

administrative regulation

Administrative
Regulation No.
2034

Classification:
Finance

Effective Date:
October 25, 2017

Investment of Cash Resources

1 | Purpose

The purpose of this Administrative Regulation is:

- To provide guidelines regarding investment of CBE funds.

2 | Scope

This Administrative Regulation applies to:

- All CBE employees who are responsible for the investment of CBE cash resources.
- Any CBE cash resources including investments, school generated funds, trust and endowment funds, and centrally managed resources.

3 | Compliance

All employees involved with the investment of cash resources are responsible for knowing, understanding and complying with this Administrative Regulation.

4 | Principles

The following principles apply:

- Investment of CBE funds should achieve the optimal balance between risk and reward, consistent with the preservation of capital and meeting the cash flow requirements of the organization.
- Investment practices must conform with all legislation and CBE governance policies.
- The CBE's long-term investment portfolio is to be developed with a view to maximizing investment returns while providing a reasonable level of liquidity, and capital preservation within a moderate risk framework.
- This portfolio should provide total returns on investments equal to the relevant long-term investment benchmarks.
- The CBE's short-term investment portfolio is to be constructed with a view to maximizing investment earnings and while providing a high level of liquidity and capital preservation.
- Investment of school based CBE cash resources must maximize investment earnings while providing a high level of capital preservation and liquidity to ensure timely settlement of the school's financial obligations.

5 | Definitions.

CBE: means The Calgary Board of Education.

Industry Group: means a grouping of individual industries with similar characteristics.

Investment: means an asset purchased to generate return to the organization.

Investment Rating: means a determination of an investment's credit quality.

Investment Revenues: means funds received through capital gains, dividends or interest.

Liquidity: means the ability to convert an investment to cash.

Long-term investment: means an investment with a term exceeding, or to be held for more than, one year.

Marketable: means an investment that is readily bought or sold.

Materiality: means a concept relating to the importance/significance of an amount. Within this document an item is material if it is greater than 1% of the total portfolio amount as at the time the amount is reported.

School Based cash resources: means excess cash, other than RAM funds, available at the school level.

Short-term investment: means an investment that will be required within the current year and therefore have a term of up to, or to be held for up to, one year.

6 | Regulation Statement

Authority to manage CBE cash resources

- 1) The Chief Superintendent delegates authority to the Treasurer or designate to:
 - a) invest CBE funds in accordance with relevant legislation, CBE's Governance Policies, and this Administrative Regulation; and
 - b) transact with the CBE's corporate bankers and other approved banking institutions to provide appropriate banking services to the CBE, including its schools.

Role of corporate finance staff

- 2) The Treasurer delegates the authority for the day-to-day management of CBE's central cash resources to the Corporate Finance staff:
 - a) in consultation with the external investment advisor appointed by the Treasurer, if such appointment has been made; and
 - b) in accordance with the requirements of this Administrative Regulation.

Treasury advisory committee

- 3) The Treasurer, under authority of the Chief Superintendent, shall establish a Treasury Advisory Committee and provide the Treasury Advisory Committee with its Terms of Reference.
- 4) The role of the Treasury Advisory Committee is identified in its Terms of Reference.

External investment advisor

- 5) The Treasurer, or designate, in accordance with this Administrative Regulation, may authorize the contracting of external investment advisor(s) to invest all or a portion of the CBE's cash resources.

Division of investment Portfolio

- 6) When excess funds are invested, the Corporate Finance staff shall determine whether the investment will be allocated to either the "short-term investment portfolio" or the "long-term investment portfolio".

Long-term investment portfolio

- 7) The portfolio will be invested in instruments that meet the investment principles and identified constraints.

Investment Constraints

- 8) All investments shall be restricted to marketable instruments and/or investment vehicles that have an investment rating at investment grade (for example BBB-Low or above as rated by Dominion Bond Rating Service) or equivalent.
- 9) A long term target asset allocation guideline for investments will be maintained and reviewed annually by the Treasurer or designate.
- 10) No investments in one industry group will exceed 20% of the total portfolio.
- 11) No investments will be made in any company with a market value capitalization of less than \$50 million unless that company is part and parcel of a mutual fund or similar investment vehicle and its value to the portfolio is not material.

