

## I. POLICY

Excess college funds shall be invested in accordance with state laws, regulations and state board of regents' policies with the purpose of maximizing investment income while giving priority to safety of principal and need for liquidity.

## II. REFERENCE

- A. State Money Management Act, Utah Code Ann. §§ 51-7-1–24.
- B. Uniform Prudent Management of Institutional Funds Act, Utah Code Ann. §§ 51-8-101–604.
- C. Management and Reporting of Institutional Investments, Utah State Bd. of Regents r. 541.
- D. State Money Management Council, Utah Admin. Code r. 628.

## III. DEFINITION

- A. Alternative Investments: An investment in asset classes other than traditional stocks, bonds, and cash types. Such investments derive returns primarily from high yield or distressed debt, private capital, natural resources, private real estate, or absolute return and long/short hedge funds.
- B. College Investment Committee: A committee established to oversee all college investing activities.
- C. College Funds: All money or funds which are owned, held or administered by the college. College funds are public funds.
- D. Donated Funds: Funds acquired by the college by gift, devise, or bequest.
- E. Endowment Funds: Donated funds for which the donor has stipulated that the principal or corpus must be maintained in perpetuity and be invested for income generating purposes.
- F. Public Treasurer: An employee appointed by the board of trustees who has the responsibility for the safekeeping and investment of college funds.

- G. Quasi-Endowment Funds: A fund in which the principal balance to be maintained in perpetuity has been designated internally by the college board of trustees.
- H. Institutional Investment Income Fund: A fund specifically designated by the college to provide accountability for institution investment income through tracking of budgets, revenues, and expenditures related to the college's investment earnings.

#### IV. PROCEDURE

##### A. General Provisions

1. The investment of college funds shall be made in compliance with state law and regulations including the State Money Management Act, the rules of the state Money Management Council and state board of regents policy.
2. Selection of investments shall be made with the exercise of judgment and care, under circumstances then prevailing, which persons of prudence, discretion, and intelligence would ordinarily exercise in the management of their own affairs, not for speculation but for investment, considering the safety of their capital, as well as the expected benefits to be derived and the duration for which such investment is to be made.
3. The college shall manage its cash liquidity needs in a manner which will maximize college funds available for investment. Available funds shall be invested with the following objectives:
  - a. the protection and safety of principal;
  - b. managing liquidity and term of investment to provide funds for anticipated expenditures and emergency expenditures;
  - c. the recognition of differing financial objectives and needs of various operating and permanent accounts; and
  - d. the maximization of the rate of return consistent with the foregoing objectives.
4. This policy does not apply to trust funds of which the college is the beneficiary but does not own or control or to donated funds which the donor has directed to be invested in specific securities or properties.
5. The college will not participate in alternative investments, except instances when a donor directs that donated funds are to be invested in specific securities or investments.

6. No person may engage in an investment transaction on behalf of Salt Lake Community College except as provided under the terms of this policy.

#### B. Authority

1. Authority for management of investing college funds has been delegated by the Utah board of regents to the college board of trustees. The board of trustees has delegated investing authority to the college's Investment Committee.
2. Under guidance of the college Investment Committee, investing authority is delegated to the college's public treasurer. In the temporary absence of the public treasurer, the controller or vice president for Finance and Administration are authorized to perform investing activities.
3. If specifically approved by the board of trustees, the authority to invest public funds may also be delegated to an independent investment manager.

#### C. Investment Committee

1. The Investment Committee is made up of the following:
  - a. a representative from the board of trustees;
  - b. the vice president for Finance and Administration;
  - c. the controller; and
  - d. the public treasurer.
2. The Investment Committee shall meet monthly to:
  - a. review current economic conditions and future economic forecast;
  - b. review the college's current investment portfolio and investment results;
  - c. review the college's current investment strategy and recommend any changes to future investment strategies;
  - d. adopt appropriate revisions to the investment pool operating policies;
  - e. make recommendations regarding investment counsel or investment managers to the executive cabinet; and
  - f. make recommendations regarding policies or practices relating to the investment of college funds, the allocation of investment earnings, or the management of cash to the executive cabinet or the board of trustees.

#### D. Public Treasurer

1. The vice president for Finance and Administration shall recommend to the board of trustees an employee with appropriate institutional cash and investments knowledge to serve as the college's public treasurer.
2. The public treasurer is authorized to invest college funds under the guidance of the Investment Committee.
3. The public treasurer shall use the services of a qualified bank trustee to provide for safekeeping or repository of investments, and review trustee reports to ensure all investment and interest income transactions are properly accounted for.
4. In the absence of the public treasurer, the controller or vice president for Finance and Administration are authorized to invest college funds.

#### E. Approval of Investments

1. Acquisition of daily repurchase agreements or money market funds, the redemption of securities at maturity, and the sale of securities donated to the college must be approved by one of the following college officials:
  - a. the public treasurer;
  - b. the controller;
  - c. the vice president for Finance and Administration; or
  - d. the president.
2. All other investment transactions of \$3 million or less must be approved by two of the above-listed college officials.
3. All individual investment purchase transactions exceeding \$3 million must be approved by the vice president for Finance and Administration or the president.

#### F. Investment Pools

1. Ordinarily, funds will be pooled for investment purposes.
2. Investment pools or portfolios may be established to:
  - a. ensure compliance with the State Money Management Act and rules of the state Money Management Council;

- b. ensure compliance with any legal restrictions, such as bond covenants or trust agreements;
  - c. ensure compliance with donor instructions relating to gifts or bequests;
  - d. meet the investment objectives of groups of similar accounts; and
  - e. maintain cash liquidity to meet the operating needs of the college.
3. Investment pools may be established only upon approval of the vice president for Finance and Administration or the president and the board of trustees.
  4. Policies for the operation and management of each investment pool will be established and periodically reviewed by the Investment Committee.

