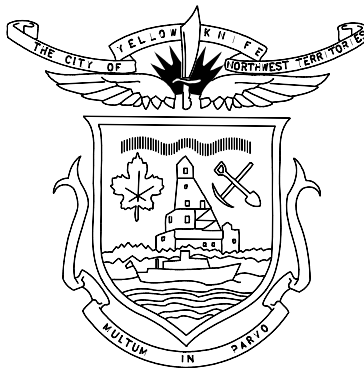


THE CITY OF YELLOWKNIFE

NORTHWEST TERRITORIES



CONSOLIDATION OF INVESTMENT POLICY BY-LAW NO. 4499

Adopted December 8, 2008

AS AMENDED BY

By-law No. 4624 - May 24, 2011

(This consolidation is prepared for convenience only.
For accurate reference, please consult the
City Clerk's Office, City of Yellowknife)

Docs #205027

**CITY OF YELLOWKNIFE
BY-LAW NO. 4499**

A BY-LAW of the Council of the Municipal Corporation of the City of Yellowknife in the Northwest Territories, to provide for the administration of the investments of the City of Yellowknife.

PURSUANT TO SECTION 128 of the *Cities, Towns and Villages Act*, S.N.W.T 2003, c. 22;

WHEREAS the Council of the Municipal Corporation of the City of Yellowknife wishes to adopt provisions for the responsible investment of funds held by the Municipal Corporation of the City of Yellowknife;

NOW, THEREFORE, THE COUNCIL OF THE MUNICIPAL CORPORATION OF THE CITY OF YELLOWKNIFE, in regular sessions duly assembled, enacts as follows:

SHORT TITLE

1. This By-law may be cited as the Investment Policy By-law.

DEFINITIONS

2. In this by-law:

"Audit Committee" means a permanent committee responsible to oversee the financial reporting process on behalf of Council and the public;

"City" means the Municipal Corporation of the City of Yellowknife in the Northwest Territories established under the *Cities Towns and Villages Act*;

"City Administrator" means the Senior Administrative Officer of the City appointed pursuant to the *Cities, Towns and Villages Act* of the Northwest Territories and includes any person appointed or designated by the City Administrator to act on his or her behalf;

"Council"	means the Municipal Council of the City;
"Council Member"	means the Mayor or a Councillor;
"Employee"	means any employee of the City;
"Investment Advisor"	means any investment firm contracted to provide investment management services on behalf of the City;
"Investment Manager"	means the Investment Manager, as appointed by the City Administrator.

as amended by By-law No. 4624 May 24, 2011

"Municipal Purpose Corporation"	means a corporation established for a municipal purpose in accordance with Section 67 of the <i>Cities, Towns and Villages Act</i> .
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APPLICATION

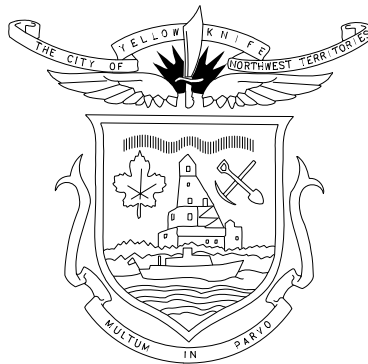
3. This by-law provides for the comprehensive regulation of investment activities of the City.
4. Any investment activity undertaken by the Investment Manager shall be carried out in accordance with the provisions of Schedule "A" attached hereto and forming part of this by-law.

EFFECT

5. That this by-law shall come into effect upon receiving Third Reading and otherwise meets the requirements of Section 128 of the *Cities, Towns and Villages Act*.

THE CITY OF YELLOWKNIFE

NORTHWEST TERRITORIES



**INVESTMENT POLICY
BY-LAW NO. 4499**

SCHEDULE "A"

Adopted December 8, 2008

**INVESTMENT POLICY
SCHEDULE "A"
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PURPOSE

This policy is established to ensure that funds which the City may receive by way of cash flows, surpluses, trust funds, reserves, or any other source, are invested to provide optimal returns after due consideration of yield, term, security, and diversification.

POLICY

It is the policy of the City to invest public funds in a manner which will provide the highest investment return with the maximum security while meeting its daily cash flow requirements and conforming to all territorial statutes and regulations governing the investment of public funds.

