

**WASHINGTON STATE
COMMUNITY COLLEGE
DISTRICT 17/COMMUNITY
COLLEGES OF SPOKANE**

Investment Procedures

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Washington State Community College District 17 Investment Procedure

I. Delegation of Authority

Authority to manage Washington State Community College District 17/Community Colleges of Spokane (WSCC17) investment program is derived from legal investments for Washington State Governments as stated in RCW 39.58. Management responsibility for the investment program is hereby delegated to the Chief Financial Officer, who shall establish procedures for the operation of the investment program as required.

Procedures should include safekeeping of assets, wire transfer agreements, custody agreements and investment related banking service contracts. Such procedures shall include explicit delegations of authority to persons responsible for investment transactions. No person may engage in an investment transaction except as provided under the terms of this procedure and the procedures established by the Chief Financial Officer, who shall be responsible for all transactions undertaken and shall establish a system of controls to regulate the activities of subordinate officials.

II. Scope of Investment Procedure

These investment procedures apply to all financial assets of WSCC 17 as accounted for in WSCC 17 Comprehensive Annual Financial Report and shall include:

- General Funds
- Special Revenue Funds
- Capital Project Funds
- Enterprise Funds
- Agency Funds
- Any new funds created by the legislative body, unless specifically exempted

III. Objectives

The objectives of WSCC 17 investment practices, in priority order, will be safety, liquidity, and return on investment. It is the policy of WSCC 17 to invest public funds in a manner which will provide maximum security with the highest investment return while meeting the daily cash flow demands and conforming to all state statutes governing the investment of public funds.

Safety: Safety of the 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. To obtain this objective, diversification is required in order that potential losses on individual securities do not exceed the income generated from the remainder of the portfolio.

Liquidity: The investment portfolio will remain sufficiently liquid to enable WSCC 17 to meet all operating requirements that might be reasonably anticipated.

Return on Investment: 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 the cash flow characteristics of the portfolio.

IV. Standards of Care

Prudence: The Chief Financial Officer and authorized District Business Office employees will perform their duties in a manner consistent with the standard of a “prudent person” as defined by RCW 43.250.040:

“In investing and reinvesting moneys ...and in acquiring, retaining, managing and disposing of investments there shall be exercised the judgment and care under the circumstances then prevailing which persons of prudence, discretion, and intelligence exercise in the managements of their own affairs, not in regard to speculation but in regard to the permanent disposition of the funds, considering the probable income as well as the probable safety of the capital.”

District Business Office employees acting in accordance with written procedures and the investment policy and exercising due diligence shall be relieved of personal responsibility for credit and market risks encountered in the performance of their investment duties. Due diligence requires timely reporting of material deviation from expectations and such other actions to control adverse developments as may be possible in consideration of the particular circumstances and within other provisions of this policy.

Ethics and Conflicts of Interest: Officers and employees involved in the investment process shall refrain from personal business activity that may conflict with the proper execution of the investment program, or may impair their ability to make impartial investment decisions. Employees shall disclose to the Chief Financial Officer any material financial interests in financial institutions that conduct business within this jurisdiction, and they shall further disclose any personal financial/investment positions that could be related to the performance of the investment portfolio. Employees shall subordinate their personal investment transactions to those of WSCC17, particularly with regard to the timing of purchases and sales.

Authorized Financial Dealers and Institutions: The State Treasurer maintains a list of broker/dealers and financial institutions authorized to provide investment services. Authorized broker/dealers and financial institutions will be limited to those that meet one or more of the following:

- Financial institutions approved by the Washington Public Deposit Protection Commission (RCW 39.58); or,
- Primary dealers recognized by the Federal Reserve Bank; or,
- Non-primary dealers qualified under U.S. Securities and Exchange commission Rule 15C3-1, the Uniform Net Capital Rule, and a certified member of the National association of Securities Dealers.

