

Chapter 6 – Business and Fiscal Affairs

AP 6320 Investments

References:

Government Code Sections 53600 et seq.

1. Objective

The primary objectives for Mt. San Antonio College's Investment activities shall be:

- A. Safety: Safety of principal is the foremost objective of the investment program. College investments shall be undertaken in a manner that seeks to ensure the preservation of capital in the portfolio.
- B. Liquidity: Mt. San Antonio College's investment portfolio will remain sufficiently liquid to enable the College to meet all its operating requirements.
- C. Return on Investment: Mt. San Antonio College's investment portfolio shall be designed with the objective of attaining a market average rate of return throughout budgetary and economic cycles, commensurate with the College's investment risk constraints and the cash flow characteristics of the portfolio.

2. Prudence

Mt. San Antonio College shall conduct its investment program utilizing the "Prudent Investor" standard and shall be applied in the context of managing an overall portfolio. Investments shall be made with care, skill, prudence, and diligence under circumstances then prevailing including, but not limited to, the general economic conditions and the anticipated needs of the College 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 like aims.

3. Delegation of Authority

Authority to manage the College's investment program is derived from the Board of Trustees. Management responsibility for the investment program is hereby delegated to the College President/CEO and the Chief Fiscal Officer for a one year period. Subject to review, the Board of Trustees may review the delegation of the authority pursuant to this section each year.

4. Ethics and Conflicts of Interest

Officers and employees involved in the investment process shall refrain from personal business activity that could conflict with proper execution of the investment program or which could impair their ability to make impartial investment decisions. Employees and investment officials shall disclose any material financial interests in financial institutions that conduct business within this jurisdiction, and they shall further disclose any large personal

financial/investment positions that could be related to the performance of the College's portfolio.

5. Acceptable Investments

Sections 53600 et seq. of the California Government Code provide basic investment limits and guidelines for government entities. In the event an apparent discrepancy is found between this policy and the Government Code, the more restrictive parameters will take precedence.

- A. U.S. Treasury Instruments: United States Treasury notes, bonds bills, or certificates of indebtedness, or those for which the full faith and credit of the United States is pledged to payment of principal and interest. There is no limitation as to the percentage of the portfolio invested in this category.
- B. Federal Agency and Instrumentality Securities: Federal agency or United States government-sponsored enterprise obligations, participations, or other instruments, including those issued by or fully guaranteed as to principal and interest by federal agencies or United States government-sponsored enterprises. There is no limitation as to the percentage of the portfolio invested in this category.
- C. State of California and Local Debt/Bonds/Notes: State of California and local debt, bonds, notes, warrants, or other evidences of indebtedness of any local agency within this State including bonds payable solely out of the revenues from a revenue-producing property owned, controlled, or operated by the local agency or by a department, board, agency, or authority of the local agency.
- D. Medium-Term Note Obligations: Medium-term corporate notes, defined as all corporate and depository institution securities with a maximum remaining maturity of five years or less, issued by corporations organized and operating within the United States or depository institutions licensed by the United States or any state and operating within the United States. Medium-term notes shall be rated "A" or higher by a nationally recognized statistical rating organization (NRSRO). No more than 30% of the portfolio can be invested in corporate obligations.
- E. Pass-through Securities: Any collateralized mortgage obligation, mortgage-backed, or other pay-through bond shall be issued by an issuer having an "A" or higher rating for the issuer's debt as provided by a nationally recognized rating service and rated in a rating category of "AA" or its equivalent or better by a nationally recognized rating service. No more than 20% of the portfolio can be invested in this category.
- F. Bankers Acceptances: Purchases of bankers' acceptances may not exceed 180 days maturity. No more than 40% of the portfolio can be invested in bankers' acceptances. No more than 10% of the portfolio can be placed in bankers' acceptances of any single commercial bank.
- G. Commercial Paper: Commercial paper rated the highest ranking or of the highest letter or number rating as provided by a nationally recognized statistical-rating organization. The entity that issues the commercial paper shall meet one of two sets of criteria: (1) The corporation shall be organized and operating within the United States, shall have

total assets in excess of five hundred million dollars (\$500,000,000), and shall issue debt, other than commercial paper, if any, that is rated "A" or higher by a nationally recognized statistical-rating organization. (2) The corporation shall be organized within the United States as a special purpose corporation, trust, or limited liability company, has program-wide credit enhancements including, but not limited to, over collateralizations, letters of credit, or surety bond; has commercial paper that is rated "A-1" or higher, or equivalent by a nationally recognized statistical-rating organization. Eligible commercial paper may not exceed 270 days maturity nor represent more than 10% of the outstanding paper of an issuing corporation. No more than 15% of the portfolio can be invested in commercial paper, unless the dollar-weighted average of commercial paper held is less than 31 days. Given this restriction, a maximum of 25% of the portfolio can be invested in commercial paper.

