Investment Procedures

1. Scope

This policy applies to the investment of short-term operating funds and capital funds including bond proceeds and bond reserve funds. Investments of employees' retirement funds, deferred compensation plans and other funds are not covered by this policy.

2. General Objectives

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

a. 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 and interest rate risk.

(1) Credit Risk

The College will minimize credit risk, the risk of loss due to the financial failure of the security issuer or backer by:

(a) Limiting exposure to poor credits and concentrating the investments in the safest types of securities;
(b) Assessing the qualifications of the financial institutions, broker/dealers, intermediaries and advisers with which the College will do business;
(c) Diversifying the investment portfolio so that potential losses on individual securities will be minimized;
(d) Actively monitoring the investment portfolio holdings for ratings changes, changing economic/market conditions, etc.

(2) Interest Rate Risk

The College will minimize the risk that the market value of securities in the portfolio will fall due to changes in general interest rates, by:

(a) Structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity;

(b) Investing operating funds primarily in shorter-term securities or short-term investment pools.

b. 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 (static liquidity). Furthermore, since all possible cash demands cannot be anticipated, the portfolio should consist largely of securities with active secondary or resale markets (dynamic liquidity). A portion of the portfolio also may be placed in the Oregon Short-Term Fund which offers next-day liquidity for short-term funds.

c. 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. Return on investment is of secondary importance compared to the safety and liquidity objectives described above. The majority of the portfolio is limited to highly rated/low risk securities in anticipation of earning a fair return relative to the risk being assumed. Securities shall not be sold prior to maturity with the following exceptions:

(1) A security with declining credit may be sold early to minimize loss of principal;
(2) A security swap would improve the quality, yield, or target duration in the portfolio;
(3) Liquidity needs of the portfolio require that the security be sold.

3. Standards of Care

a. Prudence

The standard of prudence to be used by investment officials shall be the "prudent person" standard and shall be applied in the context of managing an overall portfolio. Investment officers acting in accordance with written procedures and this investment policy and exercising due diligence shall be relieved of personal responsibility for an individual security's credit risk or market price changes, provided deviations from expectations are reported in a timely fashion and the liquidity and the sale of securities are carried out in accordance with the terms of this policy.

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.

b. Ethics and Conflicts of Interest

Officers and employees involved in the investment process shall 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. Employees and investment officials shall disclose any material interests in financial institutions with which they conduct business. They shall further disclose any personal financial/investment positions that could be related to the performance of the investment portfolio. Employees, officers and their families shall refrain from undertaking personal investment transactions with the same individual with whom business is conducted on behalf of the College. Officers and employees shall, at all times, comply with the state of Oregon Government Standards and Practices code of ethics set forth in ORS 244.

c. Delegation of Authority

Authority to manage the investment program is granted to the vice president of college services, hereinafter referred to as investment officer, and derived from the following: ORS 294.035 to 294.053,294.125 to 294.145, and 294.810. Responsibility for the operation of the investment program is hereby delegated to the investment officer who shall act in accordance with established written procedures and internal controls for the operation of the investment program consistent with this investment policy. Procedures should include references to: safekeeping, delivery vs. payment, investment accounting, repurchase agreements, wire transfer agreements and collateral/depository agreements. No person may engage in an investment transaction except as provided under the terms of this policy and the procedures established by the investment officer. The investment officer shall be responsible for all transactions undertaken and shall establish a system of controls to regulate the activities of subordinate officials.

4. Safekeeping and Custody

a. Authorized Financial Dealers and Institutions

All financial institutions and broker/dealers who desire to become qualified for investment transactions must supply the following, as appropriate:

(1) Audited financial statements;
(2) Proof of National Association of Securities Dealers (NASD) certification;
(3) Proof of state registration;
(4) Certification of having read and understood the College’s investment policy;
(5) Certification of agreement to comply with College’s investment policy.

An annual review of the financial condition and registration of qualified financial institutions and broker/dealers will be conducted by the investment officer. (See the GFOA Recommended Practice on “Governmental Relationships with Securities Dealers.”)

b. Internal Controls

The investment officer is responsible for establishing and maintaining an adequate internal control structure designed to reasonably protect the assets of the College from loss, theft or misuse. The concept of reasonable assurance recognizes that the:

(1) Cost of a control should not exceed the benefits likely to be derived; and
(2) Valuation of costs and benefits requires estimates and judgments by management.

Accordingly, the investment officer shall establish procedures which address the following points:

(1) Control of collusion;
(2) Separation of transaction authority from accounting and record keeping;
(3) Custodial safekeeping;
(4) Avoidance of physical delivery of securities whenever possible and address control requirements for physical delivery where necessary;
(5) Clear delegation of authority to subordinate staff members;
(6) Written confirmation of transactions for investments and wire transfers;
(7) Development of a wire transfer agreement with the lead bank and third-party custodian and implementation of the appropriate safeguards described in the GFOA Recommended Practice on "Electronic Transactions for State and Local Governments";
(8) Compliance and oversight with investment parameters including diversification and maximum maturities.

c. Delivery vs. Payment

All trades where applicable will be executed by delivery vs. payment to ensure that securities are deposited in an eligible financial institution prior to the release of funds.

d. Safekeeping

Securities will be held by a third-party custodian as evidenced by safekeeping receipts.

e. Pooling of Funds

Except for cash in certain restricted and special funds, the College will consolidate cash balances from all funds to maximize investment earnings. Investment income will be allocated to the various funds to the extent required by restricted revenue sources.

