

City of Delta

Investment Policy

February 2026



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1. Policy

It is the policy of the City of Delta (“City”) to invest City funds with primary emphasis on preservation of principal, while seeking to maximize risk-adjusted investment returns, ensuring sufficient liquidity to meet the ongoing cash flow requirements, and complying with the statutory requirements of the *Community Charter*.

2. Scope

This policy applies to all financial assets of the City.

3. Objectives

The investment of City funds must reflect a conservative management philosophy based on three fundamental objectives, in priority order, as follows:

3.1. Safety of Principal

Investments shall be undertaken in a manner that seeks to ensure the preservation of capital. The preservation of capital is supported through the placement of funds with institutions esteemed in the marketplace as having a high credit worthiness. Furthermore, diversification is required to minimize potential losses. Identifying, monitoring, and adjusting for additional and foreseeable investment risks is prudent and necessary for the effective management of the investment program.

3.2. Liquidity

The investment portfolio will remain sufficiently liquid to enable the City to meet all cash flow requirements, which might be reasonably anticipated.

3.3. Return on Investment

The investment portfolio shall be structured to achieve the maximum risk-adjusted return while maintaining the City’s preservation of capital and liquidity requirements.

4. Standards of Care

4.1. Standard of Prudence

The standard of prudence to be used by investment officers shall be the “prudent investor” standard and shall be applied in the context of managing an overall portfolio. Investments shall be made with judgment and care, under circumstances then prevailing, considering the probable safety of their capital as well as the probable income derived. Investment officers 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 in a timely fashion and appropriate action is taken to control adverse developments.

4.2. Ethics and Conflict of Interest

Officers 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. Investment officers shall disclose to the General Manager, Finance any material financial interests that present a conflict of interest in financial institutions and/or investment dealers that conduct business with the City. Investment officers must conduct themselves in compliance with City Policies and Procedures and the Codes of Ethics established by the Government Finance Officers Association of BC, the Local Government Management Association of BC and professional accounting bodies.

5. Delegation of Authority

Authority to manage the City’s investment portfolio is derived from Section 149 of the *Community Charter* as follows:

Section 149: One of the municipal officer positions must be assigned the responsibility of financial administration, which includes the following powers, duties and functions:...(c) investing municipal funds, until required, in authorized investments.

5.1. Management Responsibility

Management responsibility for the investment portfolio is delegated to the General Manager, Finance who shall establish and maintain written procedures for the operation of the investment portfolio consistent with this investment policy. Procedures should include references to safekeeping, buy/sell agreements, communication of instructions to financial institutions, cash management techniques and accounting entries related to investment transactions. Such procedures shall 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 and the procedures established by the General Manager, Finance. The General Manager, Finance shall be responsible for all transactions undertaken and shall establish a system of controls to regulate the activities of the subordinate employees.

6. Authorized and Suitable Investments

The City is empowered by Section 183 of the *Community Charter* to invest in the following types of securities:

6.1. Section 183 of the Community Charter

Money held by a municipality that is not immediately required may only be invested or reinvested in one or more of the following:

- (a) Securities of the Municipal Finance Authority;
- (b) Pooled investment funds under section 16 of the *Municipal Finance Authority Act*;
- (c) Securities of Canada or of a province;
- (d) Securities guaranteed for principal and interest by Canada or by a province;
- (e) Securities of a municipality, regional district or greater board;
- (f) Investments guaranteed by a chartered bank;
- (g) Deposits in a savings institution, or non-equity or membership shares of a credit union;
- (h) Other investments specifically authorized under this or another Act.

The City chooses to impose dollar limits on investments as defined in Section 183 (f) and (g) and Item 6.3. While Section 183 (a) through (e) and (h) have no percentage or dollar limitations, they are subject to the remaining limitations set forth in Investment Policy Item 6.3, Limitations on Financial Institutions.

6.2. Authorized Investment Dealers and Institutions

A list will be maintained of financial institutions and investment dealers authorized to provide investment services. All qualified bidders for investment transactions will be either a financial institution or members in good standing with their applicable regulatory agencies.

6.3. Limitations on Financial Institutions

Short-term – Notwithstanding the limitations placed on the investment portfolio from Item 6.1 of this policy, limitations are placed on the various financial institutions with which the City may invest. Investments shall only be made with institutions with a Dominion Bond Rating Service (DBRS) or comparable rating of R-1.

Long-term – Long-term investments shall only be made when cash flow permits and the investment in longer term instruments will not adversely impact the day to day operations of the City. Long-term investments shall only be made with institutions with a Dominion Bond Rating Service (DBRS) or comparable rating of A or higher.

