Clearview Public Schools
We All Belong – We All Succeed

Administrative Procedure 535 - Investments

Background

The Division recognizes that the investment of public funds must reflect a conservative management philosophy based on three (3) fundamentals:

- The first priority is the preservation of capital;
- The second priority is the assurance of liquidity; and
- The third priority is the achievement of reasonable returns.

Procedures

1. Investments are administered by the Secretary-Treasurer.

   1.1. The Secretary-Treasurer shall provide at least annually an information report on the investments held and the strategy of investing in accordance with this administrative procedure to the Superintendent and the Board of Trustees.

2. The Preservation of Capital

   2.1. The preservation of capital is accomplished through the placement of funds with institutions esteemed in the marketplace as having the highest creditworthiness. In the investment of public money, it is not satisfactory to place funds with institutions who have earned a public reputation as merely a good credit. The following criteria are to be considered:
   2.1.1. financial instruments with a maturity of three (3) years or less and guaranteed as to repayment of interest and principal by the Government of Canada or by any of the Provinces of Canada;
   2.1.2. financial instruments with a maturity of three (3) years or less and guaranteed as to repayment of interest and principal by chartered banks and trust companies incorporated under the laws of Canada;
   2.1.3. financial instruments with a maturity of three (3) years or less and guaranteed as to repayment of interest and principal by a credit union incorporated under the Credit Union Act (Alberta).

   2.2. Investments are to reflect the creditworthiness of the institution. For instance, financial leverage, capital base, income generation and overall financial stability is to be taken into consideration. Where an institution has received a credit rating, it could be from any one of the following agencies:
   2.2.1. Dominion Bond Rating Service (D.B.R.S.)
   2.2.2. Canadian Bond Rating Service (C.B.R.S.)
   2.2.3. Standard and Poor's (S&P)
   2.2.4. Moody's

2.3. Credit risk minimization is also achieved through diversification. It is not prudent to invest all funds with one institution but rather to spread the risk. It is recognized, however, that there may be situations where this is not practicable or desirable.

2.4. Prudent investment management requires sound financial judgement, and the above factors are to be considered for all investments.

2.5. Each investment GICs is limited to be deposited at one financial institution to ensure they are fully covered under the Canada Deposit Insurance Corporation (CDIC) ($100,000 limit) or the respective province's credit union guarantee.

2.6. A consequence of the first priority to preserve capital is the obligation to ensure the safe delivery and settlement of securities. To this end, the following procedures describe the prudent approach:

2.6.1. Investments must only be for treasury bills from the Government of Canada or a province of Canada, or

2.6.2. Guaranteed investments deposits with a Canadian regulated bank insured by the Canada Deposit Insurance Corporation, or

2.6.3. Guaranteed investments deposits with a Canadian credit union insured by the respective provinces's credit union guarantee.

2.6.4. Investments should not be held with a particular financial institution in excess of the guaranteed insured amount except for the financial institution of the Division that holds dollars for operating purposes.

3. The Assurance of Liquidity

3.1. The assurance of liquidity is the ability to fund operating commitments through the drawdown of the investment portfolio. Because the creditworthiness of Canadian financial institutions has declined in the decade of the eighties and exhibits dramatic fluctuation, it is only satisfactory to hold liquid investments. The following instruments are considered liquid, subject to the preservation of capital requirements above:
3.1.1. Treasury bills;
3.1.2. Demand deposits;
3.1.3. Term deposits with a call feature;
3.1.4. Bankers' acceptances;
3.1.5. Bankers' deposit notes and;

4. The Achievement of Reasonable Returns

4.1. The achievement of reasonable returns is obtained through an exhaustive survey of the opportunities in the marketplace subject to the constraints of the preservation of capital requirement and the assurance of liquidity requirement. Acceptable yield spreads between different financial credits and different terms to maturity are to adequately reflect the perceived credit risks and market conditions at the time of investment.

Reference:Sections 33, 52, 53, 68, 222 Education Act

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