



Board Investments Annual Update

To: Finance, Budget and Enrolment Committee

Date: 29 March, 2023

Report No.: 03-23-4503

Strategic Directions

- Provide Equity of Access to Learning Opportunities for All Students
- Allocate Human and Financial Resources Strategically to Support Student Needs
- Build Strong Relationships and Partnerships Within School Communities to Support Student Learning and Well-Being

Recommendation

It is recommended that the Board investments annual update report be received.

Context

Ontario Regulation 41/10 Board borrowing, Investing, and Other Financial Matters, s14(1) and (2) requires the Treasurer to prepare an annual financial report to the Board, outlining the performance and description of its investment activities. The TDSB must also comply with the investment criteria outlined in the Regulation and investment policies and objectives adopted by the Board.

TDSB has been investing in a diversified portfolio of short term and longer-term investments. As interest rates have steadily increased since April 2022, staff have engaged in longer term investments to take advantage of the higher return.

All investment activities of TDSB conform to Ontario Regulation 41/10 and are in accordance with investment policies and goals of the Board. Below is a summary of TDSB's investment and commodity hedging activity from the 1 September 2021 to 31 August 2022; and 1 September 2022 to 28 February 2023 periods. This report provides information on the major investments of the Board.

The total interest revenue for 2021-22 was \$8.95M. And the total projected interest revenue for 2022-23 is \$20.5M.

A. TDSB Cash Balances:

As per the TDSB's financial statements, the total cash balance as of August 31, 2022 was \$474.9M.

- Interest income on the Canadian cash balances is earned at the bank's monthly average prime rate minus 1.45% if the balance exceeds \$140M; and earned at the monthly average prime rate minus 1.40% if the balance is below \$140M.
- Interest income on US cash balances is earned at the bank's monthly average US base rate minus 3.55%. Below are the CIBC interest rate changes during the past 18-month period:

Canadian Chequing Account Interest Rates

Month	Annual rate	Month	Annual rate
September 2021 to March 2022	1.00%	September 2022	3.83%
April 2022	1.23%	October 2022	3.83%
May 2022	1.53%	November 2022	4.50%
June 2022	1.75%	December 2022	4.89%
July 2022	2.83%	January 2023	5.05%
August 2022	3.25%	February 2023	5.25%

US Chequing Account Interest Rates

Month	Annual rate	Month	Annual rate
September 2021 to March 2022	0.2%	September 2022	2.45%
April 2022	0.32%	October 2022	2.68%
May 2022	0.45%	November 2022	3.20%
June 2022	0.89%	December 2022	3.90%
July 2022	1.33%	January 2023	4.22%
August 2022	1.80%	February 2023	4.70%

B. Education Tax Levies Receivable from City of Toronto:

The TDSB receives education tax levies from the City of Toronto on a quarterly basis, around the end of March, June, September, and December of each year. These revenues earn interest through the City of Toronto until they are transferred to the TDSB.

As of August 31, 2022, there were \$224M in municipal tax levies and other receivables from the City of Toronto and \$1.3M in prior period levies that were still held in the City of Toronto's interest-bearing account.

City of Toronto Interest Rates (per Treasury report)

Month	Interest rate	Month	Interest rate
Sep-21	0.70%	Sep-22	3.13%
Oct-21	0.68%	Oct-22	3.50%
Nov-21	0.68%	Nov-22	3.65%
Dec-21	0.67%	Dec-22	4.20%
Jan-22	0.73%	Jan-23	4.51%
Feb-22	0.73%	Feb-23	TBC
Mar-22	1.00%		
Apr-22	1.23%		
May-22	1.28%		
Jun-22	2.14%		
Jul-22	2.14%		
Aug-22	2.78%		

C. TDSB Funds on Deposit:

As of August 31, 2022, there were \$92.7M in funds held on deposit for TDSB's employee benefit plans. Funds include long-term disability funds held on deposit in the account with Sun Life Canada (approximately \$6M), who administers the plan, and other amounts invested with Leith Wheeler Investment Counsel. These reserves are intended to cover the actuarially determined liabilities of the long-term disability plan.

