

## 1.0 PURPOSE

This investment policy applies to all financial assets of Big Bend Community College. These funds are accounted for in Big Bend Community College's Comprehensive Annual Financial Report and include:

General Fund, Special Revenue Funds, Capital Project Funds, Enterprise Funds, Agency Funds, Any new fund created by the legislative body, unless specifically exempted.

## 2.0 SCOPE

### 2.1 Prudence

Investments shall be made with judgment and care, under prevailing circumstances, 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. 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. Investment officers acting in accordance with written procedures and the investment policy and exercising due diligence shall be relieved of personal responsibility for an individual security's credit risk or market price changes, provided deviations from expectations are reported in a timely fashion and appropriate action is taken to control adverse developments.

### 2.2 Objective

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

- **Safety:** Safety of the principal is the foremost objective of the investment program. Investments of Big Bend Community College 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:** Big Bend Community College's investment portfolio will remain sufficiently liquid to enable Big Bend Community College to meet all operating requirements that might be reasonably anticipated.
- **Return on Investment:** Big Bend Community College's investment portfolio shall be designed with the objective of attaining a market rate of return throughout budgetary and economic cycles, taking into account Big Bend Community College's investment risk constraints and the cash flow characteristics of the portfolio.

### 3.0 DEFINITIONS

### 4.0 PROCESS

#### 4.1 Delegation of Authority

Authority to manage Big Bend Community College's investment program is derived from the Legal Investments for Washington State Governments as stated in RCW 39.58. Management responsibility for the investment program is hereby delegated from the President to the VP for Finance and Administration, who works with the Executive Director of Business Services or Fiscal Analyst, who shall establish written procedures for the operation of the investment program consistent with this investment policy.

Procedures should include reference to safekeeping, wire-transfer agreements, custody agreements, and investment-related banking services contracts. 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 VP for Finance and Administration. The VP for Finance and Administration shall be responsible for all transactions undertaken and shall establish a system of controls to regulate the activities of subordinate officials.

#### 4.2 Ethics and Conflict 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 and investment officials shall disclose to the VP for Finance and Administration 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 Big Bend Community College's portfolio. Employees and officers shall subordinate their personal investment transactions to those of Big Bend Community College, particularly with regard to the timing of purchases and sales.

#### 4.3 Authorized Financial Dealers and Institutions

The Treasurer will maintain a list of financial institutions authorized to provide investment services. In addition, a list of approved security broker/dealers selected by credit worthiness will be maintained. These may include "primary" dealers or regional dealers that qualify under Securities and Exchange Commission Rule 15c3-1 (uniform net capital rule). No

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public deposits shall be made except in qualified public depositaries as provided in RCW 39.58.

All brokers/dealers and financial institutions who desire to do business with Big Bend Community College must supply the Treasurer with annual audited financial statements and quarterly financial statements. The Treasurer will conduct an annual review of the financial condition of firms. A current audited financial statement is required to be on file for each financial institution and broker/dealer with whom Big Bend Community College invests.

#### 4.4 Competitive Transactions

- Big Bend Community College will transact securities purchases or sales through appropriately competitive processes.
- Electronic trading is the preferred option for the purchase and sale of investment instruments.
- Offers or bids for securities may be received from approved broker/dealers by the following means:
  - By phone
  - By email or other electronic communication
  - Through electronic trading platform
  - From inventory listing supplied by approved broker/dealers from underwritten new issues.

#### 4.5 Authorized and Suitable Investments

Eligible investments are only those securities and deposits authorized by statute (RCW 36.29, 39.58, 39.59, 43.84.080 and 43.250).

- Obligations of the U.S. government;
- Obligations of U.S. government agencies, or of any corporation wholly owned by the U.S. government;
- Certificates of deposit with financial institutions qualified by the Washington Public Deposit Protection Commission;
- Commercial paper, provided that Big Bend Community College adheres with policies and procedures of the State Investment Board regarding commercial paper (RCW 43.84.080(7));
- 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;
- Banker's acceptances purchased on the secondary market rated with the highest short-term credit rating of any two Nationally Recognized Statistical Rating Organizations (NRSROs), at the time of purchase. If the banker's acceptance is rated by more than two NRSROs, it must have the highest rating from all of the organizations;
- Local Government Investment Pool; and

- Obligations of the state of Washington or its political sub-divisions.

#### 4.6 Safekeeping and Custody

All security transactions entered into by Big Bend Community College shall be conducted on a delivery-versus-payment (DVP) basis. Securities purchased by the entity will be delivered against payment and held in a custodial safekeeping account. The Treasurer will designate a third-party custodian and safekeeping receipts will evidence all transactions.

#### 4.7 Diversification

Big Bend Community College will diversify its investments by security type and institution. With the exception of obligations for the U.S. Government or its agencies, no more than 50% of Big Bend Community College's total investment portfolio will be invested in a single security type or with a single financial institution.

#### 4.8 Maximum Maturities

To the extent possible, Big Bend Community College will attempt to match its investments with anticipated cash-flow requirements. Unless matched to a specific cash flow, Big Bend Community College will not directly invest in securities maturing more than five years from the date of purchase. Big Bend Community College's goal is to have a maximum weighted average maturity of no more than 3 years.

#### 4.9 Internal Controls

The Treasurer shall establish an annual process of independent review by an external auditor. This review will provide internal control by assuring compliance with policies and procedures. Internal policies and procedures are in place and reviewed annually for state compliance.

#### 4.10 Performance Standards

The investment portfolio will be designed to obtain an average rate of return during budgetary and economic cycles, taking into account investment-risk constraints and cash-flow needs.

Big Bend Community College's investment strategy is active. The earnings benchmark will be a market benchmark that appropriately models the risk and return of the portfolios.

#### 4.11 Reporting

The Treasurer shall provide Big Bend Community College's Board of Trustees consistent periodic reporting. These reports shall provide an accurate and meaningful representation of the investment portfolio. Annual reports will be included and discussed with the year-end budget review:

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- A listing of individual securities held at the end of the reporting period,
  - Current market value at the end of the reporting period,
  - Interest rate at which security was purchased,
  - Maturity date.

#### 4.12 Investment Policy Adoption

Big Bend Community College's investment policy shall be adopted by board action at a regular meeting of the Big Bend Community College Board of Trustees. The policy shall be reviewed on an annual basis by the approving authority, and the same authority must approve any modifications.