
SECTION: Administrative Services

POLICY TOPIC: Investments and Fund Balances

I. Investments

A. Objectives:

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

1. Safety

Safety of principal is the foremost objective of the investment program. Investments of the College shall be undertaken in a manner that ensures the preservation of capital in the overall portfolio. At no time will the safety of the portfolio's principal be impaired or jeopardized. Safety is defined as the certainty of receiving full par value plus accrued interest at the securities' legal final maturity.

2. Liquidity

The College's investment portfolio will remain sufficiently liquid to enable the College to meet all operating requirements. Portfolio liquidity is defined as the maturity or ability to sell a security on a short notice near the purchase price of the security.

3. Return on Investments

The College's investment portfolio shall be structured with the objective of attaining a market rate of return throughout budgetary and economic cycles, taking into account the College's investment risk constraints and the cash flow characteristics of the portfolio.

Delegation of Authority

Management responsibility for the investment program is hereby delegated to the Executive Vice President, who shall be responsible for the implementation of the investment program and the establishment of investment procedures consistent with this policy. Such procedures shall include explicit delegation of authority to persons responsible for investment transactions. No person may engage in an investment transaction except as provided under the terms of this policy and the procedures established by the Executive Vice President. The Executive Vice President shall be responsible for all transactions undertaken and shall establish a system of controls to regulate the activities of subordinate officials.

B. Standards of Care:**1. Prudence**

The standard of prudence to be used by investment officials shall be the "prudent person" standard and shall be applied in the context of managing an overall portfolio.

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 probable income to be derived.

2. Ethics and Conflicts of Interest

Officers and employees involved in the investment process shall refrain from personal business 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. They shall further disclose any large personal financial/investment positions that could be related to the performance of the investment portfolio. Officers and employees involved in the investment process shall not accept any payment, gratuity, or recognition of any kind from any person or entity that is seeking or is receiving investment monies from San Juan College.

C. Internal Control and Compliance:

Internal control and compliance should be assured through the College's annual independent audit.

Suitable and Authorized Investments

Consistent with the GFOA Policy Statement on State and Local Laws Concerning Investment Practices, the following investments will be permitted by this policy and are those defined by state and local law where applicable:

- U.S. Treasury obligations which carry the full faith and credit guarantee of the United States government and are considered to be the most secure instruments available
- U.S. government agency and instrumentality obligations that have a liquid market with a readily determinable market value
- Certificates of deposit and other evidences of deposit at financial institutions fully insured by the FDIC and/or fully collateralized

- Commercial paper rated in the highest tier (e.g., A-1, P-1, F-1, D-1 or higher) by a nationally recognized rating agency
- Investment-grade obligations of state, provincial, and local governments and public authorities
- Repurchase agreements whose underlying purchased securities consist of the aforementioned instruments
- Money market mutual funds regulated by the Securities and Exchange Commission and whose portfolios consist only of dollar-denominated securities

D. Maximum Maturities:

To the extent possible, the College shall attempt to match its investments with anticipated cash flow requirements. Unless matched to a specific cash flow, the College will not directly invest in securities maturing more than five (5) years from the date of purchase or in accordance with state and local statutes and ordinances. The weighted average maturity of the College's investment portfolio shall not exceed three (3) years.

E. Reporting:

The investment officer shall prepare an investment report at least quarterly for review by the College Board of Trustees. The report shall include:

- Listing of individual securities held at the end of the reporting period
- The cost and market value of each security, and
- The maturity date of each security

F. Policy Exceptions:

Any deviations from this policy must be approved in advance by the College President, the Executive Vice President, and one officer of the Board of Trustees. Such approval should be documented in writing no later than one week after the transaction (trade date) has occurred. Exceptions must also be reported at the next regular meeting of the Board of Trustees.

G. Banking Institutions:

For liquid investment monies or Certificates of Deposit, the investment officer shall attempt to use local banking institutions when their rates of return are equal to or greater than non-local banking institutions.

II. Fund Balances

It is the position of the Board that as long as the Instruction and General expenditures of the College are at least equal to that year's state Instruction and General appropriation,

including credit taken by the state of New Mexico higher education funding formula, any unexpended funds at year end have been derived entirely from local taxes. Such funds are to be held in the appropriate fund balance until transfers are approved by the Board.

Guidelines for each fund's balance shall be as follows:

A. Current Fund:

Includes Instruction and General operations, auxiliary enterprises, independent operations, and public services.

The fund balance at the end of a fiscal year shall equal no less than one-fourth (i.e. the average of three months of expenditures) of the approved operating budget for the subsequent fiscal year.

Use of fund balance is subject to Board approval and will be limited to non-recurring uses including, but not limited to:

- Coverage of outstanding encumbrances being carried-forward into a new fiscal year
- Capital projects
- Facilities repairs or upgrades
- Non-routine furniture, fixtures, and equipment purchases
- Non-routine technology purchases
- Program start-up costs
- Maintaining minimum renewal and replacement balances as described in Policy No. 806 II.B.2.

B. Plant Funds:

Includes capital project, renewal and replacement, and debt services.

1. The capital project balance will reflect accumulations for Board approved future construction projects (matching or total funding) based on the College's facility master plan requirements.
2. The minimum renewal and replacement balance shall reflect three percent (3%) of the book value of all property, plant, and equipment.
3. The debt service balance will at all times be sufficient to guarantee full payment of upcoming principal and interest charges on all outstanding debt obligations.