5. Suitable and Authorized Investments

a. Investment Types Consistent with the GFOA Policy Statement on State and Local Laws Concerning Investment Practices, the following investments will be permitted by this policy and ORS 294.035 and 294.810:

(1) U.S. government treasury securities;

(2) U.S. government agency securities;
(3) Corporate notes and commercial paper;
(4) Bankers acceptances;
(5) Highly rated municipal debt from Oregon, California, Idaho and Washington;
(6) Cash equivalents, i.e., bank certificates of deposit, bank money market account;
(7) Oregon Short-Term Fund.

b. Collateralization

All bank deposits, time deposits, certificates of deposit and savings accounts, shall be held in qualified Oregon depositories in accordance with ORS Chapter 295. Such deposits are designated cash management tools and not investments under this policy or otherwise. ORS 294.035 (11) requires repurchase agreement collateral to be limited in maturity to three years and priced according to percentages prescribed by written policy of the Oregon Investment Councilor the Oregon Short-Term Fund Board. On March 12, 1996, the OSTF Board adopted the following margins:

(1) U.S. Treasury Securities: 102 percent;
(2) U.S. Agency Discount and Coupon Securities: 102 percent;
(3) Mortgage Backed and Other*: 103 percent.

*Limited to those securities described in ORS 294.035(1)

6. Investment Parameters

a. Diversification The investments shall be diversified by:

(1) Limiting investments to avoid over-concentration in securities from a specific issuer or business sector (excluding U.S. Treasury securities);
(2) Limiting investment in securities that have high credit risks;
(3) Investing in securities with varying maturities; and
(4) Continuously investing a portion of the portfolio in readily available funds such as the Oregon Short-Term Fund.

b. Maximum Maturities

To the extent possible, the College shall attempt to match its investments with anticipated future cash flow requirements. The maximum maturity shall be the anticipated use of the cash or 18 months, whichever is shorter, unless:

(1) This investment policy has been submitted to the OSTF Board for comment prior to being approved by the Board and complies with the requirements of ORS 294.135. In this case, the maximum maturity shall be defined in policy.
OR
(2) The funds are being accumulated for a specific purpose, including future construction projects, and upon approval of the Board, the maximum maturity date matches the anticipated use of the funds (ORS 294.135(1)(b) and 294.135(3)).

If this investment policy has been submitted for review by the OSTF Board as specified above and in accordance with ORS 294.135(1)(a), debt service reserves may be invested to a maturity date not exceeding five years. Otherwise debt service reserves shall not be invested to a maturity date exceeding one year.

c. Maximum Percentages of Investments

Surplus funds available for investment are those funds not required for immediate expenditure, and include: investments, savings accounts, CDs and OSTF deposits. Balances in checking accounts, negotiable order of withdrawal (NOW) accounts and demand deposit accounts are not considered surplus funds.

The maximum percentages for investments of surplus funds are as follows:

Security	Limitation
U.S. government treasury securities	None
U.S. government agency securities	50 percent of the portfolio
Corporate notes and commercial paper	35 percent of the total portfolio, and no more than 5 percent of the portfolio in any single corporate entity
Bankers acceptances	50 percent of the total portfolio, and no more than 25 percent of the portfolio in any single financial institution
Highly rated municipal debt from Oregon, California, Idaho and Washington	50 percent of the portfolio
Cash equivalents, i.e., bank certificates of deposit, bank money market account	None
Oregon Short-Term Fund	None, except the maximum balance imposed by statute

Due to fluctuations in the aggregate surplus funds balance, maximum percentages for a particular issuer or investment type may be exceeded at a point in time subsequent to the purchase of a particular security. Securities need not be liquidated to realign the portfolio, however, consideration should be given to this matter when future liquidations are made.

Because of inherent difficulties in accurately forecasting cash flow requirements, a portion of the portfolio should be continuously invested in readily available funds, such as the OSTF or overnight repurchase agreements, or held in bank balances to ensure that appropriate liquidity is maintained to meet ongoing obligations.

d. Bond Funds

The investment of bond proceeds are restricted under bond covenants that may be more restrictive than the investment parameters included in this policy. Bond proceeds shall be invested in accordance with the most restrictive parameters of this policy and the applicable bond covenants and tax laws.

e. Securities Lending and Reverse Repurchase Agreements

The College shall not lend securities nor directly participate in a securities lending or reverse repurchase program.

f. Bids and Offers

Before any security purchase or sale is initiated, the investment officer shall first determine the appropriateness of seeking competitive bids or offers. Such factors to consider include where the securities are held, the size of the transaction and the term to maturity. Competitive bids and offers shall always be sought for security purchases and sales of bond funds, when tax laws or bond covenants require such action.

7. Reporting

a. Methods

The investment officer have available an investment report that details the current investment portfolio and transactions made. The report will include the following:

(1) Listing of transactions occurring during the reporting period;
(2) Listing of individual securities held at the end of the reporting period, including maturity date and call date;
(3) Average weighted yield to maturity of portfolio on investments;
(4) Percentage of the total portfolio that each type of investment represents along with the percentages authorized in this policy.

b. Marking to Market

The market value of the portfolio shall be calculated at least monthly and a statement of the market value of the portfolio shall be issued at least monthly. This will ensure that review of the investment portfolio, in terms of value and price volatility, has been performed consistent with the GFOA Recommended Practice on “Mark-to-Market Practices for State and Local Government Investment Portfolios and Investment Pools.”

8. Policy Adoption and Re-adoption

This policy shall be reviewed internally on an annual basis. Oregon Short Term Fund (OSTF) Board review is required only if:

a. The college elects to invest to maturities described under 6.b. above; and, either
b. The policy has never been submitted to the OSTF Board for comment; or
c. Any material changes have been made since the last review by the OSTF Board.

In the event a situation occurs, that is outlined in steps 8.a.-c. above, Clackamas Community College staff would be required to obtain OSTF Board review.

Approved by President's Council: December 6, 2011
(Date)