



INVESTMENT

Department	Finance	Policy No.	0340-27
Section	General	Date Approved by Board	November 8, 2018
Repeals		Board Resolution #	RD/18/11/33 (08)

Amended		Board Resolution #	
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1. Purpose

- 1.1 The purpose of this Policy is to document a governance framework for the prudent management of the Peace River Regional District's investment portfolio "Fund" within an acceptable investment risk tolerance level.

2. Scope

- 2.1 This Policy applies to the investment of all cash Operating, Capital and Reserve Funds of the Peace River Regional District and Peace River Regional Hospital District.

3. Definitions

4. Policy

It is the policy of the Peace River Regional District and the Peace River Regional Hospital District (both of which to be herein referred to as the 'Regional District') to invest public funds in a manner which will provide the optimal blend of investment returns and principal protection while meeting the daily cash flow and liquidity demands of the Peace River Regional District and complying with all statutory requirements of the *Local Government Act* and *Community Charter*.

4.1 Objectives

a. Principal Protection

Preservation of capital is the foremost objective of the investment program. Investments shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall Fund. The objective is to manage credit risk and interest rate risk. To attain this objective, the Regional District will mitigate credit risk and interest rate risk as follows:

- i. Credit Risk: The Regional District will minimize credit risk, the risk of loss due to the failure of the security issue or backer, by:
 - Limiting investments to securities of high credit worthiness
 - Diversifying the investment portfolio to minimize potential losses
- ii. Interest Rate Risk: The Regional District will minimize interest rate risk, the risk that market values or yields will fall, by:



- Structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities prior to maturity
- Investing operating funds primarily in shorter-term investments

b. Liquidity

The investment portfolio shall remain sufficiently liquid to meet all operating requirements that may be reasonably anticipated. The portfolio structure should be such that maturities coincide with cash requirements, as much as reasonably possible. Since all possible cash requirements cannot reasonably be anticipated, the Fund should consist largely of securities with active secondary markets.

c. Return on Investment

The Fund shall be constructed with the objective of attaining, at minimum, a benchmark rate of return throughout varying budgetary and economic cycles, taking into account investment risk constraints and liquidity needs. Return on investment is of secondary importance compared to the preservation of capital and liquidity objectives.

d. Socially Responsible Investing

Where possible, socially responsible investing (SRI) criteria will be applied to the selection of investments. SRI screening involves selecting investments based on social and/or environmental criteria with the objective of excluding companies that have a negative social and/or environmental impact and selecting companies that make positive contributions to society and/or the environment.

4.2 Standard of Care

a. Prudence

Investments shall be made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion and intelligence exercise in the management of their own affairs, considering the probable safety of their capital as well as the probable income to be derived.

Investment officers exercising due diligence and acting in accordance with this investment policy shall be relieved of personal responsibility for credit risk or market price changes of a certain investment, provided that appropriate action is taken to control adverse developments and that such developments are reported in a timely manner.

b. Internal Controls

Management shall establish a system of internal controls, which shall be documented in writing. The internal controls shall be reviewed by an independent auditor. The controls shall be designed to prevent the loss of public funds arising from fraud, employee error, and misrepresentation by third parties.

c. Ethics and Conflict of Interest

Officers and employees involved in the investment process shall refrain from personal business activity with the same individual(s) with whom business is conducted on behalf of the Peace River Regional District. Individuals involved with the investment process shall refrain from personal business activity that could conflict with proper execution and



management of the investment program or impair their ability to make impartial investment decisions.

5. Individual Responsibilities

5.1 Delegation of Authority

Authority to manage the Peace River Regional District's investment program is derived from *Section 237 of the Local Government Act* (Appendix B).

The Peace River Regional District delegates the management of the Fund to the Chief Financial Officer (CFO) of the Peace River Regional District who may delegate tasks to other staff; responsibility and control to be retained by the CFO.

