

Sauk Valley Community College
April 27, 2020

Action Item 4.1

Topic: Board Policy 309.01 *College Investments* – Second Reading

Strategic Direction: College Health Metric #3 – The College uses its revenue conservatively. The College pursues and utilizes alternative revenue streams.

Presented By: Dr. David Hellmich and Kent Sorenson

Presentation:

The Public Funds Investment Act (30 ILCS 235/2), *Authorized Investments*, was updated through P.A. 100-752 to allow community college districts to invest in mutual funds that invest primarily in corporate investment grade or global government short term bonds. This update is reflected in Section H(a)(10) in the proposed *College Investments* Policy.

Recommendation:

The Administration recommends the Board of Trustees approve Board Policy 309.01 *College Investments* as presented for a second reading.

309.01 College Investments Policy

SCOPE OF POLICY - This Investment Policy applies to the investment activities of any funds which are or may come under the jurisdiction of the College. Investments made under the College investment policy in force at the time of the adoption of this policy shall be permitted to mature if they conformed with the old policy but not with this policy and if the College would sustain a loss if it was sold prior to maturity. Anything in this notwithstanding, the mandates of Illinois Compiled Statutes shall take precedence over this policy except where this policy is more restrictive.

A. OBJECTIVES - The purpose of the College's Investment Policy is to establish cash management and investment guidelines for the stewardship of the public funds that are under the jurisdiction of the College. The specific objectives of the Policy are:

(1) Safety. The safety of principal and the security of monies, whether on hand or invested, shall be the primary concern of the Treasurer in selecting depositories or investments.

(2) Liquidity. The investment portfolio shall remain sufficiently liquid to meet the College's reasonably anticipated operating requirements.

(3) Return. To the extent consistent with safety and the restriction imposed by this policy, the Treasurer shall seek to attain a market average or better rate of return throughout budgetary and economic cycles, taking into account risk, constraints, cash flow, and legal restriction on investment.

(4) Local Considerations. The Treasurer shall use sound federally insured depositories located within the College District provided the aforementioned objectives are met, and such investments would be in compliance with all other conditions and limitations of this Investment Policy.

B. GUIDELINES - To assist in attaining the stated objectives, the following guidelines shall be observed:

(1) Investments shall be undertaken in a manner that seeks to insure preservation of capital in the overall portfolio. To avoid unreasonable risks, diversification of investments is required. No one institution or Investment Company shall have more than 50% of the College's cash and invested funds at any one time.

(2) The portfolio should remain sufficiently liquid to meet operating requirements, which may be reasonably anticipated. Cash flow shall be reviewed quarterly.

(3) Investments shall be limited to those permitted by law, to the extent this policy is not more restrictive than the law.

(4) All funds shall be deposited/invested within three working days.

(5) When appropriate, investments shall be selected on the basis of competitive bids

C. DIVERSIFICATION - Diversification of the investment portfolio shall be consistent with the Objectives described in Paragraph A.

D. RESPONSIBILITY - Investment of all funds under the control of the College is the direct responsibility of the Treasurer. The Treasurer shall be responsible for all transactions and shall establish a system of controls for all authorized subordinates who are directly involved in the assistance of such investment activities.

E. PERFORMANCE MEASURES - The use of U.S. Treasury bills, average Fed Fund rate, Illinois Funds or other stable markets can be used to determine whether market

yields are being achieved.

F. PERIODIC REVIEW - The Treasurer shall establish annual independent review for internal control, which assures compliance within the Investment Policy. This will be accomplished with the College's external auditors.

G. REPORTING - All investment transactions shall be recorded by the Treasurer or the Treasurer's staff. A report listing all active investments, location of investments, maturity of investments, interest rate and other pertinent information deemed necessary will be submitted monthly to the Board.

H. INVESTMENT VEHICLES - Except as may be further limited by these policies, the Treasurer shall limit investments of College funds to those permitted in the Public Funds Investment Act (30 ILCS 235/).

(a) The Public Funds Investment Act (30 ILCS 235/2) authorizes the College to invest any public funds as follows:

(1) Bonds, notes, certificates of indebtedness, treasury bills or other securities now or hereafter issued, which are guaranteed by the full faith and credit of the United States of America as to principal and interest;

(2) Bonds, notes, debentures, or other similar obligations of the United States of America, its agencies and its instrumentalities;

(3) Interest-bearing savings accounts, interest-bearing certificate of deposit or interest-bearing time deposits or any other investments constituting direct obligations of any bank as defined by the Illinois Banking Act;

(4) Obligations of corporations organized in the United States with assets exceeding \$500,000,000 if (i) such obligations are rated at the time of purchase at one of the 3 highest classifications established by at least 2 standard rating services and which mature not later than 3 years from the date of purchase, (ii) such purchases do not exceed 10% of the corporation's outstanding obligations and (iii) no more than one-third of the public agency's funds may be invested in short term obligations of corporations; or

(5) Money market mutual funds registered under the Investment Company Act of 1940, provided that the portfolio of any such money market mutual fund is limited to obligations described in paragraph (1) or (2) of this subsection and to agreements to repurchase such obligations.

(6) The College may invest its public funds in interest bearing bonds of any county, township, city, village, incorporated town, municipal corporation, or school district, of the State of Illinois, or any other state, or of any political subdivision or agency of the State of Illinois or any other state, whether the interest earned thereon is taxable or tax-exempt under federal law. The bonds shall be registered in the name of the College or held under a custodial agreement that a bank. The bonds shall be rated at the time of purchase within the 4 highest general classifications established by a rating service of nationally recognized expertise in rating bonds of states and their political subdivisions.

