



Cash Management & Investments

Authority: Council

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Date Approved by Council: July 13, 2020

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Future Review Date: 2024

Last Review/Revision: 2017

Responsibility: Corporate Services

References: Municipal Government Act Section 250, Investment Regulation 66/2000 as amended and 22/2010

Replaces: Cash Management & Investments C-FS-025

1.0 Purpose: To outline the Town of Stony Plain’s policy in regard to the safekeeping of cash and the investment of the Town’s financial assets.

2.0 Scope: This policy covers all financial assets of the Town organization encompassing cash on hand, bank accounts and invested funds.

3.0 Objectives: The objectives of this policy are:

- To ensure legislative compliance with the investment requirements in the Municipal Government Act and associated Regulations
- To preserve capital
- To ensure cash flow forecasts are analyzed to ensure appropriate liquidity and optimum collection and distribution of cash while long term planning the cash flow needs of the Town
- To generate optimum rates of return once legislative compliance, capital preservation and appropriate liquidity have been achieved
- To establish authority for the handling of cash and investments
- To establish safeguards for the proper handling of cash and investments
- To establish reporting requirements for the Town’s investment portfolio
- To establish performance measures for evaluation of the investment portfolio
- To ensure timely review of this policy and related relationships such as Banking and Investment Management relationships

4.0 CASH MANAGEMENT

4.1 Standards:

The Town of Stony Plain will make every reasonable effort to control the Town's cash flow to ensure appropriate levels of working capital and to maximize investment opportunities and minimize interest expense and other finance charges such as penalties.

The Town will maintain a detailed cash flow model which will forecast cash inflows and outflows on a monthly basis for a 365 day period.

Town funds shall be deposited in a timely manner. The Town shall maintain as few bank accounts as possible to prevent excessive idle funds that could be invested.

With reference to cash flow needs, the Town will follow an appropriate Cash Disbursement and Collection procedure to ensure that cash is not issued until the appropriate due date and that cash is collected as early as possible to maximize the Town's cash position for investment purposes. Wherever possible, the Town will take advantage of appropriate discounts when cash flow allows.

The banking relationship between the Town and its primary banker will be managed effectively by:

- Timely review of banking contracts
- Comparative analysis of fees
- Review of the banking relationship every five years

Where operating or capital funds have been invested and the timing of projected cash needs changes, the Town may temporarily access a Line of Credit to maximize its net yields.

4.2 Reporting

The Town Manager will report quarterly to Council regarding the Town's cash balances.

5.0 INVESTMENTS

5.1 Standards:

The objectives of the investment program shall be in order of importance:

- Legislative Compliance – The Town of Stony Plain realizes its responsibility to comply with the investment requirements outlined in the Municipal Government Act and its associated regulations.
- Capital Preservation – The Town of Stony Plain realizes its fiduciary responsibility for the stewardship of public funds with which it has been entrusted. The prime investment objective is therefore to ensure the preservation of principal.
- Maintenance of Liquidity – The Town of Stony Plain will maintain an investment portfolio that will be sufficiently liquid to meet its cash flow requirements determined through cash flow analysis.

- Yield – The Town of Stony Plain’s investment portfolio will be effectively managed to ensure that an optimum rate of return is realized on all investments once the objectives of legislative compliance, capital preservation and liquidity have been achieved.

Investments shall be made with judgement and care, under circumstances then prevailing, which persons of prudence, discretion and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived.

Any two of the following Town investment officials or their designate, may carry out all investment activity as set out in this policy:

- Town Manager
- General Manager of Corporate Services
- Manager of Financial Services

Town investment officials shall refrain from personal business activity that could conflict with the proper execution of their responsibilities, or could impair their ability to make impartial investment decisions. Officials shall disclose to the Town Manager or, in the case of the Town Manager, other Town investment officials, any material interests in financial institutions with whom the Town of Stony Plain invests. In addition, they shall subordinate their personal investment transactions to those of the Town of Stony Plain, particularly with regard to the timing of purchases and sales.

The investing relationship between the Town and its primary Investment Manager will be managed effectively by:

- Timely review of investment contracts
- Comparative analysis of fees
- Review of the investing relationship every five years

5.2 Investment Portfolio

5.2.1 Authorized Investments

Investment of Town of Stony Plain funds shall only be made in securities approved within the Municipal Government Act and associated Regulations.

Investment officials will be mindful of ethical considerations when choosing investment vehicles for Town funds.

The investment portfolio shall be considered as two separate parts:

Part 1: Short Term Investments

This will consist of short term investments to be administered by Financial Services staff as part of the cash operating requirements of the Town. The primary goal is liquidity and capital preservation by investing in short term secure investments of one year or less.

Part 2: Investment Fund Portfolio

The purpose of the Investment Fund Portfolio is to maintain capital preservation while maximizing investment returns by accessing investment funds managed by professional fund managers. The Town will invest funds periodically through a comprehensive analysis of the Town's long term cash flow forecast requirements. It is the responsibility of the Town Manager, the General Manager of Corporate Services and the Manager of Financial Services to monitor all activities of the funds custodian and investment manager to ensure compliance with the Cash Management and Investments Policy.

5.2.2 Safekeeping and Custody

The Town Manager shall ensure all investments are in appropriate custody and safekeeping of the Town.

5.3 Reporting

The Town Manager will report to Council on the investment activities undertaken by the Town of Stony Plain on a periodic basis. Information provided to Council will include, but not be limited to:

1. Total assets and asset allocation within the investment portfolio.
2. Effective rate of return for the investment portfolio.
3. Evaluation of portfolio performance.
4. Any other matter deemed relevant to the Town's investment policy.

5.4 Portfolio Performance

The investment portfolio will be designed to obtain a market average rate of return during budgetary and economic cycles, taking into account the Town's investment risk constraints and cash flow needs.

6.0 Policy Review

This policy will be reviewed by Administration every four years with any changes being recommended to Council for approval.