

**Public Funds Investment Act Investment Regulation****INVESTMENTS**

It is always prudent for any public unit to have an Investment regulation in place for the purpose of safeguarding funds, equitably distributing the investments and maximizing income of the governmental unit. The following Investment Regulation is hereby promulgated for use by the Carl Sandburg College – Community College District No. 518.

**SCOPE OF INVESTMENT REGULATION**

This Investment Regulation applies to the investment activities of all funds under the jurisdiction of the Carl Sandburg College – Community College District No. 518. This Investment Regulation will also apply to any new funds or temporary funds placed under the jurisdiction of the Carl Sandburg College – Community College District No. 518. The Illinois State Statutes will take precedence except where this Investment Regulation is more restrictive wherein this Investment Regulation will take precedence.

**OBJECTIVES**

The purpose of this Investment Regulation is to establish cash management and investment guidelines for the stewardship of public funds under the jurisdiction of the Carl Sandburg College – Community College District No. 518. The specific objectives of this Investment Regulation will be as follows:

1. Safety – 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 all operating requirements, which might be reasonably anticipated.
3. Return – 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 may have preference to depositories located within the State of Illinois and the college district provided that the afore-described objectives are met, and such investments would be in compliance with all other conditions and limitations of this Investment Regulation; however, the Treasurer or elected board may approve qualified depositories regardless of location.

## **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.
2. The portfolio should remain sufficiently liquid to meet operating requirements, which may be reasonably anticipated. Cash flows shall be reviewed quarterly.
3. To maximize earnings, all funds shall be deposited and/or invested within two working days at prevailing rates or better.
4. All investments shall be selected primarily on the basis of competitive bids. Location will be a secondary consideration.

## **DIVERSIFICATION**

To avoid unreasonable risks diversification of the investment portfolio shall be consistent with the objectives in the investment regulation. Commercial paper shall 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 shall be responsible for all transactions and shall establish a system of internal controls for all authorized subordinates who are directly involved in the assistance of such investment activities. These procedures will be documented in the Accounting Policies and Procedures Manual.

## **PERFORMANCE MEASURES (Bench Mark)**

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 should establish annual independent review for internal control, which assures compliance within the investment regulation. This will be accomplished with external auditors.

## **REPORTING**

All investment transactions shall be recorded by the CFO or the CFO's staff. A report will be generated, at least monthly, listing all active investments, location of investments, maturity of investments, interest rate, collateralization, and other pertinent information deemed necessary.

This report will be submitted monthly to the Carl Sandburg College – Community College District No. 518.

## **INVESTMENT VEHICLES**

Carl Sandburg College – Community College District No. 518 shall limit its investments to those allowed by law as set out in Illinois Compiled Statutes 30 ILCS 235/2. A Summary of allowable securities follows:

- a.) 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.
- b.) Bonds, notes, debentures, or other similar obligations of the United States of America or its agencies.
- c.) 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.
- d.) Short-term obligations (corporate paper) of corporations organized in the United States with assets exceeding \$500,000,000 if (a) such obligations are rated at the time of purchase within the 3 highest classifications established by at least 2 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**

The Carl Sandburg College – Community College District No. 518 will have the sole responsibility to select which financial (IL Funds, banks, savings and loan, credit unions and other non-banks) institutions will be depositories for Carl Sandburg College – Community College District No. 518. Any financial institution, upon meeting the requirements of the Illinois Compiled Statutes and of this Investment Regulation, may request to become a depository for Carl Sandburg College – Community College District No. 518 funds. The Carl Sandburg College – Community College District No. 518 will take into consideration security, size, location, financial condition, service, fees, competitiveness, and the community relations involvement of the financial institution when choosing depositories.

## **COLLATERALIZATION**

1. At all times in order to meet the objective of safety of capital, the CFO will require deposits in excess of the Federally insured amount to be collateralized to the extent of One Hundred and Ten Percent (110%) and evidenced by an approved written agreement. (See Attached)

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 United States Government backed by the full faith and credit of the United States 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 – Community College District No. 518 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 shall not exceed 120 months.
4. The ratio of fair market value of collateral to the amount of funds secured shall be reviewed monthly and additional collateral will be requested when the ratio declines below the level required.
5. 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 CFO.

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 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 will have the sole responsibility for selecting safekeeping agents. Safekeeping will be documented by an approved written agreement.

## **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 CFO shall avoid any transaction that might impair public confidence in Carl Sandburg College – Community College District No. 518.

The above standards are established as standards for professional responsibility and shall be applied in the context of managing the portfolio.

The CFO and employees of the CFO acting in accordance with this Investment Regulation 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.

## **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**

The Carl Sandburg College – Community College District No. 518 will avoid 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 shall:

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, the CFO, and all employees shall be bonded for the benefit of the Carl Sandburg College – Community College District No. 518 for an amount determined to be reasonable. The surety shall be a corporate surety company.

## **AMENDMENT**

This Investment Regulation may be reviewed from time to time and revised upon approval of the elected board.

## **CAPTIONS AND HEADINGS**

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

This Investment Policy was originally approved by the Board of Trustees on October 28, 1999. The resulting regulation is hereby updated by the college cabinet, and is in full force and effect this 28<sup>th</sup> day of October, 2002.