

**REGIONAL DISTRICT OF OKANAGAN-SIMILKAMEEN  
BOARD POLICY**

**POLICY:** Investment Policy

**AUTHORITY:** Board Resolution dated December 20, 2018.

**POLICY STATEMENT**

The Regional District of Okanagan Similkameen shall invest corporate FUNDS in a manner to ensure the safety, liquidity and highest yield are achieved, in that priority order.

**APPLICATION**

This policy applies to the investment of operating, capital, and reserve FUNDS.

**PURPOSE**

The purpose of this Policy is to document a governance framework for the prudent management of the Regional District of Okanagan Similkameen's investment portfolio "FUND" within an acceptable investment risk tolerance level.

**DEFINITIONS**

**"BOARD"** means the Board of Directors for the Regional District of Okanagan Similkameen;

**"BROKER"** means an investment dealer or institution;

**"CAO"** means the Chief Administrative Officer for the RDOS;

**"DESIGNATED OFFICER"** means an employee of the RDOS designated in writing by the CAO to administer this policy, or sections of this policy;

**"FUND"** means all RDOS cash available for investment.

**"LIQUIDITY"** means an asset that can be converted easily and quickly into cash.

**"RDOS"** means the Regional District of Okanagan Similkameen.

**"RIA"** means the Responsible Investment Association

**"YIELD"** means the current rate of return on an investment security, generally expressed as a percentage of the security's current price.

**RESPONSIBILITIES**

**1. DELEGATION OF AUTHORITY**

Authority to manage the RDOS investment program is derived from S. 3.38 of the CAO Delegation Bylaw 2793.

FUND Management responsibilities have been allocated as follows:

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## **BOARD Responsibilities**

- Approval and amendment of the Investment Policy

## **CAO Responsibilities**

- Calculate the rates of return on the entire FUND, based on book and market value.
- Review the Policy periodically and if appropriate make recommendations to the BOARD for changes.
- Review the FUND's performance on a regular basis and provide a report to the BOARD annually in the first quarter of the year

## **DESIGNATED OFFICER Responsibilities**

- Select a BROKER to assist in meeting performance objectives for the FUND.
- Select specific investments for the FUND, recognizing the quality and diversification requirements established in this Policy, and subject to approved signing authority.
- 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.
- Seek to maximize and preserve the investment return on the FUND, after ensuring that the foregoing safety and liquidity requirements have been satisfied.
- Manage the securities held by the FUND in accordance with this Policy and applicable legislation.

The RDOS may from time to time engage a BROKER or other advisors to assist them in administering this policy.

## **2. AUTHORIZED INVESTMENT DEALERS AND FINANCIAL INSTITUTIONS**

A list will be maintained by the DESIGNATED 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 RIA. Investment dealers and financial institutions that provide the RDOS with the broadest range of investment instruments will be viewed as front runners in the qualifying bidder's process.

## **PROCEDURES**

### **1. CHOICE OF INVESTMENT OPPORTUNITIES**

The following are the investments permitted in the FUND.

- Eligible Securities as defined in *Section 183 of the Community Charter (Appendix A)* and *Section 16 of the Municipal Finance Authority Act*.
- 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.

### **2. RATINGS AND CONSTRAINTS**

#### **A. RISK CONSTRAINT**

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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 Government Grade (at least BBB by S&P, or equivalent by DBRS or Moody's.) 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%
BBB	30%

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

The maximum exposure to any one counterparty, as a percentage of the total portfolio cannot exceed 20%.

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.

## B. PORTFOLIO CONSTRAINTS

### Safety:

- Safety of principal 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 portfolio. The objective will be to mitigate credit risk and interest rate risk.
- The RDOS will minimize the risk that the market value of securities in the portfolio will fall due to changes in general interest rates, by:
  - Structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity.
  - Investing operating funds primarily in shorter-term securities, money market funds, or similar investment pools.
- **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.
- **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.

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- **Bank Deposits:** The deemed rating for securities issued by a bank will be equal to the credit rating of that bank.
  - **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 province, country or equivalent.

## Liquidity

- The investment portfolio shall remain sufficiently liquid to meet all operating requirements that may be reasonably anticipated. This is accomplished by structuring the portfolio so that securities mature concurrent with cash needs to meet anticipated demands.

## Yield

- The investment portfolio shall be designed with the objective of attaining a market rate of return throughout budgetary and economic cycles, taking into account the investment risk constraints and liquidity needs. Return on investment is of secondary importance compared to the safety and liquidity objectives described above. The core of investments is limited to low risk securities in anticipation of earning a fair return relative to the risk being assumed. Securities shall not be sold prior to maturity unless liquidity needs require it.

## C. OTHER CONSTRAINTS

- The FUND shall not borrow funds to acquire securities or otherwise deal in margin trading.
- All investments will be made in accordance with the Code of Ethics and the Charter Financial Analyst standards.
- All investments are to follow the above listed constraints laid out per this Investment Policy. An exception can be made with approval by the BOARD upon the recommendation of the CAO. 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 RDOS total portfolio will be permitted.

## D. REPORTING

### Methods

- The DESIGNATED OFFICER shall prepare an investment report annually including a management summary that provides an analysis of the status of the current investment portfolio and transactions made over the last year. This management summary will be prepared in a manner that will allow the BOARD to ascertain whether investment activities during the reporting period have conformed to the investment policy. The report will include the following:
  - (1) Listing of individual securities held at the end of the reporting period.
  - (2) Average weighted yield to maturity of portfolio on investments as compared to applicable benchmarks.
  - (3) Listing of investment by maturity date.
  - (4) Percentage of the total portfolio that each type of investment represents.

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## Performance Standards

- The investment portfolio will be managed in accordance with the parameters specified within this policy. The portfolio should obtain a market average rate of return during a market/economic environment of stable interest rates. During the annual budget process benchmarks shall be established against which portfolio performance shall be compared on a regular basis.