

INVESTMENT POLICY

I. Policy Section

11.0 Business Functions

II. Policy Subsection

11.8 Investment

III. Policy Statement

The Vice President for Finance and Administration, or designee, shall be responsible for the investment of available funds. Such investments will include all funds of the College. All investments will be in compliance with the State of Michigan regulations for Community College investments as contained in MCL 389.142.

IV. Reason for Policy

This policy has been developed to ensure compliance with applicable Michigan statutes and provide guidance to staff to ensure that the College's exposure to loss from investments is minimized.

V. Entities Affected by This Policy

Financial institutions, brokers, and similar institutions that desire to do investment business with the College.

VI. Who Should Read This Policy

Financial Services staff involved in recommendations or decision-making about the investment opportunities of the College and other College staff interested in the College's budget and financial operation.

VII. Related Documents

MCL 389.142 (attached)

VIII. Contacts

Policy Owner: Vice President for Finance and Administration
Director of Budget and Business Services

IX. Definitions

Investments: Generally short-term purchases of certain types of instruments that are relatively low risk and generate interest income for the College. Amounts are generally greater than \$100,000.

X. Procedures

A. The Director of Budget and Business Services, or designee, shall conduct all investment transactions through authorized letters of transmittal or through telephone or electronic communication as authorized.

B. The College may contract a qualified external entity to manage its investments. In this case, the entity will agree to follow all related College policies.

C. Investments in any one institution shall not exceed an upper limit of 5% of the net worth of that institution unless (1) the investment is approved by the President and Vice President of Finance and Administration and (2) the length of the "over the top" investment does not exceed 120 days.

D. The investments in a single issuer of a commercial paper shall not exceed \$5,000,000.

E. Whenever possible, banks used as depositories shall have branch operations in Kent County. Exceptions may be made when it is in the best interest of the College because of diversification of portfolio or interest rates available.

F. Broker-dealers shall be registered members of Securities and Exchange Commission whose accounts are insured by the Securities Investor Protection Corporation (SIPC) or other appropriate insurer.

G. Annually, the Director of Budget and Business Services will provide to the Board of Trustees a schedule of any new financial institutions and broker-dealers that are approved for handling investment transactions.

H. The Director of Budget and Business Services will provide current policies and guidelines to participating financial institutions and broker-dealers.

I. Selection of investments purchased will be at the discretion of the Director of Budget and Business Services. Generally, the highest interest rate will be accepted. Exceptions to this selection criterion would be because of diversification of portfolio or limits specified above.

J. The Vice President of Finance and Administration will review investments monthly before presentation to the Board of Trustees. As part of the annual audit, the external auditing firm will confirm all investments held by the College.

XI. Forms

N/A

XII. Effective date

February 22, 2011

XIII. Policy History

- A. Revisions of February, 2011
 - 1. Updates to employee titles
 - 2. Revisions to ensure consistency with legislated changes to the investment statute for Michigan community colleges, effective December of 2009.
 - 3. Enhanced flexibility necessary in the current investment environment, to:
 - a. Allow the use of financial institutions outside Kent County
 - b. Eliminate the requirement to obtain a minimum number of quotes for all investment purchases
 - c. Allow investment amounts to be based on payroll requirements, available rates and the security of principal
- B. Revisions of April 4, 2014: Eliminate requirement for written approval from the Vice President of Finance and Administration for other wire activity in excess of \$4,000,000.
- C. No revisions April, 2018
- D. Revisions April, 2022

XIV. Next Review/Revision Date

April, 2026

COMMUNITY COLLEGE ACT OF 1966

389.142 Investment of funds; restrictions, commingling, earnings, eligible depository of surplus funds

Section 142

1. Subject to subsections (3) and (4), the treasurer of a community college district, if authorized by resolution of the board of trustees, may invest debe retirement funds, building and site funds, building and site sinking funds, or general funds of the district, but investment is restricted to the following:
 - a. Bonds, bills, or notes of the United States, or of an agency or instrumentality of the United States, or obligations of this state.
 - b. Negotiable certificates of deposit, savings accounts, or other interest-bearing deposit accounts of a financial institution.
 - c. Bankers' acceptances that are issued by a bank that is a member of the Federal Deposit Insurance Corporation.
 - d. Commercial paper that is supported by an irrevocable letter of credit issued by a bank that is a member of the Federal Deposit Insurance Corporation.
 - e. Commercial paper of corporations rated prime by at least one (1) of the standard rating services.
 - f. Mutual funds, trusts, or investment pools composed entirely of instruments that are eligible collateral.
 - g. Repurchase agreements against eligible collateral, the market value of which must be maintained during the life of the agreements at levels equal to or greater than the amounts advanced. An undivided interest in the instruments pledged for these agreements must be granted to the community college.
 - h. Investment pools, as authorized by the surplus funds investment pool act, 1982 PA 367, MCL 129
 - i. Certificates of deposit issued in accordance with the following conditions:
 - (i) The funds are initially invested through a financial institution that is not ineligible to be a depository of surplus funds belonging to this state under section 6 of 1855 PA 105, MCL 21.146.
 - (ii) The financial institution arranges for the investment of the funds in certificates of deposit in 1 or more insured depository institutions, as defined in 12 USC 1813, or 1 or more insured credit unions, as defined in 12 USC 1752, for the account of the community college district.
 - (iii) The full amount of the principal and any accrued interest if each certificate of deposit is insured by an agency of the United States.

- (iv) The financial institution acts as custodian for the community college district with respect to each certificate of deposit.
 - (v) At the same time that the funds of the community college are deposited and the certificate or certificates of deposit are issued, the financial institution receives an amount of deposits from customers of other insured depository institutions or insured credit unions equal to or greater than the amount of the funds initially invested by the community college district through the financial institution.
- 2. The board of trustees, chief executive officer, or treasurer of a community district shall not commingle money in the funds of the community college district for the purpose of making an investment authorized by this section, and all earnings on an investment shall become a part of the fund for which the investment was made.
- 3. The board of trustees, chief executive officer, or treasurer of a community district shall not invest or deposit any funds of the community college district in any financial institution that is not eligible to be a depository of surplus funds belonging to this state under section 6 of 1855 PA 105, MCL 21.146.
- 4. The board of trustees, chief executive officer, or treasurer of a community district shall comply with the divestment from terror act in making investments or depositing funds under this act.
- 5. As used in this section:
 - (a) "Eligible collateral" means any securities which otherwise would qualify for outright purchase under this act.
 - (b) "Financial institution" means a state or nationally chartered bank or a state or federally chartered savings and loan association, savings bank, or credit union whose deposits are insured by an agency of the United States government and that maintains a principal office or branch office located in this state under the laws of this state of the United States.