the risk of investing in one financial institution, investment product, or market sector too heavily in an investment portfolio. Diversification attempts to minimize this risk by having a balanced investment portfolio.

4.2 Liquidity

Liquidity in the investment portfolio will remain sufficient to enable the City to meet all cash requirements, which might be reasonably anticipated. The degree of liquidity is measured by the time required to convert a security into cash with a minimal risk of capital loss. This is achieved by, wherever possible, matching maturities to cash requirements.

4.3 Return on Investments

The overall investment portfolio will be managed with the objective of attaining reasonable risk-adjusted returns, subject to the above priorities.

5.0 RISK AND DIVERSIFICATION

The City requires parameters and limits on its investment portfolio to support the objectives as listed in Section 4 of this policy. As a general rule, a portfolio's overall risk is related to individual investment credit and market risks, duration of investments, and the number of different maturity terms held. In order to reduce risk, the City will maintain a portfolio that is diversified by maturity, issuer, and security type and set high credit rating standards for investments.

It is staffs' intention that any fixed term investment will be held until maturity unless an unexpected gain could be realized by selling the investment early or there is a major unforeseen emergency facing the City. At no time shall staff enter into an investment with a speculative expectation that a future gain above the coupon or stated rate may occur.

6.0 AUTHORIZED INVESTMENTS

Section 183 of the *Community Charter* authorizes the specific types of investments that municipalities in British Columbia are permitted to invest in. Section 183 reads as follows:

Money held by a municipality that is not immediately required may only be invested or reinvested in one or more of the following:

- (a) securities of the Municipal Finance Authority;
- (b) pooled investment funds under section 16 of the *Municipal Finance Authority Act*;
- (c) securities of Canada or of a province;
- (d) securities guaranteed for principal and interest by Canada or by a province;
- (e) securities of a municipality, regional district or greater board;
- (f) investments guaranteed by a chartered bank;
- (g) deposits in a savings institution, or non-equity or membership shares of a credit union;
- (h) other investments specifically authorized under this or another *Act*.

In addition to these statutory requirements the investment portfolio shall further be limited in terms of:

- Maximum term/maturity
- Minimum credit rating
- Maximum percentage of investment holdings in any single institution, issuer, or entity
- Maximum percentage of investment holdings per investment type/class

Appendix B: City of Mission Investment Parameters specifies each of these limits and further explains which investments are permissible.

If, through an analysis of investments that may fall below the Dominion Bond Rating Service (DBRS) ratings stated in Appendix B, an investment falls below the acceptable threshold, the City will consider the following when determining what action to take:

- the time to maturity,
- the liquidity of the investment,
- change in probability of default or going concern of the underlying institution,
- magnitude of loss given default, and
- the change in market value of the investment.

Any financial loss must be immediately brought to the CAO's attention and reported to Council.

Notwithstanding MFA Pooled Investment Funds, the City chooses to limit the maximum term of investments, such that no investment shall be locked into a term of greater than ten (10) years, unless special approval is obtained by Council resolution. Furthermore, investments shall only be denominated in CAD or USD funds.

7.0 INVESTMENT DEALERS

All firms engaged directly with the City's investment program shall be members in good standing of the Investment Industry Regulatory Organization of Canada ("IIROC"), and are

required to have read and understood this investment policy.

8.0 COMPETITIVE BIDS

The City shall solicit competitive verbal or written quotations for investments, when it is prudent to do so. This policy recognizes that, from time to time, offerings of value may require prompt action. Under such circumstances, competitive bids may not be sought, provided that the investment value can be substantiated by comparative market data or information.

9.0 SAFEKEEPING AND CUSTODY

All security transactions entered into by the City shall be conducted on a delivery-versus-payment (DVP) basis. Electronic securities shall be registered with the Canadian Depository for Securities (CDS) and tracked by either the City's custodial bank or settlement agent (originating sales broker). Physical securities shall be held and tracked by the City's custodial bank. All securities purchased by the City shall be held in the name of the City of Mission.

9.1 Authorization

The City's custodial bank and/or settlement agent shall undertake security transactions (including receipt or delivery of securities and related payments) with prior written authorization or instructions from the City. Emailed authorization or instructions are acceptable. The *Officer* and any other authorized signatory of the City are to sign off on and approve all written investment authorizations or instructions, including authorizing the transfer or receipt of funds to complete purchase/sales transactions.

9.2 Evidence

All transactions shall be evidenced or verified by a settlement advice or statement from the custodial bank and/or settlement agent.