The General Manager, Finance will maintain a list, reviewed semi-annually for rating changes.

Portfolio Limits

Issuer / Class	DBRS or Comparable Rating		Limits per issuer % of total portfolio / up to maximum dollar (\$ million)
	Short Term	Long Term	
Schedule 1 Chartered Bank	R-1 (high)	A or higher	30% / \$100
	R-1 (middle)		20% / \$70
	R-1 (low)		10% / \$35
Schedule 2 Chartered Bank	R-1 (high)		5% / \$20
	R-1 (middle)		5% / \$10
Credit Union			\$75 in aggregate

6.4. Adherence to Limits

Portfolio Limitations as outlined in section 6.3 shall not be normally exceeded. However, it is anticipated from time-to-time due to varying circumstances such as changes in credit quality of portfolio assets, or market or operational (e.g. tax collection) fluctuations the investment portfolio may be not in compliance with this Policy. In situations where the portfolio is not in compliance, the City is not obligated to sell securities immediately to conform with this Policy. Rather, the portfolio must be rebalanced when it is most prudent to do so in any manner deemed appropriate, at the discretion of the General Manager, Finance.

6.5. Cash Flow

Cash flow is a generic term used to quantify the amount that can be invested, after taking into account all revenue receipts less expenditures. Cash flow requirements are to be identified on a daily basis to enable the City to meet all ongoing cash requirements which might reasonably be anticipated.

7. Investment Parameters

The City shall utilize the credit analysis of the Dominion Bond Rating Service (DBRS) or an equivalent body.

7.1. Diversification

Assets held in the investment portfolio shall be diversified to reduce the risk of loss resulting from overconcentration of assets in a specific issuer, or class of securities. Diversification strategies shall be determined and revised periodically by the General Manager, Finance.

7.2. Competitive Bids

The City shall solicit competitive quotations for the purchase and sale of securities when it is prudent to do so. Obtaining quotes is considered the standard process, but due to the time-sensitive nature of the marketplace, there are times where immediate action may be taken. Under such circumstances, market data may be used to substantiate the action taken. Quotations will be sought from institutions having established themselves as members in good standing of a nationally recognized Canadian investment regulatory body.

8. Safekeeping and Custody

All security transactions entered into by the City shall be conducted on a delivery-versus-payment basis. Settlement may take place at the main branch of the City's custodial institution and will be governed by the custodian agreement between the City and the custodial institution. Securities may also be held with other financial institutions and investment dealers when prudent to do so and will be governed by the custodian agreement between the City and these institutions.

8.1. Authorization

The custodial institution shall not accept delivery or execute payment without prior authorization and instruction from the City. This also applies to any financial institution or investment dealer.

8.2. Evidence

All transactions shall be evidenced by a contract advice issued by the financial institution or investment dealer. When the transaction has been settled by a custodial institution, a settlement advice is also required.

8.3. Registration

All securities that are in registerable form shall be registered in the name of City of Delta.

9. Reporting

The General Manager, Finance is charged with the responsibility of reporting to Council on investment holdings and performance on a quarterly basis. The report will identify deviations from policy and will include summary information on investment holdings. Investment performance will be compared to benchmarks.

10. Investment Policy Adoption and Review

City investment policy shall be approved by City Council. The policy shall be reviewed annually by the General Manager, Finance and any modifications must be approved by Council.

Glossary of Terms

Basis Points: The universal term used to refer to the change in points in a percentile. Basis points may be compared to pennies in \$1.00. \$1.00 has 100 pennies – 1% has 100 basis points (bps). A ½% is equivalent to 50 bps.

Benchmark: Benchmarks are used as a guideline to assess the performance and investment returns on investments held. Benchmarks for long term investments are difficult to determine as most available benchmarks reflect changes in market valuation, while the City purchases investments with an intention of holding to maturity. Changes in market value are irrelevant to the actual return so the City does not adjust the portfolio based on unrealized changes in value.

Bond: A bond is an investment security which enables the holder to recover the original face value at maturity in addition to receiving interest payments. Bonds are normally long-term investment securities.

Callable Securities: Securities which may be redeemable by the issuer prior to the scheduled maturity date.

Cash Flow: This is a generic term used to quantify the amount that can be invested, after taking into account all revenue receipts less expenditures for a specific period.

Contract advice/settlement advice: A printed acknowledgement giving details of a purchase or sale of a security which is mailed or sent electronically to a client by the investment dealer within 24 hours of an order being executed.