- 12) CBE funds will not knowingly be invested in companies:
 - a) that materially fail to comply with the laws of the jurisdiction(s) in which the company operates;
 - b) where the primary business of the company is related to tobacco, alcohol, gambling, armaments, or pornography;
 - c) where the company is known to operate with child labour.
- 13) If CBE Corporate finance staff becomes aware that any existing investment materially falls outside any of the constraints identified in section 6(12), a recommended plan of action shall be taken within 120 days.
- 14) Recommended action will include reasonable attempts to bring the investment or strategy back within adherence to the stated investment constraints, bearing in mind the long-term interests of the CBE and the desirability of avoiding costly forced sales of assets. Specifically,
 - a) a recommendation regarding changes to re-establish guidelines or the approval of a further extension of up to 90 days respecting such non-compliant investment is ratified by the Treasurer or designate; or
 - b) the instrument that falls outside of the constraints is divested.
- 15) Investment revenues earned will be re-invested in the portfolio.
- 16) The investments will be managed with the expectation that most of the interest income generated each year will be available for withdrawal, as required, for operating purposes.
- 17) Investments will provide sufficient liquidity to meet actual, forecast and potential needs for settlement of the CBE's financial obligations.
- 18) Investments in this portfolio will meet the principles for short-term investments.
- 19) No single investment in any one industry group will exceed the greater of \$20 million or 50% of the total short-term investment value at the time the investment is made.
- 20) Periodic performance evaluations (no less than on a quarterly basis) shall be conducted by the Corporate Finance staff, with the assistance of the external investment advisor to ensure compliance with this Administrative Regulation.

**Short term
investment
portfolio**

**Evaluation of
investments and
investment
strategy**

- 21) The results of all performance evaluations conducted by the Corporate Finance staff shall be provided to the Treasurer.
- 22) Portfolio transactions will be monitored monthly.
- 23) Investment returns for the current quarter, fiscal year-to-date and previous twelve months timeframes, will be compared to industry benchmarks and reported quarterly by the Corporate Finance staff to the Treasurer.
- 24) Notwithstanding the foregoing provisions of this Administrative Regulation, in the event the CBE's external investment advisors shall recommend to CBE's Treasurer or designate that the investment portfolio allocation be revised to accommodate volatilities in the markets in order to minimize investment risks, the CBE Treasurer or designate may revise such portfolio allocation on a temporary basis in accordance with the "prudent person rule" contemplated by the *Trustee Act*.
- 25) In such an event, the Treasurer or designate, in consultation with the external investment advisors, shall undertake an ongoing assessment and evaluation of the revised portfolio allocation in order to ensure that CBE continues to comply with the "prudent person" rule and that it reverts to the long term target asset allocation when circumstances reasonably warrant.

Investment of school based cash resources

- 26) If a school has less than \$10,000 in excess cash available, or, if a school has \$10,000 or more in excess cash resources, but those resources will be required for the settlement of the school's financial obligations within the next three months, those funds must be managed within the school's financial institution by either:
 - a) leaving on deposit within the school bank account; or
 - b) investing in a term deposit or Guaranteed Investment Certificate with a maturity date not exceeding 180 days.
- 27) If a school has \$10,000 or more in excess cash available and those resources will not be required for the settlement of the school's financial obligations within the next three months, those funds may be forwarded to Corporate Finance for investment and management in the School Investment Program.

Terms and Conditions of the School Investment Program

- 28) Funds must be \$10,000 or greater and must be held in the School Investment Program a minimum of 3 months and no longer than 9 months.

- 29) Investment income will be added to the school's investment account monthly, based on the quoted rate for CBE Corporate Contracted Provider of Banking Services for each month during the period of time the school's excess cash resources are invested, commencing from the day that the funds are received by Corporate Financial Services.
- 30) Upon receipt of a request from a school to liquidate the school's investment(s) in the School Investment Program, the school will be reimbursed for the investment and all accrued investment income through:
- a) a cheque issued to the school; or
 - b) an electronic transfer to the school bank account.

7 | History

DATES	
Approval	June 18, 2001
Revision/Review Dates	February 15, 2003 July 1, 2008 October 2017.

8 | Related Information

- AR 2044 Banking
- OE 6: Asset Protection
- Treasury Advisory Committee Terms of Reference