



Policy Title: Parks Foundation, Calgary Investment Policy

Policy Number: CFO009

Report Number: FCS2007-09

Approved by: City Council

Effective Date: 2007 February 26

Business Unit: Finance & Corporate Services

BACKGROUND

The Parks Foundation investment policy was first approved on 1999 July 19 (FB99-48) and has not been updated since that time. An updated City of Calgary Investment Policy CFO007 was approved by Council on 2006 July 24 (FCS2006-31).

The Finance Committee of the Parks Foundation would like to adopt the most current City of Calgary Investment Policy as well as additional revisions specific to the Parks Foundation mandate. The new policy is more concise as well as more reflective of current investment industry practices as compared to the policy approved in 1999.

PURPOSE

The purpose of this investment policy for Parks Foundation, Calgary is to establish and maintain practices and procedures to invest public funds with the highest return on investment with the maximum security and appropriate liquidity, while meeting the cash flow demands and conforming to all legislation governing the investment of public funds.

An appropriate investment policy will enable Parks Foundation to optimally manage the investments in the portfolio to achieve their financial objectives. The Parks Foundation Finance Committee will closely monitor the professionally managed investment portfolio.

POLICY

[Please see attached policy](#)

PROCEDURES

[Please see attached policy](#)



AMENDMENTS

2006 July 24 City of Calgary Investment Policy (FCS2006-31)

2007 February 26 Parks Foundation Calgary Investment Policy Update (FCS2007-09).

2010 revision-policy name change from FCS011 to CFO009 due to department reorganization

FCS2007-09
ATTACHMENT 1

STATEMENT OF INVESTMENT POLICY
FOR
PARKS FOUNDATION, CALGARY

January, 2007

I. Statement of Purpose

The purpose of this Investment Policy for Parks Foundation, Calgary is to establish and maintain practices and procedures to invest public funds with the highest return on investment with the maximum security and appropriate liquidity while meeting cash flow demands and conforming to all legislation governing the investment of public funds.

II. Background

The *Parks Foundation, Calgary* (the Foundation) is a not-for-profit organization created in 1985 by The City of Calgary Council.

The Foundation is incorporated under the laws of Alberta and acts as a catalyst to help the citizens of Calgary enhance the quality of parks, natural areas and river valleys, and amateur sport within the City of Calgary.

The mandates covered by this Investment Policy Statement include:

Operating Endowment – finance operating expenses of the Parks Foundation

PartnerParks Endowment – to provide grants to qualified groups for the development and creation of parks, playgrounds, recreational facilities, and natural areas and open spaces.

Saddledome Fund (primarily a flow through fund (non-City funds), but a small portion is endowment) – provides grants through a joint community partnership with the Calgary Flames Hockey Club and the Parks Foundation to develop and enhance sports participation for Calgarians of all ages.

III. Statement of Responsibilities

a) Portfolio Manager:

The Portfolio Manager shall adhere to the CFA Institute Code of Ethics and Standards of Professional Conduct. The Portfolio Manager shall maintain responsibility for carrying out this Investment Policy as outlined herein by:

- i. Selecting securities for the portfolio
- ii. Adjusting asset mix
- iii. Reviewing and reporting portfolio activity and performance on a timely basis
- iv. Ensuring compliance with the Statement of Investment Policy at all times.

b) Custodian/Trustee

A third party custodian will hold all investments. The custodian shall provide monthly reporting for each account indicating all investment activity, book value of the holdings, month end market values and income earned by the investments.

c) Parks Foundation Finance Committee

The Finance Committee must have this policy approved by Council and any changes as it relates to the investment of the City Endowment Funds. In addition, they must formally review this policy at least once in every calendar year and inform the Portfolio Manager immediately of any changes in the investment goals and objectives of the Funds as outlined herein.

IV. Investment Goals and Objectives

Return Objective - Total Return Approach

The primary objective is to provide returns consistent with a stable annual level of funding for capital expenditures (grants) and operating costs. The portfolio is to generate a total return (income and capital growth before investment management fees) in excess of inflation plus an amount required to fund operating costs. Performance will be compared to a benchmark that measures returns over moving 4-year periods as is suggested in the Performance and Reporting section.

Risk Tolerance - Medium

Risk shall be controlled through construction and strategic management of a broadly diversified portfolio comprised of fixed income and equity securities. Risk will also be controlled through investment in a broad range of economic sectors and individual holdings with an analysis of the downside risk inherent in the individual securities.

Time Horizon - Long Term (10 years plus)

Given the endowments have a long-term indefinite time horizon; a portion of the endowment will have exposure to equities that provide prudent growth of capital to offset the effects of inflation. The largest portion of the portfolio will be allocated to fixed income securities and cash in order to maximize the investment income.

