

AP 6320 Investments

References:

ORS 294.805 to 294.895 (Local Government Investment Pool)

Scope

These Standards and Practices hereinafter referred to as the “investment policy”, apply to activities of the Rogue Community College District (RCC) with regard to the investment of all financial assets, including bond proceeds. These funds are accounted for in RCC’s Comprehensive Annual Financial Report (CAFR). The amount of funds falling within the scope of this investment policy over the next three years, including bond proceeds, is expected to range between \$2 million and \$30 million.

Governing Authority

RCC’s investment program shall be operated in conformance with RCC’s Board Policy (TBD), Oregon Revised Statutes and applicable Federal Law. Specifically, this investment policy is written in conformance with ORS 294.035; 294.040; 294.052; 294.135; 294.145; and 294.810. Any revisions or extensions of these sections of the ORS shall be assumed part of this investment policy immediately upon being enacted. The College may, without competitive bidding, contract for the purpose of the investment or borrowing of funds when such investment or borrowing is contracted pursuant to duly enacted statute ([ORS 279A.25\(2\)\(q\)\(C\)](#)).

Objectives

The primary objectives, in priority order, of investment activities shall be:

1. **Preservation of capital:** Investments shall be undertaken in a manner that ensures the preservation of capital in the portfolio. The objective will be to mitigate credit risk and interest rate risk.
 - a. Credit Risk: The risk of default may be mitigated by investing in high-grade securities, and diversifying the investment portfolio so that potential losses on individual securities will be minimized.
 - b. Interest Rate Risk: The risk that the market value of securities in the portfolio will decline due to changes in interest rates shall be mitigated by structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations.
2. **Liquidity:** Investments shall be undertaken in a manner that seeks to ensure sufficient liquidity to meet all anticipated operating requirements, including construction draws of bond proceeds.
3. **Diversification:** Investments shall be undertaken in a manner that reduces unnecessary risk by avoiding over concentration in specific security types, issuance,



issuer, industries, and, to the extent permitted by cash requirements, maturity ranges.

4. **Yield:** The Investment Officer shall maintain a maximum rate of return throughout budgetary and economic cycles given the constraints and spirit of these Standards and Procedures.

Prudence

The standard of prudence to be used by investment officials shall be the "prudent person" standard, which states, "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 safety of their capital as well as the income to be derived." The prudent person standard shall be applied in the context of managing the overall portfolio.

Ethics and Conflicts of Interest

Officers and employees involved in the investment process shall refrain from personal 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.

Disclosure shall be made to the governing body. They shall further disclose any personal financial/investment positions that could be related to the performance of the investment portfolio. Employees and officers shall refrain from undertaking personal investment transactions with the same individual with whom business is conducted on behalf of RCC. Officers and employees shall, at all times, comply with the State of Oregon Government Standards and Practices code of ethics set forth in ORS Chapter 244.

Indemnification

The district shall indemnify, hold harmless and defend Investment Officers and any College employees engaged in investment activities from personal liability for losses that may occur during the course of administering policy, provided deviations from expectations are reported, and appropriate action is taken to control adverse developments within a timely fashion as defined in this investment policy.

Governing Body

The RCC Board of Education will retain ultimate fiduciary responsibility for invested funds. Quarterly reports will be prepared and provided to the Board upon request, pursuant to, and with sufficient detail to comply with ORS 294.085 and 294.155.

Delegation of Authority

The Vice President of College Services and the Chief Financial Officer shall be responsible for oversight of the investment program, and the Chief Financial Officer shall

serve as the Investment Officer. The Investment Officer will invest per the terms in this standards and procedures, and per the terms in the following: ORS 294.035 to 294.053, 294.125 to 294.145, and 294.810. The Investment Officer may delegate to specified position(s) the authority to conduct transactions on behalf of RCC, subject to the Investment Standards and Practices contained herein. Delegation of authority shall be in writing. The Investment Officer and staff members authorized to conduct transactions must be bonded individuals.

Internal Controls

The investment officer and Vice President of College Services are responsible for establishing and maintaining an adequate internal control structure designed to reasonably assure that invested funds are invested within the parameters of these investment standards and, protected from loss, theft or misuse. A written internal control policy shall be reviewed and updated periodically by the Investment Officer.

- 1) The concept of reasonable assurance recognizes that the cost of a control should not exceed benefits likely to be derived and the valuation of costs and benefits requires estimates and judgments by management. Internal controls shall address the following points:
 - a) Compliance with Investment Standards and Practices, investment diversification by type and maturity
 - b) Control of collusion.
 - c) Separation of transaction authority from accounting and record keeping.
 - d) Avoidance of physical delivery of securities when possible and address control requirements for physical delivery
 - e) Clear delegation of authority to subordinate staff members.
 - f) Confirmation of transactions for investments and wire transfers in written or digitally verifiable electronic form.
 - g) Dual authorizations of non-repetitive wire and automated clearing house transfer
 - h) Staff training
 - i) Review, maintenance and monitoring of automated and manual security procedures.