- H. Negotiable Certificates of Deposit: Negotiable certificates of deposit issued by a nationally or state-chartered bank or a state or federal association or by a state-licensed branch of a foreign bank. The maximum maturity for investments in this category is one year. Purchases are limited to issuers whose short-term debt is rated A1/P1. A maximum of 30% of the College's portfolio may be invested in this category.
- I. Repurchase Agreements: Repurchase agreements are to be used solely as short-term investments not to exceed 30 days. The College may enter into repurchase agreements with primary government securities dealers rated "A" or better by two nationally recognized statistical rating services. Counterparties should also have (i) a short-term credit rating of at least A1/P1; (ii) minimum assets and capitalized size of \$25 billion in assets and \$350 million in capital; (iii) five years of acceptable audited financial results; and (iv) a strong reputation among market participants.

The following collateral restrictions will be observed: Only U.S. Treasury securities or Federal Agency securities, as described in Section 770.6 (a) and (b), herein, will be acceptable collateral. All securities underlying repurchase agreements must be delivered to the College's custodian bank versus payment or be handled under a properly executed tri-party purchase agreement. The total market value of all collateral for each repurchase agreement must equal or exceed 102 percent of the total dollar value of the money invested subject to daily market fluctuations, the investments in repurchase agreements shall be in compliance if the value of the underlying securities is brought back up to 102 percent no later than the next business day. For any repurchase agreement with a term of more than one day, the value of the underlying securities must be reviewed on an on-going basis according to market conditions. Market value must be calculated each time there is a substitution of collateral.

The College or its trustee shall have a perfected first security interest under the Uniform Commercial Code in all securities subject to the repurchase agreement. The College shall have properly executed a PSA agreement with each counterparty with which it enters into a repurchase agreement.

- J. Money Market Funds: Shares of beneficial interest issued by diversified management companies that are money market funds registered with the Securities and Exchange Commission under the Investment Company Act of 1940 (15 U.S.C. Sec. 80a-1 and following). The company shall have met either of the following criteria: (1) Attained the highest ranking or the highest letter and numerical rating provided by not less than two

nationally recognized statistical-rating organizations. (2) Retained an investment adviser registered or exempt from registration with the Securities and Exchange Commission with not less than five years' experience managing money market mutual funds with assets under management in excess of five hundred million dollars (\$500,000,000).

K. LAIF: If the College has funds invested in the Local Agency Investment Fund (LAIF), the College shall maintain on file LAIF's current investment policy and its requirements for participation, including limitations on deposits or withdrawals. A maximum of \$40 million may be invested in the State Pool.

L. LACPIF: If the College has funds invested in the Los Angeles County Pooled Investment Fund (LACPIF), the College shall maintain on file LACPIF's current investment policy and its requirements for participation.

6. Maturity Parameters

Maximum maturity of any single issue: five years

7. Safekeeping and Custody

All security transactions entered into by the College shall be conducted on a delivery-versus-payment basis. Securities will be held by a third party custodian designated by the College President/CEO and Chief Fiscal Officer and evidenced by safekeeping receipts with a written custodial agreement. The securities will be held directly in the name of the College as beneficiary.

8. Diversification

The College will diversify its investments by security type, institution, and maturities to prevent incurring unreasonable or avoidable risks regarding specific security types, individual financial institutions, or maturity segments.

9. Internal Controls

The College will establish a system of internal controls to ensure compliance with the Investment Policy of the College and the California Government Code.

10. Reporting

The Chief Fiscal Officer shall render a quarterly investment report to the College President/CEO, the internal auditor, and the Board of Trustees.

11. Investment Limits

Investments shall be limited to the parameters of this Investment Procedure until it is amended by an affirmative vote of a majority of the members of the Mt. San Antonio College Board of Trustees. The Board shall issue an Investment Memorandum authorizing the administration to make investments on the College's behalf. The Memorandum shall not

exceed the above parameters; however, the Memorandum may be more restrictive. The Memorandum shall remain in force until modified by the Board of Trustees.

Memorandum of Investment
(Effective June 25, 1997)

Consistent with Board Policy 6320, the College President/CEO is authorized to invest as follows:

1. County Treasury through the Los Angeles County Schools Pool;
2. Investments required through participation in Tax Revenue Anticipation Notes (TRANS) and Certificates of Participation (COPS);
3. Citizens Business Bank of Pomona; and
4. Local Agency Investment Fund (LAIF).

Reviewed: May 14, 2013

Reviewed: May 6, 2014

Reviewed: June 9, 2015

Reviewed: August 17, 2016