
TOWN OF BRIDGEWATER
POLICY
INVESTMENT

Policy No.	108
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Purpose

1. To provide general investment principles, rules and delegated authority for managing and monitoring the investments of the Town of Bridgewater (“Town”). Adherence to the Investment Policy will ensure compliant and effective investment management and assist in achieving the strategic goals and growth objectives of the Town.

Policy Statement

2. It is the policy of the Town to invest excess, reserve and trust funds in a prudent manner that will provide optimum investment returns with the maximum security, while meeting any cash flow requirements of the Town. Our investments must conform to the policies and guidelines set forth below, as well as operate within the language and spirit of legislative requirements of the Province of Nova Scotia and including, but not limited to section 100 of the *Municipal Government Act*.
3. The policy will also:
 - a. Ensure integrity and transparency of the investment management process when investing public funds;
 - b. Establish a structure to govern the investment activities for the Town of Bridgewater (the “Town”).
 - c. Direct the composition of the investment portfolio for:
 - i. Excess operating and capital cash flow
 - ii. Reserve Accounts and Reserve Funds
 - iii. Trust Funds
 - iv. Sinking Funds
 - v. Utility Depreciation Fund

Scope/Application

4. All those involved with the management of the Town investments are required to comply with the contents of this policy.

Authority

5. Section 100 of the *Municipal Government Act* provides the Town of Bridgewater with the authority to invest funds in a Reserve Fund, Trust Fund, Sinking Fund, utility depreciation fund or other fund of the Town. The Investment Policy has been adopted by the Town of Bridgewater pursuant to Section 100(1)(b) of the *Municipal Government Act*.

Objectives

6. The primary objectives of the investment policy, in priority order, are as follows:

- a. Legality

Section 100 of the *Municipal Government Act* provides the Town of Bridgewater with the authority to invest funds held in a sinking fund, operating reserve, capital reserve, utility depreciation fund or other fund of the Town. The investment Policy has been adopted by the Town of Bridgewater pursuant to Section 100(1)(b) of the *Municipal Government Act* and the Investment Policy shall govern all of the Town of Bridgewater investments.

Investment activity will be conducted in accordance with all Provincial legislation and regulations and in accordance with the Investment Policy.

- b. Preservation of Capital

The Town recognizes its fiduciary responsibility for the stewardship of funds it has been entrusted. Therefore, the prime objective of this policy is to ensure that the principal amount of each investment is insulated from losses due to market conditions and issuer default. To accomplish this objective, the Town will maintain minimum quality standards for all individual investments held, and mandate sufficient diversification within the portfolio itself.

- c. Liquidity

- i. The investment portfolio will be sufficiently liquid in order to enable the Town to meet any projected or sudden cash flow requirement which might reasonably be expected to occur.
- ii. For the purpose of this policy, the Town defines liquidity as the ability to convert an investment into cash with minimal risk associated with loss of principal or accrued interest, taking into consideration any costs associated with converting investments into cash.

d. Competitive Return on Investments

The investment portfolio shall be designed with the objective of attaining a competitive and reasonable market rate of return in the context of financial market conditions prevailing in Canada. Maintaining a return on investment is secondary in importance to legality, preservation of capital, and liquidity requirements.

Standard of Care

7. Investments are to be made with judgment and care, under prevailing circumstances, which persons of discretion and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of capital and income to be derived.
8. Town of Bridgewater staff exercising due diligence and acting in accordance with procedure and this investment policy, shall be relieved of personal responsibility for any individual security's credit risks or market price changes, provided deviations from expectations are reported in a timely fashion and the liquidation or the sale of securities are carried out in accordance with the terms of this policy.
9. Delegation of Authority - the Director of Finance has overall responsibility for prudent investment of the Town's portfolio. The Director of Finance (or designate) is responsible for the implementation of the investment program and the establishment of investment procedures consistent with this policy. Such procedures include explicit delegation of authority to persons responsible for investment transactions. No person may engage in an investment transaction except as provided under the terms of this Policy.

Conflict of Interest / Ethics

10. Officers, employees, and persons involved in the investment process shall refrain from personal business activity that could reasonably conflict with the proper execution of their responsibilities, or which could reasonably impair their ability to make impartial investment decisions. Officers and employees shall disclose to their manager any material interests in financial institutions that conduct business with the Town, and they shall subordinate their personal investment transactions to those of the Town, particularly with regard to the timing of purchases and sales.
11. This guideline also extends to any external investment management firms utilized by the Town to manage its portfolio.
12. External investment management firms will strictly adhere to the CFA Institute Code of Ethics and Standards of Professional Conduct and the CFA Institute Asset Manager Code of Professional Conduct (<https://www.cfainstitute.org/en/ethics-standards/ethics/code-of-ethics-standards-of-conduct-guidance>).

Credit Quality

13. Investments in the portfolio will ensure preservation of capital and adhere to the following credit quality restrictions:

Debt Rating Category	Minimum	Maximum
"BBB" or lower	0 %	0 %
"A"	0 %	75 %
"AA" or higher	25 %	100 %

14. Investments rated below "A (low)" or equivalent at time of purchase are not permitted. If a security's credit rating falls below "A (low)" after time of purchase, it shall be removed from the portfolio as soon as practical.

15. The only eligible investments for surplus funds of the Town are bonds, bills, Guaranteed Investment certificates, deposit accounts, or other money market, fixed income or debt instruments of the following institutions or corporations:

- a. Government of Canada;
- b. Province of Nova Scotia;
- c. other Provincial Governments of Canada;
- d. chartered banks, trust companies and credit unions having a rating of "R1 Medium" or better;
- e. credit unions covered by the Nova Scotia Stabilization Fund;
- f. institutions covered by the Canadian Deposit Insurance Corporation, but only up to the extent of the insured limit;
- g. for medium or long-term surplus funds only, Canadian companies having a Bond rating of "A" and a Commercial Paper rating of "R1 Medium" or better from the Dominion Bond Rating Service; and/or
- h. investment pools approved by the Minister of Housing and Municipal Affairs.