Audits

An external auditor shall provide an annual independent review of the College investments to assure compliance with Oregon state law, RCC policies and procedures and internal controls. Such audit will include tests deemed appropriate by the auditor.

Broker/Dealer Qualification and Review

The Investment Officer shall determine which Broker/Dealer firms and registered representatives are authorized for the purposes of investing funds within the scope of this investment policy. The following minimum criteria must be met before Broker/Dealer firms

and affiliated registered representatives are authorized to execute investment transactions. The Investment Officer may impose criteria that are more stringent.

- A. A list will be maintained of approved Broker/Dealer firms and affiliated registered representatives. Broker/Dealer firms must meet the following minimum criteria:
 - 1. Must be registered with the Securities and Exchange Commission (SEC)
 - 2. Must be registered with the Financial Industry Regulatory Authority (FINRA)
 - 3. Must provide most recent audited financials
 - 4. Must provide FINRA Focus Report filings

- B. Approved Broker/Dealer employees who execute transactions with the College must meet the following minimum criteria:
 - 1. Must be a registered representative with the Financial Industry Regulatory Authority (FINRA)
 - 2. Must be licensed by the state of Oregon
 - 3. Positive references from at least three other local government clients.
 - 4. Requirement that approved registered representatives provide notification within 30 days of any formal investigations or disciplinary actions initiated by federal or state regulators.
 - 5. Certification, in writing, of having read, understood and agreed to comply with the most current version of this investment standards and procedures

- C. Annual review of all authorized Broker/Dealers and their registered representatives will be conducted by the Investment Officer. Factors to consider include:
 - 1. Pending investigations by securities regulators
 - 2. Significant changes in net capital
 - 3. Pending customer arbitration cases
 - 4. Regulatory enforcement actions
 - 5. Inquiries with other local government clients with regard to their recent experiences with broker/dealer firms or registered representatives and any change in relationship status.

Depositories and Collateralization

All financial institutions who desire to become depositories must be qualified Oregon Depositories pursuant to ORS Chapter 295.

Competitive Bids

- A. The Investment Officer shall obtain and follow a protocol to receive competitive bid information on all investments purchased or sold in the secondary market. Competitive bids or offers should be obtained, when possible, from at least three separate brokers/financial institutions or through the use of a nationally recognized trading platform.

- B. In the instance of a security for which there is no readily available competitive bid or offering on the same specific issue, then the Investment Officer shall document quotations for comparable or alternative securities.
- C. When purchasing original issue instrumentality securities, no competitive offerings will be required as all dealers in the selling group offer those securities as the same original issue price. However, the Investment Officer is encouraged to follow internal protocols for quotations on comparable securities.
- D. The Investment Officer shall routinely monitor the contents of the portfolio comparing the holdings to the markets, relative values of competing instruments, changes in credit quality, and benchmarks. If there are advantageous transactions, the portfolio may be adjusted accordingly.

Safekeeping and Custody

All trades of marketable securities will be executed (cleared and settled) by delivery vs. payment (DVP) to ensure that securities are deposited in RCC's safekeeping institutions prior to the release of funds.

Securities will be held by independent third-party safekeeping institutions selected by RCC. All securities will be evidenced by safekeeping receipts in RCC's name. Upon request, the safekeeping institutions shall make available a copy of its Statement on Standards for Attestation Engagements (SSAE) No. 16.

Investment Parameters

Credit Risk

Credit risk is the risk that a security or a portfolio will lose some or all of its value due to a real or perceived change in the ability of the issuer to repay its debt. Credit risk will be mitigated by the following guidelines:

A. Diversification

It is the policy of the College to diversify its investments. Where appropriate, exposures will be limited by security type, maturity, issuance and issuer. Allowed security types and investment exposure limitations are detailed in the table below.

B. Recognized Credit Ratings

Investments must have a rating from at least one of the following nationally recognized statistical ratings organizations (NRSRO): Moody's Investors Service; Standard & Poor's; and Fitch Ratings Service as detailed in the table below. Ratings used to apply the guidelines below should be investment level ratings and not issuer level ratings.

C. Portfolio Average Credit Rating

The minimum weighted average credit rating of the portfolio's rated investments shall be Aa/AA/AA by Moody's Investors Service; Standard & Poor's; and Fitch Ratings Service respectively.

D. Exposure Constraints and Minimum Investment Credit Ratings

The following table limits exposures among investments permitted by this policy.