Dominion Bond Rating Service (DBRS): A rating service for commercial paper and debt issuers in the Canadian market. DBRS provides an independent assessment of the credit quality (risk) of a debt issuer or the future ability of a borrower to fulfill both its interest and principal commitments. Short-term debt ratings are R-1 (high credit), R-2 (adequate credit) and R-3 (low end of adequate credit), R-4 (speculative credit), R-5 (highly speculative credit). Within classifications R-1 and R-2, grades of high, middle and low are assigned to indicate the relative credit standing within the category. Therefore, R-1 high is the best rating. Long-term debt is rated as AAA; AA; A; BBB; BB; B; CCC; CC; C; in high or low. AAA is the highest credit quality and C low is extremely speculative. The only lower rating is D which indicates a position of default for the institution. The rating AAA has no high or low.

Diversification: Dividing investment funds among a variety of securities offering independent returns.

Guaranteed Investment Certificates (GIC's): A secured investment with a specific term to maturity issued by a bank. They may pay periodic interest, or compound interest which is paid at maturity.

Investment Officers: Those delegated by the General Manager, Finance as authorized to conduct investment transactions. They have the authority to instruct settlement for purchase.

Liquidity: A liquid asset is one that can be converted easily and quickly into cash, without substantial loss of value.

Long-Term Investments: Any deposits or securities owned which have a maturity date that is greater than one year.

Money Market: The money market is generally defined as the market for negotiable short-term credit instruments, in comparison to the capital market where long-term instruments are negotiated.

Prudent Investor Rule: An investment standard commonly used to establish fiduciary responsibility. It gives authority to the investment manager to invest in a security if it is one which would be bought by a person of discretion and intelligence who is considering an investment's fit in the context of the entire portfolio.

Rating: A system used to evaluate the likelihood of default by a security issuer. Dominion Bond Rating Service (DBRS) is a rating agency in Canada.

Safekeeping: A service to customers rendered by financial institutions whereby securities are held and maintained by the financial institution.

Schedule 1 Chartered Bank: Bank incorporated under the *Bank Act* which is allowed to accept deposits and which is not a subsidiary of a foreign bank.

Schedule 2 Chartered Bank: Foreign owned bank with a Canadian subsidiary that is incorporated under the *Bank Act*.

Short-Term Investment: Deposits or securities which have a maturity date that is equal to or less than one year.

Yield: The rate of annual return on an investment, expressed as a percentage. A *coupon yield* is the rate of annual payments to the lender expressed as a percentage of the par value of the security. *Yield to maturity* is the annualized rate of return earned by holding an investment to maturity, based on present value of all future cash flows.

Appendix A

DOMINION BOND RATING SERVICE (DBRS) RATINGS At February 25, 2026

Financial Institution	DBRS Short Term (Note 1)	DBRS Long Term (Note 2)
Schedule 1 Chartered Banks		
Bank of Montreal	R-1 (high)	AA
Bank of Nova Scotia	R-1 (high)	AA
Canadian Imperial Bank of Commerce	R-1 (high)	AA
National Bank of Canada (Note 3)	R-1 (high)	AA
Royal Bank of Canada (Note 4)	R-1 (high)	AA (high)
Toronto Dominion Bank	R-1 (high)	AA
Central 1 Credit Union		
	R-1 (low)	A
Municipal Finance Authority (Note 5)		
	A-1+	AAA
Government of Canada		
	R-1 (high)	AAA
Provinces of Canada		
Alberta	R-1 (high)	AA
British Columbia	R-1 (high)	AA (high)
Manitoba	R-1 (middle)	A (high)
New Brunswick	R-1 (middle)	A (high)
Newfoundland and Labrador	R-1 (low)	A
Nova Scotia	R-1 (middle)	A (high)
Ontario	R-1 (high)	AA
Prince Edward Island	R-1 (low)	A
Quebec	R-1 (middle)	AA (low)
Saskatchewan	R-1 (middle)	AA (low)

Note 1: DBRS Rating for short-term investments: R-1 High; R-1 Middle; R-1 Low; R-2 High; R-2 Middle; R-2 Low. The top rating is R-1 High.

Note 2: DBRS Rating for long-term investments: AAA; AA; A; BBB; BB; B; in High or Low. The absence of a High or Low designation indicates the rating is in the middle of the category. AAA is the highest rating and it has no high or low.

Note 3: National Bank of Canada includes instruments previously issued by Canadian Western Bank.

Note 4: Royal Bank of Canada includes instruments previously issued by HSBC.

Note 5: MFA BC rating is provided by Standard and Poor's.