

Section D: Fiscal Management

DFA Revenues from Investments

Region 8 considers an investment program a critical ingredient of sound fiscal management. The Board authorizes an investment program for the purpose of securing a maximum yield of interest revenues to supplement other revenues for the support of the school's educational program while minimizing risk.

The investment program will be administered in a way that will ensure:

- A. The continuous process of temporary investing of fund balances and monies available for investment purposes;
- B. The maintenance of a yearly cash flow chart that will provide data to assist proper planning and decision making regarding amount, duration and type of investment;
- C. Investments be structured so that an adequate amount can be converted to cash without loss to meet reasonably anticipated needs;
- D. The use of an open competition system of bids and/or quotes to obtain the maximum yield possible on all investments from both the local-community and beyond-the-community financial institutions;
- E. That all financial institutions managing school district funds provide statements to the district of their collateral in the form of a list of the securities pledged at market value;
- F. The school investments will be in compliance with the law.

I. Investment Guidelines

Major Asset Class	Allocation Range		Target Allocation %
Equity	15%	35%	25%
Fixed	65%	85%	73%
Cash	2%	10%	2%

The following investment guidelines have been established to define the level of risk that is acceptable within the Fund. It is expected that each investment manager will adhere to these guidelines, unless modifications have been authorized in writing.

Investment managers are expected to manage the Fund's allocation with the allocation ranges described above. A combination of active and passive investment strategies may be employed. Investment managers are authorized to diversify within each asset class and employ sub-asset classes at their discretion.

In general, investment managers are expected to be fully invested. The Board recognizes that investment in cash equivalents is occasionally appropriate. However, the cash position for the fund should not exceed ten percent (10%) of the fund for any extended period.

Equity Securities – Not more than 5% of the Fund may be invested in any one company at the time of purchase. Not more than 25% of the Fund may be invested in any one industry sector.

Permissible Equity Investments

Common stock listed or traded over the counter on a major U.S. exchange
Foreign securities listed on U.S. exchanges
Foreign securities listed on overseas exchanges
American Depository Receipts (ADRs)
Preferred stock or securities convertible into common stocks
Mutual or commingled funds investing in the above securities
Exchange Traded Funds (ETFs)

Excluded Equity Investments

Short sales
Margin purchases, lending or borrowing of funds
Letter stock, private or direct placements
Commodities contracts
Securities of the investment manager or affiliates excluding money market funds

Fixed Income Securities – Except for debt securities issued or guaranteed by the United States, its agencies or instrumentalities, no more than 5% of the portfolio's market value shall be invested in the securities of any one issuer. No more than 20% of the portfolio may be invested in issues rated below investment grade.

Permissible Investments

Debt securities issued or guaranteed by the United States, its agencies or instrumentalities
Corporate bonds, debentures and other forms of corporate debt obligation
Foreign bonds denominated either in U.S. dollars or foreign currencies
Mutual or commingled funds investing in the above securities

II. Performance Standards

Investment managers are expected to produce investment performance results that are comparable to applicable benchmarks over short-term (1-3 years) and long term (3+ year) periods. In addition, managers should rank in the top half of an appropriate equity universe composed of investment managers with similar

risk characteristics and investment style. Performance comparisons should be made on a “gross of fee” basis. Manager performance will be reviewed annually.

Asset Class	Benchmark
Large Cap Domestic Equity	S&P 500 Index
Mid Cap Domestic Equity	S&P 400 Index, Russell (mid cap)
Small Cap Domestic Equity	S&P 600 Index, Russell (small cap)
International Equity	MSCI – EAFE Index
Domestic Fixed Income	Barclays U.S. Intermediate Gvt/Cr. Bond Index
Foreign Fixed Income	FTSE Non-U.S. Govt Bond Index

III. Risk Management

There will be an explicit, transparent and efficient process to manage risk and yield. It is agreed that the twin goals of maintaining principal and the need to maximize yield may be at odds. Fundamentally each of these objectives are difficult and complex in their own right. Therefore, the selection of an investment(s) for revenue comes with an inherent risk.

IV. Delegation of Authority

The Region authorizes the Business Manager and Director to manage all activities associated with the investment program in such a manner as to accomplish the objectives of this policy. Their responsibilities will also include biannual review and assessment of the school’s investment program and filing a report and recommendations biannually with the Board’s Finance Committee who, in turn, will report to the full Board. The Business Manager is further authorized to execute in the Board’s name any and all documents relating to the investment program in a timely manner to confer with investment managers regarding investment decisions when necessary.

V. Statutory Considerations

The funds shall be invested in compliance with all applicable laws, including section 8468 of Title 20-A and section 5706 of Title 30-A of the Maine Revised Statutes.

VI. Ethics and Conflict of Interest

The Business Manager, Director and Finance Committee members shall refrain from personal business or investment activity that could conflict with the Region’s investments and cash management, impair their ability to make impartial investment decisions or impair public confidence in the Region’s investment and cash management decisions. They shall disclose to the Board any material financial interests in or employment by financial institutions that conduct business

with the Region and further disclose any large personal financial positions that could be related to the Region's investments. They shall otherwise comply with all applicable conflict of interest laws and Board's conflict of interest policy.

VII. Internal Controls

The Region's auditor(s) shall review annually the Region's investment internal controls. The auditors will concentrate on control of collusion; separation of duties; separating transaction authority from accounting and record keeping; custodial safekeeping; clear delegation of authority; specific limitations regarding securities losses and remedial action; written confirmation of telephone transactions; code of ethics; and documentation of transactions.

Legal Reference: 20-A M.R.S. §8468(2)
30-A M.R.S. §5706(4)

Cross References: BCA – Board Member Code of Ethics
BCB – Board Member Conflict of Interest

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