E. Determining a Security's Rating

A single rating will be determined for each investment by utilizing the lowest security level rating available for the security from by Moody's Investors Service; Standard & Poor's; and Fitch Ratings Service respectively.

Issue Type	Max. Percent of Portfolio	Minimum Ratings Moody's/S&P/Fitch
1. U.S. Treasury Obligations	100%	None
2. Securities of U.S. Government Agencies and Instrumentalities Per Entity	75% 30%	- -
3. Time Certificates of Deposit (TCD) Per Institution <i>TCD's must be FDIC insured, and collateralized in accordance with ORS Section 295.001 to 295.108. Exception to the yield objective and asset requirements (discussed under Repurchase Agreements) may be made for deposits in financially sound community banks for up to the current FDIC insurance limit per institution.</i> <i>Bank demand deposits in qualified depository institutions are considered cash vehicles and not investments and are therefore outside the scope of this investment policy. Pursuant to ORS 294.035(3)(d), time deposits, certificates of deposit and savings accounts are considered investments and within the scope of this investment policy.</i>	25% 25%	- -

<p>4. Corporate Debt (total) Commercial Paper Per Issuer Per Industry Corporate Bonds Per Issuer Per Industry</p> <p><i>Corporate indebtedness is subject to a valid registration statement on file with the SEC or issued under the authority of section 3(a)(2) or 3(a)(3) of the Securities Act of 1933 as amended. Corporate indebtedness must be issued by a commercial, industrial or utility business enterprise, or by or on behalf of a financial institution.</i></p>	<p>35%⁽¹⁾ 35%⁽¹⁾ 5%⁽²⁾ 20% 35%⁽¹⁾ 5%⁽²⁾ 20%</p>	<p>A1/P1/F1 Aaa/AA/AA</p>
<p>5. Municipal Debt (Total) Municipal Commercial Paper Municipal Bonds</p> <p>6. <i>RCC will limit its purchases to lawfully issued debt obligations of the agencies and instrumentalities of the State of Oregon Per ORS 294.040, the bonds of issuers listed in ORS 294.035 (3)(a) to (c) may be purchased only if there has been no default in payment of either the principal or the interest on the obligations of the issuing county, port, school district or city, for a period of five years next preceding the date of the investment.</i></p>	<p>25% 25% 25%</p>	<p>A1/P1/F1 Aaa/AA/AA</p>
<p>7. Local Government Investment Pool (LGIP)</p> <p>I. RCC may participate, up to the legal limit, in the Oregon Short Term Fund as authorized under ORS Section 294.810.</p> <p>II. RCC may participate in the Oregon Local Government Intermediate Funds (OLGIF) as authorized under ORS Chapter 294.</p>	<p>Max Allowed by ORS 294.810 20%</p>	

⁽¹⁾35% Maximum per ORS 294.035(D)

⁽²⁾5% Maximum per ORS 294.035(D)

⁽³⁾As authorized by ORS 294.35(3)(d)

Liquidity Risk

Liquidity risk is the risk that an investment may not be easily marketable or redeemable. The following strategies will be employed to mitigate the liquidity risks:

- A. The value of at least 25% of funds from the general fund, available for investing, to meet budgeted operating expenditures will be invested in the Oregon Short Term Fund or investments maturing in less than 90 days to provide sufficient liquidity for expected disbursements.
- B. Funds in excess of liquidity requirements are allowed for investments maturing in greater than one year. However, longer-term investments tend to be less liquid than shorter term investments. Portfolio investment maturities will be limited as follows:

Maturity Constraints	Minimum % of Total Portfolio
Under 90 days	25% or three months estimated operating expenditures
Under 1 year	50%
Under 3 years	100%

- C. The Investment Officer shall take reasonable steps to improve secondary market liquidity by limiting the par amount invested* in a specific debt issuance. Recommended guidelines include:

<u>Issue Type</u>	<u>Maximum of issuance (par)</u>
US Agency Securities	50%
Corporate Commercial Paper	50%
Corporate Notes and Bonds	25%
Municipal Bonds	50%

* Issued under a single CUSIP.

Maximum Callable Exposure

The maximum percent of callable securities in the portfolio shall be 50%.

Investment Maturity

The maximum stated final maturity of individual securities in the portfolio shall be three (3) years, except as otherwise stated in this investment policy. The maximum portfolio average maturity (measured with stated final maturity) shall be 2.5 years.

Investments shall not be made predicated upon selling the security prior to maturity. The Investment Officer may adjust the contents of the portfolio based on the available markets and the relative values of competing instruments.

Suitable and Authorized Investments

1. Permitted Investments

The following investments are permitted pursuant to ORS 294.035, 294.040, and ORS 294.810 (note: permitted investment may be more restrictive than ORS).