16. All ratings refer to the ratings of the Dominion Bond Rating Service Ltd. (DBRS).

17. In the event that DBRS does not rate a security, ratings from any of the other agencies allowed by the *Municipal Government Act*.

18. Securities with a maturity date of less than one year (i.e. money market) must have a minimum rating of R-1 (low) from the date of issue.

Portfolio Diversification and Restraints

19. The following constraints shall apply to the portfolio. All percentages used below are based on market value.

a. All investments shall be denominated in Canadian dollars.

b. Not more than 20% of the portfolio shall be invested in any single security.

c. Not more than 35% of Long Term Investments (maturities greater than one year) shall be invested in any single issuer, except for securities of or fully guaranteed by the government of Canada or a province of Canada.

Duration (Interest Rate Anticipation)

20. The duration of the portfolio will at all times be maintained in accordance with maximum term to maturity in accordance with Schedules A and B.

21. The Town shall take advantage of trading opportunities presented by fluctuations in the yield curve.

Short Term Investments – Return and Performance Standards

22. The FTSE/TMX 91 day T-Bill index will be used as the benchmark to determine whether acceptable short-term market yields are being achieved. Investments will be reviewed in the event of under-performance and adjusted if necessary.

Safekeeping and Custody

23. All investment certificates shall be issued in the name of the Town.

24. Investment certificates may be held for safekeeping by the relevant financial institution.

25. Responsibility for the safekeeping of assets, income collection, settlement of investment transactions, and accounting for investment transactions is delegated to a trust company custodian duly registered in Canada.

26. Adherence to reporting requirements in accordance with Public Sector Accounting Board (PSAB) and International Financial Reporting Standards (IFRS), depending on entity (ie Town vs. Public Service Commission).

Monitoring and Compliance

27. The CAO or appointed delegate will review and reassess the Policy and investment guidelines outlined in the schedules, at least every two years and more frequently if required.
28. If, at any time, the policy cannot be met or may restrict performance, the policy may then be changed provided that the policy changes are approved by Council.
29. Should the CAO or Director of Finance or appointed delegate find that investments were not made in compliance with this Policy, that individual shall report the inconsistency to Council within 30 days after becoming aware of it.
30. If at any time a security and/or allocation within the portfolio(s), in the CAO or Director of Finance or appointed delegate's opinion, is not in adherence with the Town of Bridgewater's Investment Policy and/or subsection 100 (1) (b) of the *Municipal Government Act*, then the security and/or allocation must be liquidated and/or brought into compliance within 180 days.

Investment Income

31. For investment purposes, funds available for investment may include money held in an operating or capital fund, reserve fund, trust fund or sinking fund. The allocation of earnings from combined investments shall be credited to each separate fund the income pertains to or in accordance with the appropriate policy, such as Policy 21 - Reserve Funds, Policy 106 - Operating Reserve and Policy 107 - Capital Reserve.

Application

32. This policy applies to the investment of all funds made by or on behalf of the Town, its commissions, agencies and boards. This includes, but is not limited to, operating and capital funds, reserve funds, trust funds, sinking funds and excludes investments covered under Policy 55 - Statement of Pension Plan & Group RRSP Investment.

References and Resources

33. This policy should be read and applied in conjunction with the following references and resources as updated from time to time.
 - a. *Municipal Government Act*
 - b. CFA Institute Code of Ethics and Standards of Professional Conduct
 - c. CFA Institute Asset Manager Code of Professional Conduct

Schedule A: Short-Term Investment Portfolio

Short-Term Investment Portfolio				
Sector/Securities:	Limit Per Issuer	Total Portfolio Limit	Minimum DBRS Credit Rating	Maximum Term of Maturity
Government of Canada or Agencies	Unlimited	Unlimited	N/A	18 Months
Provincials	Unlimited	Unlimited	N/A	18 Months
Municipals	35%	Unlimited	N/A	18 Months
Schedule I Banks	35%	Unlimited	R-1 (low) / A (low)	18 Months

Schedule B: Long-Term Investment Portfolio

Long-Term Investment Portfolio				
Sector/Securities:	Limit Per Issuer	Total Portfolio Limit	Minimum DBRS Credit Rating	Maximum Term of Maturity
Government of Canada or Agencies	Unlimited	Unlimited	N/A	15 Years
Provincials	Unlimited	Unlimited	N/A	15 Years
Municipals	35%	Unlimited	N/A	15 Years
Schedule I Banks	35%	Unlimited	A (low)	15 Years

Schedule C: Dominion Bond Ratings Service Credit Quality

Commercial Paper and Short Term Debt		Bond and Long Term Debt	
Symbol	Credit Quality	Symbol	Credit Quality
R-1 (high)	Highest	AAA	Highest
R-1 (middle)	Superior	AA	Superior
R-1 (low)	Satisfactory	A	Satisfactory
R-2 (high)	Adequate	BBB	Adequate
R-2 (middle)	Adequate	BB	Speculative
R-2 (low)	Adequate	B	Highly Speculative
R-3 (high)	Speculative	CCC	Very Highly Speculative
R-3 (middle)	Speculative	CC	Very Highly Speculative
R-3 (low)	Speculative	C	Very Highly Speculative
D	In Arrears	D	In Arrears
R	Not Rated		