Fund Management responsibilities have been allocated as follows:

- a. Regional Board Responsibilities
 - i. Receive annual reports from the Chief Financial Officer on the performance of the portfolio in the first quarter of the following year.
- b. Chief Financial Officer Responsibilities
 - i. Calculate the rates of return on the entire Fund, based on book and market value.
 - ii. Review the Policy periodically and if appropriate make recommendations to the Regional Board for changes.
 - iii. Select investment dealers and institutions (the "Brokers") to assist the investment officer in meeting performance objectives for the Fund.
 - iv. Review the Fund's performance on a regular basis and provide a report to the Regional Board annually in the first quarter of the year.
 - v. The delegation of any responsibility not specifically mentioned in this Policy.
- c. Investment Officer Responsibilities
 - i. Select specific investments for the Fund, recognizing the quality and diversification requirements established in this Policy, and subject to approved signing authority.
 - ii. Ensure that the sum of all cash, the current account, money market securities, and coupon income expected from the fixed income instruments (i.e. bonds, GICs etc.) in a year are sufficient to cover the disbursements expected to be paid from the Fund in that year.
 - iii. Seek to maximize and preserve the investment return on the Fund, after ensuring that the foregoing liquidity, quality and diversification requirements have been satisfied.
 - iv. Manage the securities held by the Fund in accordance with this Policy and applicable legislation.

5.2 Authorization

The authorization process is accomplished by completing an "Investment Purchase Authorization" form (Appendix E). All transactions to purchase investments require an authorizing signature from the Chief Financial Officer or Financial Services Manager. In their absence, authorization can be obtained from the Chief Administrative Officer. In addition to the appropriate signature, the form requires the following documentation:

- a. A minimum of three quotations obtained for each short-term transaction



- b. A reasonable number of quotations obtained for each long-term transaction, considering the existing market conditions, prior to placement
- c. If the lowest priced security (highest yield) was not selected for purchase, an explanation describing the rationale shall be included.

The Chief Financial Officer and Financial Services Manager of the Peace River Regional District may from time to time engage consultants or other advisors to assist them in fulfilling their responsibilities.

5.3 Authorized Investment Dealers and Financial Institutions

A list will be maintained by the Investment Officer of approved investment dealers and financial institutions authorized to provide investment services. Preference will be given to investment dealers and financial institutions who are members of the [Responsible Investment Association](#) ("RIA"). Investment dealers and financial institutions that provide the Peace River Regional District with the broadest range of investment instruments will be viewed as front runners in the qualifying bidder's process.

6. **Investment Opportunities**

The following are the investments permitted in the Fund:

- a. Eligible Securities as defined in *Section 183* of the *Community Charter* (Appendix C) and *Section 16* of the *Municipal Finance Authority Act* (Appendix D).
- b. Investments in internally financed projects.

All investments must be denominated in Canadian dollars or U.S. dollars. U.S. dollar investments are not to exceed 5% of the total portfolio.

Investments in shares, warrants, or other equities, convertible debt securities, derivatives, swaps, options or futures are prohibited, and all investment categories that are not explicitly permitted are prohibited.

7. **Ratings and Constraints**

7.1 Risk Tolerance

All securities must be readily marketable.

Investment held in the Fund must be rated by at least one rating agency, namely Moody's, Standard & Poor's (S&P) or Dominion Bond Rating Service (DBRS). All investments must be Investment Grade (at least A-2 for Short-term and A for Long-term by S&P, or equivalent by DBRS or Moody's.), as classified in Appendix A. In the case where a security is rated by more than one agency listed, the higher ratings will apply.

The total Fund will be limited to the following credit rating thresholds on a weighted average basis (as defined by S&P or equivalent):

Rating	Up to %
AAA	100%
AA	90%
A	70%



The maximum exposure to a single investment security, as a percentage of the total portfolio cannot exceed 10%.

Due to market fluctuations, maximum percentages may be exceeded at a point in time. Securities need not be liquidated to rebalance the portfolio; however, consideration should be given to this matter when future purchases are made to ensure that appropriate diversification is maintained.