APPLICATION

Scope

1. This investment policy applies to all funds of the City on deposit or invested in investment securities which are surplus to the City's anticipated cash requirements over the period that the investment policy is in place.
2. The funds are accounted for in the City's Annual Audited Financial Report and include:
 - a. Operating Funds
 - b. Reserve Funds
 - c. Any new fund created by the City, unless specifically exempted.
3. Any interest earned will be allocated to the Operating or Reserve Fund from which the investments were made.
4. This investment policy will apply for no more than five years from the date that the by-law receives Third Reading. The policy shall be reviewed annually by Council.

Prudence

5. Investments are to be made with judgement and care - under circumstances then prevailing - that persons of prudence, discretion and intelligence would exercise considering the probable safety of capital as well as the probable income to be derived.

6. The standard of prudence to be used by investment officials shall be the "prudent person" standard and shall be applied in the context of managing an overall portfolio. Employees acting in accordance with written procedures and the investment policy, and exercising due diligence, shall be relieved of personal responsibility for an individual security's credit risk or market price changes, provided deviations from expectations are reported to the City Administrator in a timely fashion and appropriate action is taken to control adverse developments.

Investment Objectives

7. The primary objectives, in order of priority, of the City's investment activities shall be:
 1. **Safety**
Investments for the City shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio.
 2. **Liquidity**
The City's investment portfolio will remain sufficiently liquid to enable the City to meet all operating requirements which might be reasonably anticipated.
 3. **Return on Investment**
The City's investment portfolio shall be designed with the objective of attaining a market rate of return throughout budgetary and economic cycles, taking into account the City's investment risk constraints and the cash flow characteristics of the portfolio.
8. These objectives shall be met by ensuring an appropriate diversification strategy is in place and by ensuring that the securities in the City's investment portfolio are invested for terms that will meet the City's projected cash flow requirements.

Authority

9. Authority to manage the City's investment program is derived from the following:
 - a. Sections 126 through 128 of the *Cities, Towns and Villages Act*;
 - b. *Cities, Towns and Villages Investment Regulations*; and
 - c. Council Resolutions.
10. Management responsibility for the investment program is hereby delegated to the City Administrator or his/her delegate, who shall establish procedures for the operation of the investment program consistent with this investment policy.
11. No investment transaction shall occur without the approval of both the City Administrator and the Investment Manager.
12. No person may engage in an investment transaction except as provided under the terms of this policy.
13. The Investment Manager shall be responsible for all transactions undertaken and shall establish a system of controls to regulate the activities of subordinate officials and the Investment Advisor.

Ethics and Conflict of Interest

14. Council Members and employees involved in the investment process shall refrain from personal business activity that could conflict with proper execution of the investment program, or which could impair their ability to make impartial investment decisions.
15. Council Members, employees and investment officials shall disclose to the City Administrator any material financial interests, as defined in the *Conflict of Interest Act*, in financial institutions that conduct business within this jurisdiction, and they shall further disclose any large personal financial/investment positions that could be related to the performance of the City's portfolio.

16. Council Members and employees shall subordinate their personal investment transactions to those of the City particularly with regard to the time of purchases and sales.

Investment Advisor

17. The Investment Manager shall engage an Investment Advisor to assist the City in managing its investments and executing investment transactions. The Investment Advisor selected by the Investment Manager is required to act in the best interest of the City when making investment transactions in the name of the City.

18. The financial institutions eligible to act as Investment Advisor on the portfolio must:

- a. Be able to tender investments that meet the requirements of this policy;
- b. Be a member of the Canadian Investor Protection Fund;
- c. Prepare and present reviews for the Investment Manager, detailing:
 - i. Rate of return summaries and comparison to appropriate benchmarks;
 - ii. A summary of the investment portfolio held by the Investment Advisor in the name of the City, including investment amounts, interest rates, maturity dates, and maturity amounts;
- d. Be prepared to present portfolio reviews to the Investment Manager on a quarterly basis; and
- e. Be able to invest the City's funds in securities from at least five (5) different securities issuers within the guidelines of the *Cities, Towns and Villages Act*.

