

# CITY OF PRINCE ALBERT BYLAW NO. 36 OF 2003

*A Bylaw of The City of Prince Albert to establish an  
Investment policy*

WHEREAS Section 132 of "The Cities Act" requires the establishment of a policy setting out the types of investments in which the City is authorized to invest its available funds.

NOW THEREFORE the Council of The City of Prince Albert, in the Province of Saskatchewan, formally enacts as follows:

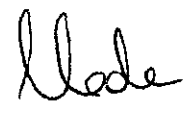
1. That the City will invest all its available funds in accordance with the City of Prince Albert Investment Policy, as attached, and;
2. This Bylaw shall come into force and take effect on, from and after the final passing thereof.

INTRODUCED & READ A FIRST TIME THIS 20th DAY OF OCTOBER , A.D. 2003.

READ A SECOND TIME THIS 20th DAY OF OCTOBER , A.D. 2003.

READ A THIRD TIME AND PASSED THIS 20th DAY OF OCTOBER , A.D. 2003.

  
MAYOR

  
CITY CLERK



# City of Prince Albert

## Policies & Procedures

Title: Investment Policy for The City of Prince Albert		Number:
Reference:		
Adopted By:	Effective Date: November 1, 2003	Revision Number:
Prepared By:	Last Revision Date:	Supersedes:

### 1. PURPOSE:

The purpose of the policy is to provide specific guidelines regarding the portfolio management of The City of Prince Albert's (City) investment assets. This policy ensures that City Portfolios are invested to primarily achieve the preservation of capital, the maintenance of liquidity sufficient to meet on going financial requirements and to maximize return on investment.

### 2. DEFINITIONS:

#### 2.1 Bonds

- evidence of indebtedness carrying a fixed term to maturity of one year or longer, but not including mortgages.

#### 2.2 Money Market Securities

- evidence of indebtedness carrying a fixed term to maturity of 364 days or less.

#### 2.3 City Portfolios

- refers to the investment portfolios managed by the City Treasurer.

#### 2.4 Bond Portfolio

- represents all bonds held within City portfolios other than the pension funds, boards and commissions.

#### 2.5 Money Market Portfolio

- represents all money market securities held within City portfolios other than pension funds, boards and commissions.



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## 2.6 Investment Committee

- consists of Director of Financial Services, Finance Manager and City Comptroller. Responsible for implementing the investment strategies as per the investment policy.

## 2.7 "Prudent Person Principle"

- a "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.

## 2.8 Bond Rating Service

- a corporation whose primary business mandate is to analyze the audit-worthiness of debt securities issued by all levels of government and corporations and make recommendations as to the risk level of such debt. Debt ratings refer to the ratings issued by Dominion Bond Rating Service (DBRS) or other recognized bond rating services (i.e. Standard & Poors, Moody's Investor Services).

## 2.9 Rating Definitions

- (rating categories as per DBRS):

### a) Money Market Ratings

#### i) R-1 High

- Highest credit quality, unquestioned ability to repay assessed liabilities as they fall due.

#### ii) R-1 Middle

- superior credit quality, above average strength in key areas of consideration for debt protection.

#### iii) R-1 Low

- Satisfactory credit quality, considerations for debt repayment still respectable.



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## iv) R-2 High, R-2 Middle, R-2 Low

- debt rated "R-2" is of adequate credit quality and within the three subsequent grades, debt protection ranges from having reasonable ability for timely repayment to a level which is considered only just adequate.

## v) R-3 High, R-3 Middle, R-3 Low

- debt rated "R-3" is speculative and within the three subsequent grades, the capacity for timely payment ranges from mildly speculative to doubtful.

## b) Bond Ratings

### vi) AAA

- bonds rated "AAA" are of the highest credit quality with exceptionally strong protection for the timely repayment of principal and interest

### vii) AA

- bonds rated "AA" are of superior credit quality and protection of interest and principal is considered high, they differ from bonds rated "AAA" only to a small degree.

### viii) 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.

### ix) BBB

- bonds rated "BBB" are of adequate credit quality. Protection of interest and principal is considered adequate, but the entity is more susceptible to adverse changes in financial and economic conditions.



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## x) BB

- bonds rated "BB" are defined to be speculative where the degree of protection afforded interest and principal is uncertain particularly during periods of economic recession.

## 3. POLICY:

### 3.1 Approved purchases: The following securities are approved for purchase:

#### a) Money Market Securities

- i) Obligations of the Government of Canada or of a crown corporation guaranteed as to payment of principal and interest by the Government of Canada.
- ii) Obligations of any of the following issues provided such issuer is assigned a credit rating by DBRS of not lower than "R-1" Low, or equivalent rating assigned by a recognized bond rating service:
  - a) A Province of Canada or of a provincial crown corporation guaranteed as to payment of principal and interest by a province;
  - b) A municipality or city of Canada;
  - c) A chartered bank, credit union or trust company;
  - d) A Canadian corporation

#### b) Bonds

- i) Obligations of the Government of Canada or of an agency of the Government of Canada, which carries the guarantee of the government;
- ii) Obligations of a Province of Canada or of a provincial crown corporation carrying the guarantee of its province, provided that the obligations to be purchased are assigned a "DBRS" credit rating of "A" or higher, or equivalent rating;



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- iii) Obligations of a municipal government, school unit or school district in Saskatchewan or in debentures issued under The Union Hospital Act, provided that the obligations to be purchased are assigned a DBRS credit rating of "A" or higher, or equivalent rating;
- iv) Obligations of other Canadian municipalities or their associated school boards, provided that the obligations to be purchased are assigned a DBRA credit rating of "A" or higher, or equivalent rating; and
- v) Obligations of a Canadian Corporation, provided that the obligations to be purchased are assigned a DBRS credit rating of "A" or higher or equivalent rating.