(7) Investments may be made only in banks which are insured by the Federal Deposit Insurance Corporation. The College may invest any public funds in short term discount obligations of the Federal National Mortgage Association or in shares or other forms of securities legally issuable by savings banks or savings and loan associations incorporated under the laws of this State or any other state or

under the laws of the United States. Investments may be made only in those savings banks or savings and loan associations the shares, or investment certificates of which are insured by the Federal Deposit Insurance Corporation. Any such securities may be purchased at the offering or market price thereof at the time of such purchase. All such securities so purchased shall mature or be redeemable on a date or dates prior to the time when, in the judgment of such governing authority, the public funds so invested will be required for expenditure by such public agency or its governing authority. The expressed judgment of any such governing authority as to the time when any public funds will be required for expenditure or be redeemable is final and conclusive. The College may invest any public funds in dividend-bearing share accounts, share certificate accounts or class of share accounts of a credit union chartered under the laws of this State or the laws of the United States; provided, however, the principal office of any such credit union must be located within the State of Illinois. Investments may be made only in those credit unions the accounts of which are insured by applicable law.

(8) The College may also invest any public funds in a Public Treasurers' Investment Pool created under Section 17 of the State Treasurer Act. Any public agency may also invest any public funds in a fund managed, operated, and administered by a bank, subsidiary of a bank, or subsidiary of a bank holding company or use the services of such an entity to hold and invest or advice regarding the investment of any public funds.

(9) The College may purchase or invest in repurchase agreements of government securities having the meaning set out in the Government Securities Act of 1986, as now or hereafter amended or succeeded, subject to the provisions of said Act and the regulations issued thereunder. The government securities, unless registered or inscribed in the name of the public agency, shall be purchased through banks or trust companies authorized to do business in the State of Illinois.

(10) In addition to all other investments authorized under this Section, the College may invest public funds in any mutual funds that invest primarily in corporate investment grade or global government short term bonds. Purchases of mutual funds that invest primarily in global government short term bonds shall be limited to funds with assets of at least \$100 million and that are rated at the time of purchase as one of the 10 highest classifications established by a recognized rating service. The investments shall be subject to approval by the Sauk Valley Community College Board of Trustees. The College shall not initiate purchases in any such aforementioned mutual funds to exceed an aggregate portfolio holding value exceeding 40% of the College's investment portfolio.

I. FINANCIAL INSTITUTIONS - The College, with the advice of the Treasurer, shall select which financial institutions will be eligible depositories for the College District. Any financial institution, upon meeting the requirements of the Illinois Compiled Statutes and of this Investment Policy, may request to become a depository for the College funds. The College will take into consideration security, size, location, financial condition, service, fees, competitiveness, and the community relations involvement of the financial institution when choosing depositories.

J. OLLATERALIZATION OF DEPOSITS - To meet the objective of safety of capital, the Treasurer will always require deposits in excess of the Federal Deposit Insurance

Corporation limits to be appropriately collateralized to the extent on One Hundred and Ten Percent (110%) and such collateralization shall be evidenced by an approved written agreement.

- (a) is as follows:
 - (1) Negotiable obligations of the United States Government;
 - (2) Negotiable obligations of any agency or instrumentality of the United States Government backed by the full faith and credit of the United States Government;
 - (3) rated within the 3 highest classifications established by Moodys or Standard and Poors;
 - (4) negotiable obligations of the College which are rated A or better by Moodys or Standard and Poors.
 - (5) Letters of credit issued by a Federal Home Loan Bank
 - (6) A bond, executed by a company authorized to transact the kinds of business described in clause (g) of Section 4 of the Illinois Insurance Code, payable to SVCC
 - (7) Maturity of acceptable collateral shall not exceed 120 months.

(b) The ratio of fair market value of collateral to the amount of funds secured shall be reviewed weekly and additional collateral will be requested if the ratio declines below the level required.

(c) Safekeeping of Collateral. Third party safekeeping is required for all collateral. To accomplish this, the securities will be held at a safekeeping depository as approved from time to time by the Treasurer. Safekeeping will be documented by an approved written agreement. Substitution, exchange or release of securities held in safekeeping may be done upon two (2) days prior written notice to the Treasurer. When collateral is extended, the Treasurer should receive a copy of the financial institution's board minutes, indicating the board of director's approval.

K. SAFEKEEPING OF SECURITIES - Unless held physically by the Treasurer, all securities shall be kept in appropriate third party safekeeping. The Treasurer will have the sole responsibility for selecting safekeeping agents. Safekeeping will be documented by an approved written agreement.

L. INDEMNIFICATION - 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 possible income to be derived. In maintaining its investment portfolio, the Treasurer shall avoid any transaction that might impair public confidence in the College. The above standards are established as standards for professional responsibility and shall be applied in the context of managing the portfolio. The Treasurer and employees of the Treasurer acting in accordance with this Investment Policy and procedures as have been or may be established and exercising due diligence shall be relieved of personal liability for an individual security's credit risk or market changes.

M. SECURITY CONTROLS - Only the Treasurer, or in the absence of the Treasurer, the President, is authorized to establish financial accounts for the College. At all times either the Treasurer, singly, or the President, singly, is authorized to sign on financial accounts of the office of the Treasurer. Authorized signatories are NOT permitted to reconcile bank accounts at any time.

N. THE CORRUPT PRACTICES ACT - The Illinois Compiled Statutes govern ethics.

O. BONDING - The Treasurer and all employees shall be bonded for the benefit of the College for an amount determined to be reasonable. The surety shall be a corporate surety company.

P. CAPTIONS AND HEADING - The captions and headings used herein are for convenience of reference only and do not define or limit the contents.

3/23/87
4/27/20

5/24/93

4/28/97

11/22/99

2/27/06

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