As amended by By-law No. 4624 May 24/11

Investments

19. Investments shall be made in adherence to the policy and shall be restricted to those outlined in Schedule 1 attached hereto. No investment in instruments other than those indicated as acceptable in this policy shall be executed unless specifically approved by a motion of Council.

"Notwithstanding Section 19 herein, the City may, with the approval of Council through a by-law:

(i) transfer any rights or liabilities of the City or provide financial or other assistance to any person acting as an agent of the City pursuant to Section 61 of the *Cities, Towns and Villages Act*.

or;

(ii) establish a corporation or hold shares in a corporation for a municipal purpose pursuant to Section 67 of the *Cities, Towns and Villages Act*."

20. The types of investments are further limited to those authorized under Sections 126 and 127 of the *Cities, Towns and Villages Act* and under Section 4 of the *Cities, Towns and Villages Investment Regulations*.

21. Investments in Corporations shall only be made with firms that follow ethical, socially responsible and sustainable business practices.

Custody and Segregation

22. Investments may be held by the financial institution in bulk segregation in accounts in the name of City of Yellowknife.

Diversification

23. The City must diversify its investments by security type and institution. Maximum percentages of the investment portfolio that may be invested with any single issuer or within any investment type are outlined in Schedule 1.

24. The Investment Advisor will provide a recommended portfolio mix that is intended to attain the investment objectives outlined in section 6 of this policy.

25. The City will enter into investment transactions designed to achieve an appropriate diversification, while attaining the desired objectives.

Maximum Investment Terms

26. The City will match its investments with anticipated cash flow requirements.
27. Investments of reserve funds that will be required within one year will be made in instruments in which the capital investment is guaranteed and which are 100% liquid.
28. Reserve funds with no anticipated cash flow requirement within one year or beyond may be invested in securities with maturity dates that match the expected cash requirements of the City but, in any case, no later than five (5) years from the investment date.

Performance Evaluation

29. The investment portfolio will be designed to achieve a stated industry benchmark rate of return during a pre-set measurement period.
30. The City's investment strategy will be active. The performance benchmarks to ensure productivity of the accounts shall be the three-month Government of Canada T-Bill Index and an appropriate Bond Index.

Reporting

31. The Investment Manager will report to Council on investment activity and returns in conjunction with the quarterly variance report. The report will include the performance and interest earnings during the period of the report, the date of each investment transaction, identification of the particular securities held by or on the behalf of the City.
32. The report will also include an evaluation by the City's Audit Committee as to whether the investment transactions that have occurred over the previous quarter have complied with this policy.

**SCHEDULE 1
 APPROVED INVESTMENTS**

	*Maximum Percentage per Institution/ Investment Type	**Minimum Rating Short-term securities	**Minimum Rating Long-term Securities
Government (Max 100% of portfolio)			
Securities issued or guaranteed by: The Government of Canada	100%	R1 or A or equivalent	A- or equivalent
Provincial Governments in Canada	100%	R1 or A or equivalent	A- or equivalent
GNWT Investment Pool	100%	N/A	N/A
Municipal Governments in Canada	50%	R1 or A or equivalent	A- or equivalent
Schedule I Chartered Banks (Max 100% of portfolio)			
Obligations or guarantees of: Per Financial Institution	50%	R1 or A or equivalent	A- or equivalent
Other Financial Institutions (Max 25% of portfolio)			
Obligations or guarantees of: Rated Schedule II Banks, Trust Companies and Credit Unions	10%	R1 or A or equivalent	A- or equivalent
Corporations (Maximum 5% of portfolio)			
Securities issued by Canadian Corporations per Corporation			
Commercial Paper (terms up to 1 year)	1%	R1 or Equivalent	
Corporate Bonds (terms more than 1 year)	1%		A- or equivalent
Pooled Funds (Maximum 25% of portfolio)			
Units issued by any of the above financial institutions that invest in funds in accordance with <i>Cities, Towns and Villages Act</i> and <i>Cities, Towns and Villages Investment Regulations</i>	25%		

*Based on the entire portfolio and the original settlement amount at the time of booking the investment.

**Based on the lowest rating from the following:
 Canadian Bond Rating Service Inc.
 Dominion Bond Rating Service Limited
 Moody's Investors Service Inc.
 Standard and Poor's Corporation