Below is a summary of the investments in the funds on deposit account with Leith Wheeler Investment Counsel as of August 31, 2022:

Type of investment	Average Yield	Avg Years to Maturity	Market value	Average rating
Cash	-	-	\$0.01M	
Fixed income bonds:				
- Federal	3.43%	10.92	\$25.30M	AAA
- Provincial	4.02%	17.33	\$28.64M	AA
- Municipal	4.01%	8.44	\$4.98M	AA
Corporate bonds:	4.12%	0.94	\$26.75M	AA
Total	3.88%	9.80	\$85.68M	AA

Below is a summary of investments in the funds on deposit account with Leith Wheeler Investment Counsel as of February 28, 2023:

Type of investment	Average Yield	Avg Years to Maturity	Market value	Average rating
Cash	-	-	(\$0.01M)	
Fixed income bonds:				
- Federal	3.81%	9.46	\$26.96M	AAA
- Provincial	4.19%	19.02	\$25.12M	AA
- Municipal	4.30%	10.09	\$4.17M	AA
Corporate bonds:	4.92%	1.07	\$29.17M	A
Total	4.33%	9.44	\$85.41M	AA

D. Other Investments:

In 2022-23, TDSB engaged in a few longer-term investments to maximize its interest revenues. Funds can be withdrawn at any time before maturity, but without principal protection if withdrawn before maturity.

Below is a summary of those investments purchased through CIBC and CIBC Wood Gundy:

Investments	Yield	Amount	Duration
Guaranteed Investment Certificates (GICs)	5.5% per annum	\$100M	Purchased Dec 1, 2022. Matures Nov 30, 2023. Interest payable annually.
10-year Fixed to float note	10.5% in Year 1. Canadian dollar offer rate + 0.6% from Year 2 to 10 (Capped at 7.25%)	\$50M	Purchased Jan 31, 2023. Matures Jan 31, 2033. Interest payable quarterly.
10-year Fixed to float note	10% in Year 1. Canadian dollar offer rate + 0.8% from Year 2 to 10 (Uncapped)	\$150M	Purchased Jan 31, 2023. Matures Jan 31, 2033. Interest payable quarterly.

TDSB also invested \$10M of its endowment funds through the TDSB Trust Fund entity, in a 5-year Fixed to float note on December 22, 2022. This investment generates a yield of 7.25% for Year 1 and Canadian Overnight Repo Rate Average + 1% for Year 2 to 5, capped at 7%. This note will mature on December 22, 2027. Interest is payable quarterly.

E. Hedging Activities:

The Board engages in hedging of natural gas commodity to protect against future price increases in the winter period and fluctuations in transportation prices. The Board retains the services of a consulting company to advise on the natural gas market and purchase strategy.

Back in August 2021, the Board engaged in a forward contract for 50% of our natural gas needs with Direct Energy for 3250 GJ/day for a term of November 1, 2021 to October 31, 2024 (3 years). The balance was purchased from the spot market.

For the transportation of natural gas to the storage and distribution hub, the Board has an agreement with Direct Energy for 50% of the annual volume for the November 1, 2022 to October 31, 2023 period, and another agreement with Twin Eagle for 50% of the volume from November 1, 2023 to October 31, 2024.

At the June 2022 Board, the Board approved the issuance of a request for proposal for a forward purchase of the remaining 50% of the natural gas and the transportation costs. The RFP was issued, and the contracts were awarded to the lowest cost bid. Total 2022-23 year estimated purchase of natural gas is \$22.9M and total transportation costs are estimated to be \$2.2M for a total budget of \$25.1M.

F. Restricted Funds:

During 2001-02, and prior to the passing of the Education Development Charges provisions of the Education act, the Board established joint trust accounts with the Toronto Catholic District School Board pertaining to Education Development Levy Agreements. These funds must be used for construction of school facilities in specific designated areas of Toronto. These Railway lands school construction levies are kept in a separate CIBC account, and earn interest based on rates outlined in Part A above. As of August 21, 2022, the total restricted cash balance is \$26M.

Action Plan and Associated Timeline

Staff will continue to monitor its investment portfolio on behalf of the Board to maximize its revenues, and to ensure all investment activities are compliant with the Ontario Regulation 41/10.

Resource Implications

Should the TDSB require short-term borrowing to fund operating cash flow needs, the Board has a \$250M operating line of credit, which charges interest at a cost of prime minus 1% (5.7% as of March 2023). The Ministry funds the interest cost incurred on short term borrowing for capital cash flow needs.

Communications Considerations

Not applicable.

Board Policy and Procedure Reference(s)

Not applicable.

Appendices

Not applicable

From

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