7.2 Portfolio Constraints

The primary constraints relate to safety of invested capital and maintaining the liquidity of the portfolio.

- a. All securities held in the portfolio shall have a maturity of ten years or less, however it is understood that the majority of assets will be invested in securities with a maturity considerably shorter than this ten year maximum. Overall, the total portfolio shall have an average term to maturity of no greater than five years.
- b. *Competitive Selection:* The purchase and sale of securities shall be transacted through a competitive process with financial institutions.
- c. *Investing Limits:* Long-term investments should not exceed 75% of prior year's total reserves. As well, investments should not be made in securities maturing more than ten years from the date of purchase.
- d. *Cash:* The deemed rating for cash, including the current account and any High Interest Savings Accounts, will be equal to the rating of the institution it is being held in.
- e. *Fully Insured Credit Union Deposits:* The deemed rating for securities issued by a Credit Union will be equal to the rating of the province that the credit union resides in.
- f. *Bank Deposits:* The deemed rating for securities issued by a bank will be equal to the credit rating of that bank.
- g. *Securities issued by a Government entity:* The deemed rating for securities issued by a Government entity will be equal to the credit rating of that municipality, province, country or equivalent.

7.3 Other Constraints

- a. The Fund shall not borrow funds to acquire securities or otherwise deal in margin trading.
- b. All investments will be made in accordance with the Code of Ethics and the Charter Financial Analyst standards (<http://www.cfapubs.org/doi/pdf/10.2469/ccb.v2014.n4.1>).
- c. All investments are to follow the above listed constraints laid out per this Investment Policy. An exception can be made when the Chief Financial Officer and the Financial Services Manager are in agreement that there is an investment opportunity that lies outside the constraints governing this policy. Any such investment must comply as an eligible investment defined in *Section 183* of the *Community Charter*. A maximum



investment allocation not exceeding 15% of the Regional District's total portfolio will be permitted for any investment that does not conform to the restraints of this policy.

8. Reporting

8.1 Reporting

The Chief Financial Officer will provide an annual report to the Board on the performance of the portfolio during the first quarter of the following year.

In addition, the investment portfolio is to be reported monthly to the Chief Financial Officer or their delegate to provide a clear picture of the status of the current investment portfolio and recent investment activities.

The short-term investment report will include the following:

- a. A listing of current holdings by investment type held at the end of the reporting period by cost & market value;
- b. The investment term in days and rate of returns of matured investments;
- c. Description, date and amount of each security transaction during the month;
- d. Percentage of the total portfolio which each type of investment class represents;
- e. Institutional holdings of all investments

The long-term investment report will include the following:

- a. A listing of current holdings by investment type held at the end of the reporting period by cost & market value;
- b. A detailed listing of bonds held, including investment cost, market value, interest realized YTD and maturity date
- c. Description, date and amount of each security transaction during the month

8.2 Department Investment Policy Adoption

The Regional District's investment policy shall be approved by the Chief Financial Officer and the Chief Administrative Officer through the internal audit role. The policy shall be reviewed periodically as required due to changes in the economy or the Regional District's requirements and any modifications made thereto must be approved by the Chief Administrative Officer.