#### G. Distribution of Pooled Investment Income

1. Investment income will ordinarily be distributed quarterly to the eligible accounts which provide funds for investment based on their monthly ending cash balances.
2. Eligible accounts include development and endowment accounts and other accounts designated by the president or the president's designee.
3. Investment income attributable to non-eligible accounts, as well as income resulting from investments of bank float and accounts payable pending disbursement, shall be credited to the Institutional Investment Income Fund.

#### H. Overdraft Balances of Funds Participating in Investment Pools

Accounts with temporary negative average daily cash balances during a month may be charged interest using the same rate of return determined for that quarter.

#### I. Separate Investments

Funds may be separately invested, rather than included in a pool if one of the following conditions exist:

1. The investment of the funds has been specified or restricted by the donor in a manner which makes it impractical to commingle with funds in investment pools;
2. The funds have been pledged or dedicated and must be invested in accordance with the objectives and guidelines stated in bond resolutions or other debt agreements; or

3. The funds that have been approved for separate investment by the vice president for Finance and Administration, such as quasi-endowment funds, where the principal is meant to be maintained for long-term investment income purposes.

J. Donated Securities

1. If any gift, devise, or bequest, whether outright or in trust, is made by a written instrument which contains directions as to investment thereof, the funds embodied within the gift shall be invested in accordance with those directions.
2. Donated securities may be retained by the college and shall be considered to be invested according to the terms of this policy.
3. In the absence of a written instrument, non-qualifying investments shall be sold as soon as practical, not to exceed 30 days.
4. The Utah Commissioner of Higher Education may approve exceptions to the 30-day rule in the case of non-readily marketable investments.

K. Endowment and Quasi-Endowment Funds

1. Both endowment and quasi-endowment funds shall be invested in permissible investments and asset allocations in accordance with board of regents' policy and the Uniform Prudent Management of Institutional Funds Act.
2. The college may elect to invest their endowment funds with another institution with prior approval from the board of trustees and the board of regents and shall adopt the investment guidelines of the institution receiving the funds.
3. When investing these funds, the college shall consider:
  - a. the purpose, terms, and distribution requirements of the endowment funds;
  - b. general economic conditions;
  - c. the possible effect of inflation or deflation;
  - d. the role that each investment or course of action plays within the overall endowment portfolio;
  - e. the expected total return from income and the appreciation of capital;

- f. the need for liquidity, regularity of income, and preservation or appreciation of capital; and
- g. an asset's special relationship or special value, if any, to the purposes of the endowment or to one or more of the beneficiaries.

#### L. Internal Controls

1. The college shall establish a system of internal controls which shall be evaluated annually by the college's internal auditors or independent external auditors.
2. The controls shall be designed to prevent losses of public funds arising from fraud, employee error, misrepresentation by third parties, or imprudent actions by employees and officers.

#### M. Reporting Requirements

The public treasurer shall submit monthly investment reports to the college's board of trustees' secretary within 45 days of the month's end.

1. Investment reports shall include:
  - a. the monthly portfolio activity as well as the detail of the college's entire portfolio showing costs and market amounts for each investment and maturity dates, where applicable;
  - b. an assertion by the public treasurer that:
    - (1) to the best of the public treasurer's knowledge, the reports accurately reflect the investment activity, the cost, and market value of all investments at month end; and
    - (2) all investments conform with the college's policies, the board of regents policies, the State Money Management Act, and the rules of the state Money Management Council.
2. The board of trustees' secretary shall place the report on the agenda of the board of trustees' next regular meeting, at which time the board of trustees shall approve or reject the reports.
3. If the board of trustees approves the reports, the college shall submit a copy of the reports to the Office of the Commissioner for Higher Education (OCHE), no later than 30 days after trustee approval. Reports submitted to the OCHE shall be accompanied by a letter indicating that the president has reviewed the reports.

4. The college shall submit a summary of all investments under its jurisdiction annually, at fiscal year-end, to the OCHE on the forms the OCHE provides.
5. Institutional investments shall be audited by Internal Audit annually, and the completed audit reports will be submitted to OCHE by January 15. The report shall also be submitted to the president and the board of trustees.

#### N. Independent Investment Managers and Counsel

1. External qualified investment counsel may be appointed by the board of trustees to provide investment advice to the public treasurer.
2. External qualified investment managers may be retained by the board of trustees to manage one or more investment pools.
3. Investment counsel and managers will be chosen on the basis of investment performance and investment reputation in the financial community as well as the cost of services.
4. Appointments of investment counsel will be subject to annual review.
5. The public treasurer is authorized to select and use the services of the Utah Money Management Council qualified investment brokers in conjunction with the routine purchasing and selling of investments.

#### O. Ethics and Conflicts of Interest

1. Investment Committee members have a fiduciary duty to be free of any conflict of interests that may influence their decisions when representing the college.
2. On an annual basis, members must complete and submit a conflict of interest statement to the Investment Committee secretary disclosing:
  - a. any material financial interests in financial institutions that conduct business with the college; and
  - b. any large personal financial/investment positions that may affect the performance of investment duties or the performance of the college's portfolio.



3. Committee members must subordinate their personal investment transactions to the college's investment interests, particularly with regard to the timing of purchases and sales.

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Last Cabinet Review: August 19, 2019

The originator of this policy & procedure is the Controller's Office. Questions regarding this policy may be directed to the originator by calling 801-957-4084.