

## **INVESTMENT POLICY**

### **INTRODUCTION**

The purpose of this document is to identify various policies and procedures that enhance opportunities for a prudent and systematic investment policy and to organize and formalize investment-related activities.

The investment policies and practices of the Contra Costa Community College District are based on state law and prudent money management. All funds will be invested in accordance with the California Government Code and the District's Investment Policy. The investment of bond proceeds will be further restricted by the provisions of relevant bond documents.

### **SCOPE**

It is intended that this policy cover all funds (except bond proceeds and retirement funds) and investment activities under the direction of the District.

### **PRUDENCE**

Investments shall be made with judgment and care, not for general speculation, but any investments, must consider the probable safety of the District's assets and the probable income that can be derived from such investments.

The standard of prudence to be used by investment officials shall be the "prudent investor" standard which shall be applied in the context of managing an overall portfolio. All persons investing, reinvesting, purchasing, acquiring, exchanging, selling and managing public funds shall act with care, skill, prudence and diligence under the circumstances then prevailing including, but not limited to, the general economic conditions and the anticipated needs of the District, that a prudent person acting in a like capacity and familiarity with those matters would use in the conduct of funds of a like character and with like aims, to safeguard the principal and maintain the liquidity needs of the District. Within the limitations of this section and considering individual investments as part of an overall strategy, investments and property may be acquired as authorized by law.

### **OBJECTIVES**

The primary objectives, in priority order, of the District's investment activities shall be:

1. **Safety.** Safety of principal is the foremost objective of the investment program. District investments shall be undertaken in a manner that seeks to ensure the preservation of the capital assets in the portfolio.
2. **Liquidity.** The District's investment portfolio will remain sufficiently liquid to enable the District to meet its cash flow requirements. The specific nature and use of the funds in the District's portfolio are for the payment of future health benefits for District retirees; therefore, the funds can be invested in longer term securities. The District recognizes that a portfolio invested in longer-term securities is subject to market risk and other investment risks common to fixed-income portfolios, and that a portfolio managed in this fashion might suffer periods of negative total return.
3. **Return on Investment.** The District's investment portfolio shall be designed with the objective of attaining a total rate of return consistent with the Merrill Lynch 1-5 Year Treasury Index.

## DELEGATION OF AUTHORITY

The management and oversight responsibility for the investment program is hereby delegated to the Chief Administrative Services Officer or designee who shall monitor and review all investments for consistency with this investment policy. No person may engage in an investment transaction except as provided under the limits of this policy. The Governing Board may delegate the day-to-day investment decision making and execution authority to an investment advisor. The advisor shall follow the policy and such other written instructions as are provided.

## ETHICS AND CONFLICT OF INTEREST

Officers and employees involved in the investment process shall refrain from personal business activities that could conflict with proper execution of the investment program, or which could impair their ability to make impartial decisions. Officers and employees involved in the investment process shall abide by the District's Conflict of Interest Code, California Government Code Section 1090 et seq. and the California Political Reform Act (California Government Code Section 81000 et seq.)

## INTERNAL CONTROLS

The Chief Financial Officer shall establish a set of internal controls. The internal controls will be reviewed with the independent auditor. The controls shall be designed to prevent employee error, misrepresentations by third parties, unanticipated changes in financial markets, or imprudent actions by employees or officers of the District.

## SELECTION OF FINANCIAL INSTITUTIONS AND BROKER/DEALERS

To provide for the optimum yield in the District's portfolio, District procedures shall be designed to encourage multiple bids and offers on investment transactions from an approved list of broker/dealers. The Chief Financial Officer or the District's investment advisor shall maintain a list of authorized broker/dealers and financial institutions which are approved for investment purposes, and it shall be the policy of the District to purchase securities only from those authorized institutions or firms.

## AUTHORIZED INSTRUMENTS

Investments shall be made in accordance with California Government Code Section 53601.

## DIVERSIFICATION

In order to achieve the investment objectives set forth by the District, the portfolio shall be structured to meet the following diversification requirements:

Security Type	Minimum-Maximum Percent of Portfolio	Target Percentages
U.S. Treasuries	10-100%	10%
Federal Agencies	0-75%	50%
Corporates (rated "A" or better)	0-30%	20%
Municipals (rated "A" or better)	0-30%	10%
Money Market Securities	0-30%	0%
LAIF	0-50%	10%

No more than \$1 million shall be invested in any one bank or corporation.

**MAXIMUM MATURITY**

Investment maturities shall be based on a review of cash flow forecasts. Maturities will be scheduled so as to permit the District to meet all projected obligations.

Unless otherwise specified in this section, no investment shall be made in any security, other than a security underlying a repurchase or reverse repurchase agreement as authorized by this section, that at the time of the investment has a term remaining to maturity in excess of five years.

**INELIGIBLE INVESTMENTS**

The District shall not invest any funds in inverse floaters, range notes, or interest-only strips that are derived from a pool of mortgages, or in any security that could result in zero interest accrual if held to maturity.

**SALES PRIOR TO MATURITY**

Sales prior to maturity are permitted. Certain investment opportunities may involve the recognition of value losses. Book value trading losses are permitted. Any trading loss greater than 1% principal value of any investment holding requires the following: (1) explanation of source of loss, (2) rationale for transactions resulting in recognition of loss, (3) estimation of time necessary to recoup the loss.

**REPORTING REQUIREMENTS**

The Chief Financial Officer shall render to the Chancellor and the Board an investment report each quarter, which shall include, at a minimum, the following information for each individual investment:

1. Type of investment instrument (i.e., Treasury Bill, medium-term note)
2. Current market value and the source of the valuation
3. Overall portfolio yield based on cost

The quarterly report also shall (i) state compliance of the portfolio to the statement of investment policy, or manner in which the portfolio is not in compliance, (ii) include a description of any of the District's funds, investments or programs that are under the management of contracted parties, including lending programs, and (iii) include a statement denoting the ability of the District to meet its expenditure requirements for the next six months, or provide an explanation as to why sufficient money shall, or may, not be available.

This quarterly report shall be submitted within 30 days following the end of the quarter.

**PERFORMANCE BENCHMARK**

The District will establish an appropriate performance benchmark consistent with its investment objectives. The District's portfolio rate of return will be compared to the benchmark at the end of each quarter.

**SAFEKEEPING AND CUSTODY**

All securities, whether negotiable, bearer, registered, or nonregistered, whether purchased for the District by the County or by financial advisors, consultants or managers, shall be delivered, either by book entry or physical delivery, to the District's third party custodian, which is the County's custodian, and held in the County's name.

Education Code  
California Government Code Sections 1090 et seq. and 53601  
California Political Reform Act (Calif. Govt. Code Section 8100 et seq.)