



Administrative Procedure XX – Investments

AP XX – Investments

Purpose

The Board of Education (the “Board”) believes that where cash is available for investment it should be invested to generate investment revenue for the benefit of the school district. The purpose of this procedure is to establish guidelines to ensure that all funds of the District are invested in a prudent and effective manner.

Guidelines/Objectives

Investments will be categorized into the following three categories:

- **Liquidity**

Assets used to meet the day-to-day cash requirements of the district. Assets in this category shall be governed by the following investment objectives:

- To preserve capital
- To provide liquidity by investing the funds in liquid short-term investments that can be converted to cash with no risk of principal loss
- To provide a yield at a low level of volatility

- **Yield**

Assets used to generate additional return at an appropriate level of risk. Assets in this category shall be governed by the following investment objectives:

- To preserve capital
- To ensure sufficient liquidity exists to meet cash disbursements as they become payable
- To provide a yield at a low level of volatility by investing funds in short to mid-term investments

- **Return Seeking**

Assets used to generate a higher rate of return to provide long term growth to the short-term pool. Assets in this category shall be governed by the following investment objectives:

- To provide a higher yield through a balanced portfolio which seeks a balance between long-term capital growth and capital preservation

The amount in each category will be determined based on the district’s cash balances, near term liquidity requirements, and capital/operational plans over the long-term horizon. Cash flow modeling will be used to determine the level of liquidity needed with allocations to liquidity and yield assets reflecting those needs. If funds are not required over the shorter term, they can be invested in return seeking assets.

Procedure

Liquidity

These assets should be principal guaranteed, and cash redeemable at any time for at least the principal value. Investments may be one or more of the following:

- Interest bearing accounts

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- Central Deposit Program with the Provincial Government
- fully guaranteed investment certificates (GICs) with credit unions and banks

Funds invested in GIC's will have a minimum R-1 Low credit rating, through approved investment brokers.

Yield

Funds invested under this category are considered to have a mid-term investment horizon. Investments may be in one or more of the following:

- Government, Provincial and Municipal Bonds
- Investment grade corporate bonds
- Mortgage Funds
- Non-redeemable guaranteed investment certificates
- Securities issued by the Municipal Finance Authority of British Columbia

Assets are to be invested at all times in a prudently diversified portfolio. Reference credit ratings for bonds are those as published and regularly reviewed and/or revised by recognized debt rating agencies, including DBRS, Standard & Poor's, and Moody's. All bonds must have a minimum "A" rating. Funds invested in GIC's will have a minimum R-1 Low credit rating, through approved investment brokers.

Return Seeking

Funds invested under this category are considered to have a long-term investment horizon. Funds will be invested in a balanced portfolio which seeks a balance between long-term capital growth and capital preservation, with a secondary focus on modest income. Investments in this category will be in a diversified portfolio with an asset allocation of cash & cash equivalents, fixed income, and Canadian, U.S. and global equities.

Assets are to be invested at all times in a prudently diversified portfolio through a portfolio manager or indexed funds. A portfolio manager will be responsible for diversifying the securities by sector and for prudently and diligently managing the risks associated with exposure to these asset classes. No one equity holding shall represent more than 10% of the market value of the total equity portfolio of any one manager.

Performance is to be measured through industry approved and regulated calculations with a verifiable five-year track record, based on CFA Institute standards and is required and mandated. All securities are transparent and trade in their respective markets.

Responsible Investment

Pursuant to Policy 1.5– Environmental Stewardship, a responsible/sustainable investment approach incorporating ESG (environmental, social, governance) considerations will be taken when making investments decisions.

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Authority

The Secretary Treasurer is to have responsibility over investments for the District. The Secretary Treasurer is responsible for determining any specific procedures for managing and investing of surplus funds. They may delegate investment responsibilities.

The Secretary Treasurer may seek input from an Investment Advisor or Investment Counsellor to help find and select appropriate investments as outlined above.

The Secretary Treasurer will:

- Approve any investments that fall outside of this Administrative Procedure;
- Ensure funds are invested wisely and prudently in a manner that provides maximum return under a reasonable level of risk;
- Approve any investments with a maturity date of greater than 5 years;
- Review this Administrative Procedure on an annual basis for suitability

Conflict of Interest

Officers and employees involved with the investment process shall refrain from personal business activity that could conflict with the proper execution of the investment management program, or which could impair their ability to make impartial investment decisions. If a conflict of interest arises, the person or persons will refrain and withdraw from all discussions and participation in any decisions pertaining to those matters where the conflict of interest exists or is perceived to exist.

Reporting

The Secretary Treasurer shall retain a listing of all District investments. Investment holding and performance reports will be provided to the Board of Education annually, and all financial investments will be subject to on-going internal controls and the annual audit.

Internal Loans

The district may consider granting internal loans to other departments within the district. An internal loan provides an alternate source of funding for projects that are expected to result in a decrease in future costs (e.g., solar panels). The department will pay back the debt, with interest, over a fixed period as the cost savings materialize.