V. Eligible Investments

Eligible investments are only those securities and deposits authorized by statute (RCW 36.29.020 and 43.84.808). Eligible investments include:

- Certificates, notes, bonds or other obligations of the U.S. Government.
 - Treasury bills
 - Treasury bonds
- Obligations of U.S. government agencies, or of corporations wholly owned by the U.S. government.
 - Government National Mortgage Association Bonds.
 - Small Business Administration bonds.
- Federal Home Loan Bank notes and bonds.
- Federal Land Bank bonds.
- Federal National Mortgage Association notes, debentures and guaranteed certificates of participation.
- Obligations of any other government-sponsored corporation whose obligations are or may become eligible as collateral for advances to member banks as determined by the board of governors of the federal reserve system.
- Federal Farm Credit Banks consolidated system-side bonds and discount notes.
- Federal Home Loan Mortgage Corporation bonds and discount notes.
- Student Loan Marketing Association bonds and discounts notes.
- Bonds or warrants of Washington State.
- Bankers' acceptances purchased on the secondary market.
- Certificates of deposit of any national or state commercial or mutual savings bank or savings and loan association doing business in the State of Washington.
- Commercial Paper purchased on the secondary market. The paper chosen for investment should meet the criteria set by the State Investment Board.
- Washington State Treasurer's "Local Government Investment Pool" (LGIP).

INVESTMENT ALLOCATION:

SECURITY	RANGE	TARGET
US Treasury bills & bonds	0 – 100%	10%
US Government Agencies	0-25%	20%
Cash and Washington State Treasurer’s (LGIP)	0-100%	50%
Certificates of Deposit	0-50%	20%
Banker’s Acceptances	0-25%	
Commercial Paper & notes	0-35%	
State and local Government Securities	0-15%	
Repurchase Agreements	0-25%	

Safekeeping and Custody of Investments: All security transactions shall be conducted on a delivery-versus-payment (DVP) basis. Securities purchased will be delivered against payment and held in a custodial safekeeping account. A third party custodian will be designated and safekeeping receipts will evidence all transactions.

Diversification: WSCC17 will diversify investments by security type and institution. With the exception of U.S. Treasury securities and authorized pools, no more than 50% of total investments will be invested in a single security type or with a single financial institution.

VI. Internal controls

The Chief Financial Officer will maintain internal controls to protect against the loss of public funds arising from negligence, theft or misuse. These controls will include, but not be limited to:

- The use of third party custody and safekeeping;
- The execution of all securities transactions on a delivery-versus-payment (DVP) basis;
- The clear delegation of investment authority;
- The separation of transaction authority from record keeping;
- The use of objective criteria in selecting financial institutions and dealers authorized to provide investment services to the state;
- The use of objective criteria in awarding investment purchases and sales to authorized financial institutions and dealers; and
- The state auditor will “audit the accounts” and “inspect the books” to determine the compliance of investment activities with state statutes and this policy.

VII. Reporting

The Chief Financial Officer shall provide the Chancellor and the Board of Trustees consistent periodic reporting. These reports shall provide an accurate and meaningful representation of the investment portfolio, its performance versus the established benchmark, and proof of compliance with the investment policy. Periodic reports will include:

- A list of securities held at the end of each reporting period;
- Average life and final maturity of all investments listed;
- Coupon, discount or earnings rate;
- Par value, amortized book value and market value;
- Percentage of the portfolio in each investment category.

VIII. Investment Procedure Adoption

State law grants the Board of Trustees authority to administer and govern Washington Community College District 17 (WSCC17/CCS). RCW 26B.50.140 provides the authority to delegate these responsibilities.

The Board of Trustees has previously delegated the authority on matters pertaining to the general business and financial affairs, organization, and management to the Chancellor. This procedure implements board policy 1.50.02 (3)(b) and board policy 5.20.02, Investments.

The Board of Trustees policy 5.20.02 – Investments, governs the investment of agency resources and requires the administration to implement written investment procedures consistent with the investment policy. The investment procedures shall be reviewed on an annual basis by the Chief Financial Officer.