### 3.2 Investment Limitations

- all securities approved in this policy are subject to City policy, statutory regulations and the "prudent person" principle.

#### a) Money Market Securities

- i) Obligations of issuers qualified under Section 3, Subsection 3.2a)ii) are subject to the following restrictions on a per individual issuer basis:

Rating	Investment Limit
Gov't of Canada or agency of the Gov't market of Canada	100% of the money market portfolio
R-1 High money market	100% of the money market portfolio
R-1 Middle money market	30% of the money market portfolio
R-1 Low money market	15% of the money market portfolio

- ii) Short term notes issued by Canadian corporations (excluding banker's acceptance) shall not exceed 60% of the money market portfolio.
- iii) In the event the rating of a money market security is down graded below the minimum acceptable credit rating [Section 3, Subsection 3.1a)ii)] or exceeds the percentage limits [Section 3, Subsection 3.2a)i)] as outlined in this policy, the City



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Treasurer shall sell the investment, allowing a reasonable period of time to mitigate the negative impact of the money market investment.

## b) Bonds

- i) There shall be no restrictions on the purchase of securities offered by or unconditionally guaranteed by the Government of Canada.
- ii) A minimum of 20% of the bond portfolio must be invested or shall be comprised of securities offered by or unconditionally guaranteed by the Government of Canada and/or the City of Prince Albert.
- iii) The aggregate of securities offered by or unconditionally guaranteed by an individual province shall not exceed 30% of the bond portfolio.
- iv) The aggregate of securities offered by or unconditionally guaranteed by an individual municipality shall not exceed 10% of the bond portfolio.
- v) Obligations of a school unit or school districts in Saskatchewan or in debentures issued under The Union Hospital Act may be purchased to a maximum of \$1,000,000 for each issuing school unit or school district provided that the total of such holdings does not exceed 20% of the bond portfolio.
- vi) The aggregate of municipal securities held shall not exceed 40% of the bond portfolio.
- vii) The aggregate of securities offered by or unconditionally guaranteed by any of the six major banks (TD, Bank of Nova Scotia, Royal Bank, Bank of Montreal, Canadian Imperial Bank of Commerce, Hong Kong Bank of Canada) shall not exceed 50% of the bond portfolio.
- viii) The aggregate of securities offered by or unconditionally guaranteed by an individual corporation shall not exceed 5% of the bond portfolio (excluding corporations listed in 3.2b)vii).



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- ix) The aggregate of corporate securities held shall not exceed 20% of the bond portfolio (excluding corporations listed in 3.2b)vii).
- x) In the event the rating of a bond is downgraded below the minimum acceptable credit rating [Section 3 Subsection 3.1b)] or exceeds the percentage limits [Section 3, subsection 3.2b)] as outlined in this policy, the City Treasurer shall sell the investment, allowing a reasonable period of time to mitigate the negative impact of the bond.

### 3.3 Term Structure

- a) The investment portfolio will be structured with the objective of attaining a rate of return throughout budget and economic cycles commensurate with the City's investment risk constraints and the cash flow parameters for the City as a whole. Any cash requirement in one portfolio will be (when ever possible) matched with another portfolio with extra cash.
- b) The weighted average term to maturity of the Bond Portfolio shall not exceed 7 years.
- c) The term structure of each security held in the Bond Portfolio shall not exceed 10 years.

### 3.4 Tendering/Acquisition Process

- a) The City's investment strategy is to buy and hold investments to maturity unless:
  - i) Quality or rating of investment is reduced such that holding the investment is in contravention of this policy
  - ii) Cash requirements require the necessity of selling an investment.
- b) The City shall acquire investments through a fax tendering process. Periodically unusual circumstances exist wherein time constraints preclude the use of a tender. The Director of Financial may authorize these transactions if, in his opinion, there is a material benefit to the City.



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- c) At the time of tendering, all interested brokerage firms will be provided with the specific requirements. Terms of the tender may include investment rating, sum of money to invest, term to maturity and category of investment.
- d) The tenders will be evaluated to ensure compliance with this policy. The bid with the highest annual yield that is compliant with the policy shall be accepted.

## 4. RESPONSIBILITIES

### 4.1 Director of Financial Services – is responsible for:

- a) Developing and maintaining Investment Procedures that provide city personnel with the guidelines and, where appropriate, the specific action sequences to ensure uniformity, compliance and control of investment activities.
- b) Preparing quarterly reports for City Council summarizing the City's investment activity.
- c) Reporting non-compliance of the approved investment policy to Council with reasons.