- US Treasury Obligations
- Securities of U.S. Government Agencies and Instrumentalities
- Time Certificates of Deposit
- Corporate Debt
- Municipal Debt
- Oregon Short Term Fund
- Oregon Intermediate Fund

2. Approval of Permitted Investments

If additional types of securities are considered for investment, per Oregon state statute they will not be eligible for investment until this Policy has been amended and the amended version adopted by the District.

3. Prohibited Investments

- **Private Placement or “144A” Securities**

Private placement or “144A” securities are not allowed. For purposes of the policy, SEC Rule 144A securities are defined to include commercial paper privately placed under section 4(a)(2) of the Securities Act of 1933.

- **US Agency Mortgage-backed Securities**

US agency mortgage-backed securities such as those securities issued by FNMA and FHLMC are not allowed.

- **Securities Lending**

RCC shall not lend securities nor directly participate in a securities lending program.

Investment of Reserve and Capital Funds

Pursuant to ORS 294.135(1)(b), reserve or capital Improvement project monies may be invested in securities exceeding three years when the funds in questions are being accumulated for an anticipated use that will occur more than 18 months after the funds are invested, then, upon the approval of the governing body of the county, municipality, school district or other political subdivision, the maturity of the investment or investments made with the funds may occur when the funds are expected to be used.

Interest Rate Risk

Interest rate risk will be mitigated by providing adequate liquidity for short-term cash needs, and by making longer-term investments only with funds that are not needed for current cash flow purposes. The following strategies will be employed to control and mitigate adverse changes in the market value of the portfolio due to changes in interest rates:

1. Investment maturities should be matched with expected cash outflows to mitigate market risk.
2. Investment maturities not matched with cash outflows, including liquid investments under one year, should be staggered to mitigate re-investment risk.
3. No commitments to buy or sell securities may be made more than 14 days prior to the anticipated settlement date, or receive a fee other than interest for future deliveries.
4. The maximum percent of callable securities in the portfolio shall be 50%.

Securities Lending Prohibited

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

Investment of Bond Proceeds

The Investment Officer will determine the investments best suited for the bond proceeds. These investments will be segregated for both tracking and arbitrage purposes within the district's overall portfolio and invested in a manner consistent with this investment policy, Internal Revenue Service requirements, trust indentures, if any, Oregon Revised Statutes (Chapter 294) and expected drawdown schedules. This provision also applies to bond proceeds received in defeasance of previously issued debt.

Portfolio Monitoring, Reporting, and Compliance

The Investment Officer shall routinely monitor the contents of the portfolio comparing the holdings to the markets, relative values of competing instruments, changes in credit quality, and benchmarks. If there are advantageous transactions, the portfolio may be adjusted accordingly.

A quarterly report of investment performance will be prepared at the direction of the Investment Officer and distributed to the Vice President of Administrative Services. The report will contain investments classified on a principal basis. The report will include, at a minimum, the following:

1. A listing of all investments held during the reporting period showing: par value, principal, accounting book value, market value, type of investment, issuer, credit ratings and yield to maturity
2. Average maturity of the portfolio
3. Maturity distribution of the portfolio

4. Average portfolio credit quality
5. Average weighted yield to maturity
6. Distribution by type of investment.
7. Distribution of transactions among financial counterparties such as Broker/Dealers.
8. Violations of portfolio guidelines or non-compliance issues

Benchmark

The Investment Officer shall benchmark Annually portfolio performance duration against available indices which accurately reflect the composition of the investment portfolio, such as the Local Government Investment Pool. Other indices which may be used include a nationally recognized 3-month Treasury Bill index or a 1-3 Year Us Government/Corporate AA Rated index.

Accounting Method and Pricing

RCC shall comply with all required legal provisions and Generally Accepted Accounting Principles (GAAP). The accounting principles are those contained in the pronouncements of authoritative bodies including but not necessarily limited to, the American Institute of Certified Public Accountants (AICPA); the Government Accounting Standards Board (GASB); the General Accounting Office (GAO); and the Financial Accounting Standards Board (FASB).

Market valuations shall be obtained for all portfolio holdings on a Quarterly basis and recorded in the investment performance report for the portfolio. Accounting will record the market value of portfolio holdings as of fiscal year end, each year on June 30.

Policy Maintenance and Considerations

1. Review

To ensure consistency with the overall objectives of preservation of principal, liquidity and return, and its relevance to current law and financial and economic trends, this investment policy will be reviewed and made available to the Board annually.

The investment policy shall be updated periodically as necessitated by material changes in legislative and administrative rules or in the College's investment strategies.

2. Policy Adoption and Amendments

In accordance with ORS Section 294.135a, all changes will be submitted to the Oregon Short Term Fund Board for comment prior to review and re-adoption by RCC's Board of Education.



Rescinds Procedure Number: None

Approved: November 1, 2022