

Revised Policy FIN-001-007 Investments**Report Purpose**

To seek Council approval of the amendments to Policy FIN-001-007 Investments.

Recommendation

THAT revised Policy FIN-001-007 Investments, as set out in enclosure 1 of the November 28, 2023 Financial and Strategic Services report, be approved.

Our Prioritized Strategic Goals

Goal 4 - Municipal Excellence

Governance Requirement

Goal 4 Priority - Optimal use of resources that meets the community's needs

Report

In response to Council's inquiries and Administration's aspiration for continuous improvement, we have carried out a reassessment of our investment processes and transitioned to an external investment management model.

To provide context of the benefits to the new approach it is important to understand our existing practice. The long-standing investment process has been centered around a Request for Quote (RFQ) system. This process asks various financial institutions to provide quotes for specific investments for specific time horizons. This restricts the investment opportunity set to what is requested in the quote. All of the investment management decisions remain "in-house" and do not use the assistance of professional investment managers. Without the assistance of professional oversight, the investment portfolio is subject to behavioral biases that have historically caused an under-optimized portfolio (ie. holding significant amounts in short term investments or cash) and lead to lower investment revenue. There is no support, advice, or ongoing monitoring of the investments using the RFQ system. Investments have historically been held-to-maturity and as such, the County could not take advantage of excess gains on the investments due to market fluctuations over time. This overly conservative approach has led to screening criteria that neglects opportunities and unknowingly maintains portfolios with characteristics that do not meet the County's long-term objectives.

By moving to professional investment oversight, the portfolio will be fully optimized to maximize investment revenues and meet the County's unique objectives. This will assist in materially increasing investment returns without sacrificing preservation of capital, liquidity, or policy and MGA compliance. The portfolio will be continuously monitored for opportunities to increase yield and crystallize excess-gains when available. Based on the current forecast for lower future interest rates, professional managers can help to minimize 'reinvestment risk', leading to higher-for-longer investment revenues and more stable projected returns over time to assist with budgeting. In addition, by ensuring strict adherence to the CFA Code of Ethics and Standards of Professional Conduct and the Asset Manager Code, all parties involved in the investment process will be held to the highest standards in the

investment industry. The professional investment managers will also be able to support the County in other areas, such as: forecasting, economic and market data, and reporting support. All investment decisions will still be required to have internal approval prior to proceeding to ensure that the investments align with the County's unique investment goals and objectives. Short-term cash management can be maintained internally to ensure working capital requirements are met over the normal life cycle of cash flows.

The investment policy is a document that governs all investment decisions for the County. The policy will help address the following factors in detail: risk and return objectives, time horizon, liquidity needs, legislative requirements and any other unique considerations. This document integrates the County's needs, unique objectives and preferences into a statement of objectives and constraints. Those objectives, in no particular order are: preservation of capital, maintenance of liquidity, rate of return, risk mitigation and compliance with the *Municipal Government Act*.

The investment policy is updated periodically to ensure that the goals and objectives outlined in the policy are still relevant with current objectives and the market environment. The proposed updates are part of the regular review process with no material changes. The majority of the changes are further refining parameters to ensure clarity, mitigate risk and provide ethical guidelines for all investment related matters. The changes will make the policy more robust, increase diversification and reduce interest rate risk.

The revised policy is compliant with the *Municipal Government Act*.

Council and Committee History

April 7, 2015	Council approved Policy FIN-001-007 as revised.
December 9, 2008	Council approved revision to Investment Policy FIN-001-007.
August 21, 2007	Council approved revisions to Municipal Policy FIN-001-007 – Investments.
May 15, 2001	Council approved the revised POLICY FIN-001-007: Investments AS AMENDED.
September 12, 1995	Council approved the revised POLICY FIN-001-007: Investments AS AMENDED.
May 29, 1986	Council approved the Investment Policy dated February 21, 1986.

Other Impacts

Policy: FIN-001-010 Financial Reporting

Legislative/Legal:

Municipal Government Act, RSA 2000, cM-26; Municipal Investment Regulation, Alta Reg 149/2022.

The selection of investment oversight was done in compliance with all the applicable legislation and procurement processes.

Financial/Budget: n/a

Interdepartmental: Legislative and Legal Services

Master Plan/Framework: n/a

Enclosures

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Associate Commissioner: Jennifer Cannon, Chief Financial Officer and Associate Commissioner, Corporate Services
Lead Department: Financial and Strategic Services

- 1 Revised - FIN-001-007 Investments Policy
- 2 Existing - FIN-001-007 Investments Policy
- 3 Changes - FIN-001-007 Investments Policy
- 4 Investment Policy Update presentation