Income Requirements

The Operating Endowment Fund distributes investment returns pursuant to the following:

- a) Allow a minimum annual payout of 4.5% (of the average market value for the previous five years).
- b) That the total return on investment earned over and above the 4.5% plus the inflation rate (CPI) be available for extraction of the Board of Governors of the Parks Foundation\

PartnerParks is expected to distribute \$40,000 a year over the next few years to cover operating costs.

Saddledome Fund is expected to distribute ten \$1,000 scholarships a years through the Booster Club.

V. Investment Policy and Guidelines

The manager will have full discretion to manage the portfolio subject to the following guidelines

Strategic Asset Mix Ranges and Benchmark:

Asset Class:	Allowable Range	Benchmark:	Index
Cash	0-40%	10%	SM 91 Day T-Bill
Fixed Income	30-90%	50%	SC Universe
Foreign Debt	0-25%		
Equity	0-50%	40%	
Canadian Equities	0-45%	20%	S&P/TSX
Foreign Equities	0-35%	20%	MSCI World (CS)
Total Foreign (Debt & Equity)	0-50%		

VI. Investment Preferences and Constraints

A pooled fund approach may be used as long as the fund meets the constraints outlined below. The Prudent Investor Rule shall prevail over all portfolios. The Prudent Investor Rule requires that all investment managers:

- Act in all matters with loyalty, impartiality and prudence.
- Maintain overall portfolio risk at a reasonable level.
- Provide for the reasonable diversification of investments. An investment manager can invest in any allowable asset as long as it meets the requirements of prudent investment and considers the portfolio in its entirety.

a) Cash & Equivalents

All short-term securities with a maturity date not exceeding one (1) year must carry a minimum credit rating of R-1 or equivalent. Credit rating refers to the ratings issued by Dominion Bond Rating Services (DBRS), Standard & Poor's (S&P), or Moody's (MY).

b) Fixed Income

- i. All long-term debt securities shall carry a minimum credit rating of BBB or equivalent. Credit rating refers to the ratings issued by Dominion Bond Rating Services (DBRS), Standard & Poor's (S&P), or Moody's (MY). In the event of one or more ratings differing from the others, the majority rating will prevail. In the event that there are only two ratings available, the most conservative rating will prevail.
- ii. Not more than 10% of the market value of the fixed income component of an investment manager's portfolio may be invested in the debt of a single issuer other than the debt issues of, or fully guaranteed by, the Government of Canada or any provincial government whose long-term debt rating is "A" or higher.
- iii. Not more than 20% of the market value of the fixed income component of an investment manager's portfolio may be invested in mortgages or mortgage backed securities.
- iv. Not more than 15% of the market value of the fixed income component of an investment manager's portfolio may be invested in securities DBRS rates BBB (includes all sub-ratings within the overall BBB rating)
- v. Not more than 20% of the market value of the fixed income component of an investment manager's portfolio may be invested in non-Canadian issuers that are denominated in Canadian dollars.
- vi. Collateralized debt obligations and asset-backed securities must carry a rating of AAA.
- vii. In the event the rating of a security is downgraded below the minimum, the investment manager(s) will sell the investment, during a reasonable period of time, given full consideration for market conditions and the liquidity/price level of the security.

c) Equities

- i. Not more than 10% of the market value of the equity component of an investment manager's portfolio may be invested in the common stock, preferred shares and other equity issues of any one corporation.
- ii. Any holdings shall be broadly diversified by sector and country, having regard to relative sizes of economic activity and stock market capitalization.
- iii. All holdings shall trade on major stock exchange, or be part of a broadly diversified equity pool of which the majority are equities traded on a major stock exchange.
- iv. The value of warrants and share rights may not exceed 5% of the market value of the portfolio.

d) Excluded Investments

Categories of investment not allowed include, but are not limited to investments in commodities, precious metals, collectibles, hedge funds, derivatives, repurchase agreements, and real estate in the form of direct property ownership.

VIII. Performance and Reporting

a) Performance Standards

The portfolios should achieve the appropriate benchmark(s) gross of fees, over rolling 4-year periods. Performance will be monitored on a quarterly basis and if underperformance is observed in any 4 of 6 consecutive quarters, manager results will be evaluated for further action.

b) Reporting Requirements

The manager will:

- Provide monthly transaction reports and market values
- Provide quarterly statements and analysis
- Attend at least one Parks Foundation Investment Committee meeting per year at the request of the Committee.
- Complete and sign a compliance report each quarter. The compliance report should state whether or not the portfolio was in compliance with this policy during the quarter.