10.0 PROCEDURES

The *Officer* or delegate shall establish and maintain written investment procedures that are consistent with this investment policy. Procedures should include references to safekeeping, buy/sell agreements, communication of instructions to custodial banks, cash management techniques, and accounting entries related to investment transactions.

11.0 REPORTING

The *Officer* or delegate is charged with the responsibility of reporting to Council on a quarterly basis as to the City's investment holdings and on an annual basis as to the performance of the City's overall investment portfolio. In addition, the *Officer* or delegate shall ensure:

TASK	FREQUENCY
All investment accounts are reconciled	Monthly
Investment portfolio is reviewed for compliance with Appendix B	Quarterly

12.0 PERFORMANCE STANDARDS

The *Officer* or delegate shall select appropriate performance benchmarks against which to measure the City's investment returns. These benchmarks are to be comparable in terms of duration and investment type where appropriate. These benchmarks may be revised in the future when conditions warrant revision.

APPENDIX "A"

GLOSSARY OF TERMS

BENCHMARK – A standard against which the performance of a security, mutual fund or investment manager can be measured. Generally, broad market and market-segment stock and bond indexes are used for this purpose.

CENTRAL DEPOSITORY FOR SECURITIES (CDS) – a national clearing house for securities trading owned by the major banks, investment dealers and trust companies. CDS is regulated directly by the Provincial Securities Commissions and indirectly through the Federal Regulations of Financial Institutions. It manages the recording and clearing of Canadian stocks, bonds, and coupons on a book basis. The physical securities are stored in vaults of CDS and the Bank of Canada.

CREDIT RATING AGENCY – are defined as: Moody's Investors Service (Moody's), Standard & Poor's (S&P), Fitch Ratings (Fitch), and DBRS Morningstar (DBRS). A comparability table is provided in Appendix C: Credit Rating Equivalency Chart

DBRS – Dominion Bond Rating Service: is an independent global credit rating agency based in Canada used to objectively provide ratings on financial institutions, governments and other securities.

DELIVERY VERSUS PAYMENT – there are two methods for delivery of securities: delivery versus payment and delivery versus receipt. Delivery versus payment is delivery of securities with an exchange of money for the securities. Delivery versus receipt is delivery of securities with an exchange of a signed receipt for the securities.

DIVERSIFICATION – allocating investment funds among a variety of securities and institutions offering independent returns to reduce credit and market risk.

INVESTMENT GRADE – investments that are of higher quality and security than investments that would be of a speculative or sub-quality grade.

INVESTMENT TYPE – investments per class, government or financial institution type, excluding the cash assets held at the City's lead financial institution, that fit within the parameters of Section 183 of the *Community Charter*.

LIQUIDITY – a liquid asset is one that can be converted easily and rapidly into cash without a substantial loss of value. In the securities market a security is said to be liquid if the spread between the bid and ask prices is narrow.

LONG-TERM INVESTMENT – any investment with a maturity or fund accessibility of greater than one year from the date of acquisition or initial term.

PORTFOLIO – collection of securities held by an investor.

RATING – evaluation of the likelihood of default by a security issuer. Canada Bond Rating Service and Dominion Bond Rating Service are the primary bond and money market security rating agencies in Canada. Standard and Poors, and Moody's Investor Service are American bond rating firms that also rate Canadian issuers.

SAFEKEEPING – a service to customers rendered by banks for a fee whereby securities and valuables are held in the bank's vaults for protection.

SHORT-TERM INVESTMENT – any investment in which has a maturity or fund accessibility of less than one year from the date of acquisition or the initial term.

UNRATED CREDIT RATING – if authorized investment per Section 183 of the *Community Charter* is unrated and an internal credit rating has not been determined, it shall be rated as BBB for the purposes of determining adherence to this Policy

APPENDIX "B"
CITY OF MISSION INVESTMENT PARAMETERS

Investment Type	Short-term Investments Minimum DBRS Rating	Long-term Investments Minimum DBRS Rating	Maximum Term to Maturity	Percentage of Investment Portfolio ^E per individual insitution, entity, or issuer ^F	Maximum Percentage of Total Investment Portfolio ^E per investment type ^F
Government of Canada and its agencies ^A	R-1 (high)	AAA	10 Years	No limit	No limit
Provincial Governments ^B	R-1 (low)	A	10 Years	15% 10%	No limit
Securities issued by a municipality, regional district, or greater board	R-1 (low)	AA (low)	10 Years	10% 5%	25% 15%
Schedule 1 Domestic Banks ^C	R-1 (low)	AA (low)	10 Years	15%	60% 50%
Schedule 1 Domestic Banks ^C	R-1 (low)	A	5 Years	5%	10%
Canadian Credit Unions ^D	Unrated	Unrated	5 Years	15%-10%	60% 40%
MFA Pooled Investment Funds	N/A	N/A	No limit	No limit	No limit
MFA Pooled High-Interest Savings-Accounts	N/A	N/A	5-Year-or-Less	15%	15%

^A The Government of Canada is the superior benchmark. If its DBRS rating were to decrease then all other investment type ratings would decrease by the same level(s) to become the new minimum DBRS rating.

^B Also includes securities guaranteed by a provinces such as provincial utilities, MFABC, and others

^C Schedule 2 Banks (Subsidiaries of Foreign Banks) and Schedule 3 (Branches of Foreign Banks) are not permitted.

^D The credit union must be one of the top 20 in Canada by asset size as per the most recent quarterly Canadian Credit Union Association's report on the Largest 100 Credit Unions in Canada. Furthermore, any investment in any one credit union may not exceed 1.00% of the financial institution's deposit last year-end reported deposit totals.

^E Funds held at the City's primary operating financial insitution are excluded from the percentage limits as these balances are subject to material changes. Nevertheless, the Director of Finance or delegate shall take reasonable efforts to attempt to keep the overall funds in the lead institution within reason of the total cash and investment totals.

^F During the year, as the portfolio decreases in size as funds are withdrawn, ~~or when this Investment Policy is updated~~, the percentages may be ~~longer be in compliance with~~ above limits noted in the table above. Investments need not be liquidated to rebalance the portfolio; however, consideration should be given to this matter when future subscriptions are made to ensure that appropriate diversification is maintained. ~~In such cases the portfolio is to be rebalanced with future subscriptions or redemptions in order to get back within the parameters above as soon as reasonably possible.~~

APPENDIX “C”

Credit Rating Equivalency Chart

Credit Quality	S&P		Moody's		DBRS		Fitch	
	Long-term	Canadian CP Scale (Short-term)	Long-term	Short-term	Long-term	Short-Term	Long-term	Short-Term
Superior	AAA	A-1 (high)	Aaa	p-1	AAA	R-1 (high)	AAA	F1+
	AA+	A-1 (high)	Aa1	p-1	AA (high)	R-1 (high)	AA+	F1+
	AA	A-1 (high)	Aa2	p-1	AA	R-1 (mid)	AA	F1+
	AA-	A-1 (high)	Aa3	p-1	AA (low)	R-1 (mid)	AA-	F1+
Good	A+	A-1 (mid)	A1	p-1	A (high)	R-1 (low)	A+	F1
	A	A-1 (mid)	A2	p-1	A	R-1 (low)	A	F1
	A-	A-1 (low)	A3	p-2	A (low)	R-1 (low)	A-	F2
Adequate	BBB+	A-1 (low)	Baa1	p-2	BBB (high)	R-2 (high)	BBB+	F2
	BBB	A-2	Baa2	p-2	BBB	R-2 (mid)	BBB	F3
	BBB-	A-3	Baa3	p-3	BBB (low)	R-2 (low), R-3	BBB-	F3
Speculative	BB+	B	Ba1	Not Prime	BB (high)	R-4	BB+	B
	BB	B	Ba2	Not Prime	BB	R-4	BB	B
	BB-	B	Ba3	Not Prime	BB (low)	R-4	BB-	B
Highly Speculative	B+	C	B1	Not Prime	B (high)	R-4	B+	B
	B	C	B2	Not Prime	B	R-5	B	B
	B-	C	B3	Not Prime	B (low)	R-5	B-	B
	CCC	C	Caa	Not Prime	CCC	R-5	CCC	C

RELATED POLICIES, PROCEDURES, AGREEMENTS AND/OR BYLAWS:

HUM.02(A) Standard of Conduct for Employees

C-FIN.05 Designated Signing Authorities Policy

*** END OF POLICY ***

RECORD OF AMENDMENTS/REVIEW

<u>Policy #</u>	<u>Date Adopted</u>	<u>Date Reviewed</u>	<u>Amended (Y/N)</u>	<u>Date Reissued</u>	<u>Authority (Resolution #)</u>
FIN.20	February 17, 1986				131
FIN.20	October 19, 1987				24
FIN.20		November 17, 1997	Y	November 17, 1997	97/1039
FIN.20		September 4, 2001	Y	September 4, 2001	01/887
FIN.20		February 17, 2003	Y	February 17, 2003	03/151
FIN.20		August 4, 2009	Y	August 4, 2009	RC09/507
FIN.20		November 5, 2012	Y	November 5, 2012	RC12/648
FIN.20		May 21, 2019	Y	May 21, 2019	RC19/296