

**ADMINISTRATIVE RULE NO: 5020-01
RELATED TO POLICY SERIES NO: 5020**

TITLE: ADMINISTRATION OF COLLEGE FUNDS - INVESTMENTS

SCOPE

Administration of college monies for Linn-Benton Community College applies to all funds budgeted and accounted for in the college's annual financial report, with the exception of funds held in custody by the county treasurer or fiscal officer and deferred employee compensation. Other than bond proceeds or other unusual situations, the total of all funds ranges from \$2,000,000 to \$ 14,000,000. Investments of any tax-exempt borrowing proceeds and any related debt service funds shall comply with the arbitrage restrictions in all applicable Internal Revenue Codes.

Funds held by the county treasurer during tax collection periods and those held by the county fiscal officer in the LBCC District Bond Interest and Sinking Fund shall be governed by the county's investment policies and are not subject to the provisions of this policy.

Deferred employee compensation funds are deposited at the direction of the individual employee. They are not subject to review or investment policy of the College and are not subject to collateral requirements (ORS 294.033).

OBJECTIVES

Primary objectives in priority order in managing investment funds are:

- A. Preservation of principal investment,
- B. Liquidity to meet cash requirements, and
- C. Maximizing the rate of return on the portfolio.

The means of accomplishing these objectives are described throughout this administrative rule.

PERFORMANCE EVALUATION

The performance of the college portfolio will be measured against the performance of the Local Government Investment Pool, using monthly net yield of both portfolios as the yardstick.

RESPONSIBILITY AND AUTHORITY

Management of the portfolio includes:

- A. The selection of securities for the investment of excess cash,

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- B. Management of availability of funds to meet daily cash needs, and
- C. Preparing semi-annual reports for the Board of Education.

The Director of Accounting and Budget serves as the portfolio manager and is responsible for meeting day-to-day liquidity demands and investing all excess cash while adhering to the rules set forth in ORS 294.035 through 294.048, 294.125 through 294.155, and this administrative rule. Any deviation from this administrative rule must be approved by the president or his/her designee. In the absence of the portfolio manager, the vice president of Finance and Operations shall perform the duties.

INVESTMENT STANDARD PRUDENCE

Investments shall be made under the prudent investor's rule, which states:

"Investments shall be made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion, and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived."

The portfolio manager and all other participants in the investment of the college's funds shall act responsibly as custodians of the public trust.

The portfolio manager and other authorized investment personnel, acting in compliance with applicable Oregon Revised Statutes and this investment administrative rule, shall be relieved of personal responsibility for an individual security's credit risk or market price changes, provided deviations from expectations are reported promptly to the vice president of Finance and Operations, and appropriate action is taken to control adverse developments.

INTERNAL CONTROLS

Internal controls will be reviewed annually by the college's independent auditor. The internal controls are designed to prevent losses of public funds arising from fraud, employee error, misrepresentation by third parties, unanticipated changes in financial markets, or imprudent actions by employees or officers of LBCC.

REPORTING REQUIREMENTS

The portfolio manager shall provide a portfolio performance report semi-annually to the Board of Education.

RISK AND DIVERSIFICATION

To limit risk, the portfolio manager shall diversify investments as to maturity date, type of investment, and financial institution or broker. Only securities determined to be high-quality instruments shall be purchased. Multiple quotes shall be obtained, when appropriate, from authorized institutions or dealers prior to the purchase of any security.

The portfolio manager will consider both the current investments and other funds available when determining additional amounts to invest. At the time of consideration of

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investment purchases, the following schedule will be used as a "guideline":

MATURITY SCHEDULING

- A. Under 30 days – 10% minimum
- B. Under 90 days – 25% minimum
- C. Under 180 days – 75% minimum
- D. Under 360 days – 90% minimum
- E. Under 18 months – 100% minimum

See A. below for exceptions.

The following shall be used as a guideline when placing investments:

- A. College funds shall be invested in time increments to insure that funds are available without penalty to meet current cash flow requirements. Under normal circumstances, investment maturities will be limited to 18 months. Longer-term investments may be made upon approval of the president or his/her designee. Examples of longer-term investments include proceeds from the sale of property and bond sales, which are instances where it may be desirable for the maturity of the investment to coincide with the expected use of the funds.
- B. The state treasurer provides a list of investments that are available to local governments pursuant to the Oregon Revised Statutes for short-term funds. This list is updated periodically and will automatically be made a part of this administrative rule. (See Attachment A)
- C. The college may invest up to 100 percent of its portfolio in lawfully issued general obligations of the U.S., the agencies and instrumentalities of the U.S., or enterprises sponsored by the U.S. government, as listed in Attachment A, consistent with liquidity requirements.
- D. The college may invest up to 100 percent of its portfolio in the Local Government Investment Pool (LGIP), which maximizes liquidity.
- E. Corporate indebtedness shall be limited to no more than 35 percent of the college's portfolio. A single issuer shall be limited to no more than 5 percent of the portfolio. Such purchases will be made through business enterprises authorized to do business in Oregon as defined in ORS 294.035.
- F. Bankers' Acceptances shall be limited to no more than 25 percent of the college's portfolio and must be issued by a qualified financial institution as defined in ORS 294.035.
- G. Purchase of Time Certificates (T of CDs) shall be limited to in-state financial institutions. Banks with deposits less than \$2,000,000 will be limited to TCDs of

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\$100,000. Each individual savings and loan institution will be limited to TCDs of \$100,000. The portfolio manager is responsible for ensuring that sufficient collateral (25 percent of deposit) for each TCD is deposited by each bank and savings and loan with the state collateral pool.

Each participating bank or savings and loan must provide a financial statement of condition on an annual basis. This statement shall be kept on file in the Business Office. Banks and savings and loan institutions shall provide a written certification that they are not currently on the "watch list," which requires 110 percent collateral prior to the college placing more than \$100,000 with that institution.

H. An overall cap of 30 percent shall be placed on bank instruments with one bank; i.e., TCDs, Bankers' Acceptances, and bank holding company corporate indebtedness.

SAFEKEEPING AND CUSTODY

All securities purchased from a financial institution shall be secured through dealer-bank safekeeping. Securities purchased from a dealer not affiliated with a financial institution shall be delivered to the custodian of the college's banking services provider.

The purchase and sale of securities shall be subject to ORS 294.145(4) and (5). The purchase and sale of securities shall be on a delivery versus payment basis. The custodian shall issue a safekeeping receipt to Linn-Benton Community College listing the specific instrument, selling broker/dealer, issuer, coupon, maturity, cusip number, purchase or sale price, transaction date, and other pertinent information. Delivery versus payment shall also be required for all repurchase transactions and with the collateral priced and limited in maturity in compliance with ORS 294.035(11). Demand and time deposit shall be collateralized through the state collateral pool as required by statute for any excess over the amount insured by an agency of the United States government. The college's banking services provider may serve as intermediary while transactions are being processed, except for instruments of said bank, as intermediary while transactions are being processed, except for instruments of said bank, which shall be kept at an alternate bank.

ACCOUNTING METHOD

The college shall comply with all required legal provisions and Generally Accepted Accounting Principles (GAAP). The accounting principles are those contained in the pronouncement of authoritative bodies including, but not necessarily limited to, the American Institute of Certified Public Accountants (AICPA); the Financial Accounting Standards Board (FASB); and the Government Accounting Standards Board (GASB).

ADMINISTRATIVE RULE REVIEW

This administrative rule will be referred to the Oregon Short Term Fund Board for review and comment when substantive changes are made. This administrative rule will be reviewed periodically by a group of local investment fund managers within the community and upon the change of personnel in either the position of vice president for Finance and Operations or the director of Accounting and Budget. This investment rule will be formally adopted by the College Council. If investments exceeding a maturity of 18 months are contemplated, further review and comment by the Oregon Short-Term

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Fund Board will be sought and thereafter this rule will be readopted annually even if there are no changes.

QUALIFIED INSTITUTIONS

The investment officer shall maintain a list of all authorized broker/dealers and financial institutions that are approved for investment purposes or investment dealings. Any firm is eligible to make an application to LBCC and upon due consideration and approval will be added to the list. Additions or deletions to the list will be made at the discretion of the director of Accounting and Budget. At the request of the college, the firms performing investment services shall provide their most recent financial statements or Consolidated Report of Condition (call report) for review. Further, there should be in place proof as to all the necessary credentials and licenses held by employees of the broker/dealers who will have contact with the college as specified by, but not necessarily limited to, the National Association of Securities Dealers (NASD), Securities and Exchange Commission (SEC), etc. The college shall conduct an annual evaluation of each firm's credit worthiness to determine if it should remain on the list. Securities broker/dealers not affiliated with a bank shall be required to have an office located in Oregon and be classified as reporting dealers affiliated with the Federal Reserve as primary dealers.

DATE OF ADOPTION: 06/15/93

DATE(S) OF REVISION(S): 08/23/94; 08/06/96

DATE OF LAST REVIEW: