

PROCEDURE 2.5.0: INVESTMENT OF FUNDS

Public Funds Investment Act Investment Regulation

Scope of investment regulation

This policy applies to the investment activities of all funds under the jurisdiction of Carl Sandburg College Community College District No. 518 and any new funds or temporary funds placed under the jurisdiction of the college. Illinois state statutes take precedence except when this policy is more restrictive; then this policy takes precedence.

Objectives

To establish cash-management and investment guidelines for the stewardship of public funds under the jurisdiction of Sandburg as follows:

SAFETY

The security of monies, whether on hand or invested, is the primary concern of the treasurer in selecting depositories or investments.

LIQUIDITY

The investment portfolio will remain sufficiently liquid to meet all operating requirements, which might be reasonably anticipated.

RETURN

The treasurer seeks to attain a market average or better rate of return throughout budgetary and economic cycles, considering risk, constraints, cash flow and legal restriction on investment.

LOCAL CONSIDERATIONS

The treasurer may prefer to use depositories within the state of Illinois and/or the college district, providing the objectives are met, and such investments comply with all other conditions and limitations of this policy; however, the treasurer or elected board may approve qualified depositories regardless of location.

Guidelines

To help achieve the objectives, follow these guidelines:

1. Ensure investments preserve capital in the overall portfolio and avoid unreasonable risk diversification.
2. Keep the portfolio sufficiently liquid to meet operating requirements, which may be reasonably anticipated. Cash flows are reviewed quarterly.
3. To maximize earnings, all funds are deposited and/or invested within two working days at prevailing rates or better.
4. All investments are selected primarily on the basis of competitive bids with location a secondary consideration.

Diversification

Avoid unreasonable investment portfolio risk diversification. Commercial paper may not exceed 10% of the investment portfolio.

Responsibility

All investment of funds, under the control of the treasurer, is the direct responsibility of the chief financial officer (CFO). The treasurer is responsible for all transactions and establishes a system of internal controls for all authorized subordinates who are directly involved in the assistance of investment activities. These procedures are documented in the Accounting Policies and Procedures Manual.

Performance measures (benchmark)

The use of U.S. Treasury bills, average Fed Fund rate, IL Funds or other stable markets can be used to determine whether market yields are being achieved.

Periodic review

The CFO establishes annual independent review with external auditors for internal control, which assures compliance within the investment regulation.

Reporting

All investment transactions are recorded by the CFO or the CFO's staff, and reports listing all active investments, location of investments, maturity of investments, interest rate, collateralization and other pertinent information are generated and submitted monthly to the Carl Sandburg College – Community College District No. 518.

Investment vehicles

Investments should be limited to those allowed by law in Illinois Compiled Statutes 30 ILCS 235/2 and include:

1. Notes, bonds, certificates of indebtedness, treasury bills or other securities, which are guaranteed by the full faith and credit of the United States of America.
2. Bonds, notes, debentures or other similar obligations of the United States of America or its agencies.
3. Interest-bearing accounts, certificates of deposit or interest-bearing time deposits or any other investment constituting direct obligations of any bank as defined by the Illinois Banking Act.
4. Short-term obligations (corporate paper) of corporations organized in the United States with assets exceeding \$500 million if:
 - a. Such obligations are rated at the time of purchase within the three highest classifications established by at least two standard rating services and which mature not later than 180 days from the date of purchase.
and
 - b. Such purchases do not exceed 10% of the corporation's outstanding obligations.
or
 - c. In money market mutual funds registered under the Investment Company Act of 1940.

Financial institutions

Sandburg has the sole responsibility to select which financial (IL Funds, banks, savings and loan, credit unions and other non-banks) institutions will be depositories for the college. Any financial institution, upon meeting the requirements of the Illinois Compiled Statutes and of this policy, may request to become a depository for the college. The college takes into consideration security, size, location, financial condition, service, fees, competitiveness and the community relations involvement of the financial institution when choosing depositories.

Collateralization

1. The CFO will require deposits in excess of the federally insured amount to be collateralized to the extent of 110% and evidenced by an approved written agreement at all times to meet the safety of capital objective.
2. Eligible collateral instruments and collateral rates (market value divided by deposit) are as follows:
 - a. Negotiable obligations of the United States government = 110%.

- b. Negotiable obligations of any agency or instrumentality of the U.S. government backed by the full faith and credit of the U.S. government = 110%.
 - c. Negotiable obligations of the state of Illinois, which are rated A or better by Moodys or Standard and Poors = 110%.
 - d. Negotiable obligations of Carl Sandburg College, which are rated A or better by Moodys or Standard and Poors = 110%.
 - e. Note: IL Funds per state = 102%.
3. Maturity of acceptable collateral won't exceed 120 months.
 4. The ratio of fair market value of collateral to the amount of funds secured is reviewed monthly, and additional collateral is requested when the ratio declines below the level required.
 5. Safekeeping of collateral
Securities will be held at a safekeeping depository from time to time as approved by the CFO to ensure required third-party safekeeping for collateral.

Safekeeping is documented by an approved written agreement. Substitution, exchange or release of securities held in safekeeping may be implemented with two days prior written notice to the CFO.

When collateral is extended, the CFO should receive documentation from the financial institutions, indicating the institutions' approval.

Safekeeping of securities

Securities, unless held physically by the CFO, require third-party safekeeping. The CFO has the sole responsibility for selecting safekeeping agents.

Indemnification

Investments are made with judgment and care, not for speculation, but for investment, considering the probable safety of their capital and the possible income to be derived. In maintaining its investment portfolio, the CFO avoids any transaction that might impair public confidence in Sandburg. The CFO and employees of the CFO acting in accordance with this procedure are relieved of personal liability for an individual security's credit risk or market changes.

Security controls

Only the treasurer is authorized to establish financial accounts for the office or elected board. At all times, either the treasurer or authorized signatories as designated by the treasurer should be authorized to sign on financial accounts of the office of the treasurer. Authorized signatories are **not** permitted to reconcile bank accounts at any time.

Ethics and conflicts of interest

Sandburg avoids any investment transaction or practice that in appearance or fact might impair public confidence. No district employee having influence on the district's investment decisions will:

1. Have any interest — directly or indirectly — in any investments in which the district is authorized to invest.
2. Have any interest — directly or indirectly — in the sellers, sponsors or managers of those investments.
3. Receive, in any manner, compensation of any kind from any investments in which the agency is authorized to invest.

Bonding

The treasurer, CFO and all employees are bonded for the benefit of the college for a reasonable amount. The surety will be a corporate surety company.

*Original: 10/99
Reviewed: 10/02, 9/24
Revised: 10/02, 9/24*