9. Appendices

9.1 Appendix A – Credit Ratings

Grade	Moody's		Standard & Poor's		DBRS	
	Long-Term	Short-Term	Long-Term	Short-Term	Long-Term	Short-Term
Investment Grade	Aaa	P-1	AAA	A-1+	AAA	R-1 (high)
	Aa1	P-1	AA	A-1	AA (high)	R-1 (high)
	Aa2	P-1	AA	A-1	AA	R-1 (middle)
	Aa3	P-1	AA	A-1	AA (low)	R-1 (middle)
	A1	P-1	A	A-2	A (high)	R-1 (low)
	A2	P-1	A	A-2	A	R-1 (low)
	A3	P-1	A	A-2	A (low)	R-1 (low)
	Baa1	P-2	BBB	A-3	BBB (high)	R-2 (high)
	Baa2	P-2	BBB	A-3	BBB	R-2 (middle)
	Baa3	P-3	BBB	A-3	BBB (low)	R-2 (low)
Speculative Grade	Ba1	NP	BB	B	BB (high)	R-3
	Ba2	NP	BB	B	BB	R-4
	Ba3	NP	BB	B	BB (low)	R-4
	B1	NP	B	B	B (high)	R-4
	B2	NP	B	B	B	R-5
	B3	NP	B	B	B (low)	R-5
	Caa1	NP	CCC	C	CCC	R-5
	Caa2	NP	CCC	C	CCC	R-5
	Caa3	NP	CCC	C	CCC	R-5
	Ca	NP	CC	C	CC	R-5
	C	NP	R	R	C	R-5
			D	D	D	D

9.2 Appendix B – Local Government Act (Section 237) - Financial Administration

One of the officer positions established under section 234 must be assigned the responsibility of financial administration, which includes the following powers, duties and functions:

- a. receiving all money paid to the regional district;
- b. ensuring the keeping of all funds and securities of the regional district;
- c. expending and disbursing money in the manner authorized by the board;
- d. investing funds, until required, in authorized investments;
- e. ensuring that accurate records and full accounts of the financial affairs of the regional district are prepared, maintained and kept safe;
- f. exercising control and supervision over all other financial affairs of the regional district.

9.3 Appendix C – Community Charter (Section 183) - Investment of Municipal Funds

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 fully-insured credit union¹;
- h. other investments specifically authorized under this or another Act.

9.4 Appendix D – Municipal Finance Authority Act (Section 16) - Short Term Pooled Investment Funds

(1) The authority may enter into agreements with public institutions and institutions prescribed under subsection (7) under which, on the terms and conditions established in the agreements, the authority, in its own name or otherwise, holds and invests money received from the institution for the purpose of investment in pooled investment funds as permitted for the institution.

(2) The authority has the power to provide for the creation and management of pooled investment funds for the purposes of subsection (1).

(3) The trustees may invest money received for investment in a pooled investment fund in any of the following:

- a. securities that are obligations of or are guaranteed by Canada, a province, or the United States of America;
- b. fixed deposits, notes, certificates and other short term paper of or guaranteed by a savings institution, including swapped deposit transactions in the currency of the United States of America;
- c. securities issued by the authority, a municipality or regional district in British Columbia, or by a local, municipal or regional government in another province;

¹ Deposits held in BC, AB, and SK credit unions are 100% guaranteed.



- d. commercial paper issued by a company incorporated under the laws of Canada or of a province, the securities of which are rated in the highest rating category by at least 2 recognized security rating institutions;
- e. investments permitted under the provisions of the Trustee Act respecting the investment of trust property by a trustee;
- f. despite the provisions of the Financial Administration Act, pooled investment portfolios established under that Act.

(4) If money is to be invested in a pooled investment portfolio under subsection (3) (f), the Minister of Finance may enter into agreements with the authority to sell units of participation in a portfolio to the authority.

(5) At the first meeting of the authority in each year, the trustees must present a report respecting the previous year to the authority, stating all of the following:

- a. the pooled investment funds established;
- b. the public institutions investing in each fund;
- c. the volume of investments made in respect of each fund.

(6) The trustees may delegate to a committee of one or more of its trustees and officers its powers under this section, subject to the limitations the trustees may impose.

(7) The Lieutenant Governor in Council may, by regulation, prescribe institutions as institutions for which investments services may be provided under this section.

9.5 APPENDIX E – Investment Purchase Authorization Form

Investment Purchase Authorization Form			
QUOTES	#1	#2	#3
Brokerage House			
Investment Type			
Institution Issuer /			
Current Institution Holdings			
Rating and Rating Agency			
Quantity (\$)			
Term in Days			
Annual Yield (%)			
Date: _____			
Investment Officer Signature: _____			
