

District Board Policy

Category: Executive Limitations

Policy Number: 408

Title: District Investments

This policy applies to the investment of all district funds, excluding the investment of employees' retirement funds. Proceeds from certain bond issues as well as separate foundation or endowment assets may be covered by a separate policy.

The primary objectives of all investment activities, in priority order, shall be safety, liquidity, and yield:

1. *Safety*

Safety of principal is the foremost objective of the investment program. Investments shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. The objective will be to mitigate credit risk, custodial credit risk and interest rate risk.

2. *Liquidity*

The investment portfolio shall remain sufficiently liquid to meet all operating requirements that may be reasonably anticipated. This is accomplished by structuring the portfolio so that securities mature concurrent with cash needs to meet anticipated demands. The portfolio shall also be structured such that the college may be able to access invested funds as necessary to cure the effects of any catastrophic event.

3. *Yield*

The investment portfolio shall be designed with the objective of attaining a market rate of return throughout budgetary and economic cycles, taking into account the investment risk constraints and liquidity needs.

The president shall establish an Investment Committee comprised of individuals with appropriate knowledge of the subject matter. The Investment Committee will review quarterly investment reports and provide an annual summary to the District's Governing Board. The Investment Committee is also responsible for reviewing this District's Investments policy and recommending any changes to be considered and adopted by the Governing Board. The District will strive to invest with the judgment and care which persons of prudence would be expected to exercise, under circumstances then prevailing, not for speculation but for investment, considering the probable safety of the invested principal as well as the probable return to be derived. The authority to manage the investment program is granted to the Vice President for Administrative Affairs, or designee.

District personnel will refrain from personal business activity that could conflict with the proper execution and management of the investment program, or that could impair their ability to make impartial decisions. Committee members and employees of the District shall adhere to the conflict of interest laws as set forth in Arizona Revised Statute ("A.R.S.") sections 38-501 through 38-511.

The District shall only conduct securities investment transactions with financial institutions and broker dealers that are legally registered in the State of Arizona. In addition, should the District engage a Registered Investment Advisor for investment advisory services, the District may utilize the Investment Advisor's approved list of financial institutions and broker/dealers. The Investment Advisor must provide the District with a copy of its approved list annually or as requested.

All trades of marketable securities will be executed by delivery vs. payment (DVP) to ensure that securities are deposited in an eligible financial institution prior to the release of funds. Securities will be held by an independent third-party custodian selected by the District as evidenced by safekeeping receipts in the District's name.

The Vice President for Administrative Affairs shall establish a system of internal controls, which shall be documented in writing. The internal controls shall be reviewed by the Investment Committee, and by the District's independent auditors as appropriate. The controls shall be designed to prevent the loss of public funds arising from fraud, employee error, misrepresentation by third parties, unanticipated changes in financial markets, or imprudent actions by employees and officers of the District.

Only the following investments will be permitted by this policy and are those defined by state and local law where applicable:

- Certificates of deposit in eligible depositories.
- Certificates of deposit in one or more federally insured banks or savings and loan associations in accordance with the procedures prescribed in section 35-323.01.
- Interest bearing savings accounts in banks and savings and loan institutions doing business in this state whose accounts are insured by federal deposit insurance for their industry, but only if deposits in excess of the insured amount are secured by the eligible depository to the same extent and in the same manner as required under this article.
- Repurchase agreements with a maximum maturity of one hundred eighty days.
- The pooled investment funds established by the state treasurer pursuant to section 35-326.
- Obligations issued or guaranteed by the United States or any of the senior debt of its agencies, sponsored agencies, corporations, sponsored corporations or instrumentalities.
- Bonds or other evidences of indebtedness of any U.S. state or any of its counties, incorporated cities or towns or school districts and that are rated "A" or better by Moody's investor service or Standard and Poor's rating service or their successors.
- Bonds, notes or evidences of indebtedness of any county, municipal district, municipal utility or special taxing district within any U.S. state, that are rated "A" or better by Moody's investor service or Standard and Poor's rating service or their successors, that are payable from revenues, earnings or a special tax specifically pledged for the payment of the principal and interest on the obligations, and for the payment of which a lawful sinking fund or reserve fund has been established and is being maintained, but only if no default in payment on principal or interest on the obligations to be purchased has occurred within five years of the date of investment, or,

if such obligations were issued less than five years before the date of investment, no default in payment of principal or interest has occurred on the obligations to be purchased nor any other obligations of the issuer within five years of the investment.

- Bonds, notes or evidences of indebtedness issued by any county improvement district or municipal improvement district in this state to finance local improvements authorized by law, that are rated "A" or better by Moody's investor service or Standard and Poor's rating service or their successors, if the principal and interest of the obligations are payable from assessments on real property within the improvement district. An investment shall not be made if:
 - a. The face value of all such obligations, and similar obligations outstanding, exceeds fifty per cent of the market value of the real property, and if improvements on which the bonds or the assessments for the payment of principal and interest on the bonds are liens inferior only to the liens for general ad valorem taxes.
 - b. A default in payment of principal or interest on the obligations to be purchased has occurred within five years of the date of investment, or, if the obligations were issued less than five years before the date of investment, a default in the payment of principal or interest has occurred on the obligations to be purchased or on any other obligation of the issuer within five years of the investment.
- Commercial paper of prime quality that is rated "P1" by Moody's investors' service or rated "A1" or better by Standard and Poor's rating service or their successors. All commercial paper must be issued by corporations organized and doing business in the United States.
- Bonds, debentures and notes that are issued by corporations organized and doing business in the United States and that are rated "A" or better by Moody's investor service or Standard and Poor's rating service or their successors.

The investments shall be diversified by:

- limiting investments to avoid overconcentration in securities from a specific issuer or business sector (excluding U.S. Treasury securities),
- limiting investment in securities that have higher credit risks,
- investing in securities with varying maturities.

To the extent possible, the District shall attempt to match its investments with anticipated cash flow requirements. Unless matched to a specific cash flow, the District will not directly invest in securities maturing more than five (5) years from the date of purchase or in accordance with state and local statutes and ordinances. The District shall adopt weighted average maturity limitations, consistent with the investment objectives.

Evaluation and monitoring of investment performance is the responsibility of the Vice President for Administrative Affairs who is required to submit a quarterly investment report to the Investment Committee within a reasonable time period following the end of the fiscal quarter covered by the report. The report shall include the following:

1. Realized and unrealized gains or losses;
2. Average weighted yield to maturity of portfolio on investments as compared to applicable benchmarks;
3. Investment income received during the fiscal quarter;
4. Statement indicating compliance with this investment policy.

A summary report shall be made to the Cochise County Community College District Governing Board at least annually by the Vice President for Administrative Affairs on behalf of the Investment Committee.

This investment policy shall be formally reviewed and adopted by the Cochise County Community College District Governing Board and reviewed annually. Any changes to this policy must be recommended by the Investment Committee and approved by the Cochise County Community College District Governing Board.