

MANUAL OF PROCEDURE

PROCEDURE NUMBER: 3820

PAGE 1 of 5

PROCEDURE TITLE: Investment of Surplus Funds

STATUTORY REFERENCE: FLORIDA STATUTES 1001.65, 215.45, 215.47, 218.415 AND
STATE BOARD OF EDUCATION RULES 6A-14.0765, 6A-14.075

BASED ON POLICY: III-11 Investment of College Funds

EFFECTIVE DATE: March 16, 1995

LAST REVISION DATE: January 30, 2019

LAST REVIEW DATE: January 30, 2019

I. SCOPE AND GENERAL GUIDELINES

- A. These Investment Guidelines constitute the investment policy that applies to College surplus funds, excluding those of the Community Endowment Fund and funds pledged/received under the state's Facility Enhancement Challenge Grant program, which are governed by independent guidelines applicable to their investment objectives outlined in Procedure 3821.
- B. The purpose of these Guidelines is to outline responsibilities, set investment goals, establish strategies to achieve stated objectives, and establish internal controls and operational procedures for the investment of surplus funds.
- C. Investments shall be made in accordance with the "prudence standard." That being, investments shall be made with the same judgment and care, under circumstance then prevailing, which persons of prudence, discretion and intelligence exercise in the management of their own affairs. The surplus funds shall not be used for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived from the investment.
- D. Management of investments and investment policy shall be in accordance with Florida Statutes, including without limitation, Sections 218.415, 215.45 and 215.47, and the Florida Administrative Code, including without limitation, State Board of Education Rule 6A-14.0765, as any of the foregoing may be superseded, if permissible, by local statute(s), bond trust indenture(s) or resolution(s).
- E. Consistent with policy and approved investments, the Senior Vice Provost for Business Affairs, under the authority of the College President, shall have the authority to make investments of College surplus funds.

II. INVESTMENT OBJECTIVES

- A. To provide a sound investment program for the College's surplus funds placing the highest priority on the safety of principal, followed by liquidity of funds to meet the College's cash flow requirements in light of the potential for declines in fair value as a result of interest rate changes and optimization of investment income, in that order.
- B. Investment policies are to be related to short, mid and long-term needs of the College in light of current operations, capital expenditures and other demands on funds pursuant to the College's anticipated cash flow needs.

III. INVESTMENT COMMITTEE

- A. An Internal Investment Committee shall be formed to manage the investments of College surplus funds.
- B. The Senior Vice Provost for Business Affairs shall chair the committee, which will be comprised of the Controller and the Treasurer of the College. If any of the Committee members are absent or their positions vacant, the Committee shall operate with the remaining members provided at least two members are present.
- C. The Committee shall meet on a quarterly basis, along with the independent College Advisor, to review investment returns, objectives and other issues pertaining to investment of College surplus funds.
- D. The Committee shall determine the appropriate investment strategy to meet the Investment Objectives, governed by the Guidelines set forth herein, and by applicable Florida Statutes, as appropriate.
- E. The Committee shall be responsible for maintaining the records of the investment program reflecting the performance of the investments.
- F. Members of the Committee shall be responsible for completing eight hours of continuing education every two years in subjects or courses of study related to investment practices and products.

IV. AUTHORIZED INVESTMENTS

Investments shall be limited to fixed-income securities, or funds that invest in fixed-income securities that meet one or more of the following descriptions:

- A. The Local Government Surplus Funds Trust Fund, managed by the State Board of Administration (SBA), or the State Treasurer's Special Purpose Investment Fund (SPIA), managed by the Florida Department of Treasury.
- B. Any intergovernmental investment pool authorized pursuant to the Florida Interlocal Cooperation Act, as provided in Section 163.01, Florida Statutes, or otherwise by Florida Statute, which maintains a similar investment objective.

- C. United States Treasury obligations, including, but not limited to Bills, Notes, Bonds and Strips and other obligations whose principal and interest is fully guaranteed by the United States of America.
- D. United States Government Agencies securities and other United State Government investment instrumentalities, including, but not limited to securities issued the Federal Farm Credit Bank (FFCB), Government National Mortgage Association (GNMA), the Federal National Mortgage Association (FNMA), the Federal Home Loan Mortgage Corporation (FHLMC), Student Loan Marketing Association (SLMA), Federal Home Loan Bank (FHLB), Finance Corp (FICO), Federal Housing Administration (FHA), and Tennessee Valley Authority (TVA).
- E. Mortgage-Backed (Pass-Through) Securities guaranteed by the United States Government or a Federal Agency, including securities collateralized by the same.
- F. Funds or Managers that contain asset backed securities rated “BBB-” or higher, on average, by any one of the Nationally Recognized Securities Rating Organizations (NRSRO).
- G. Securities of, or other interests in, any open-end or close-end management-type investment company or investment trust registered under the Investment Company Act of 1940, as amended from time to time, provided that the portfolio of such investment company or investment trust is limited to obligations of the United States Government, or any agency or instrumentality thereof and to repurchase agreements fully collateralized by such United States Government obligations, and provided that such investment company or investment trust take delivery of such collateral either directly or through an authorized custodian.
- H. Saving Accounts or Certificates of Deposits held by qualified public depositories as defined in Section 280.02, Florida Statutes, or otherwise by Florida Statute.
- I. Money market instruments, including, but not limited to funds that are registered with the Securities and Exchange Commission, certificates of deposit, collateralized repurchase agreements, banker’s acceptances, commercial paper and like investment vehicles that are rated “BB” or higher, on average, by either the Standard & Poor’s or Moody’s rating service.
- J. Other fixed-income investments and applicable limitations, as outlined in Section 215.47, Florida Statute.
- K. Commingled fixed income alternative investment strategies designed to enhance yield and/or diversify interest rate or credit risk. Investment in these strategies will not exceed 15% of the total surplus funds. Commingled fund managers are expected to at all times adhere to the provisions and guidelines of the respective fund’s Trust Agreement. Because of the commingled nature of the investment vehicles, the investment constraints and guidelines are set by each respective investment manager.
- L. It should be recognized that certain securities may meet the above definitions of an authorized Investment, but their performance risk, as created by their structure, may be such that a prudent investor would deem them inappropriate for the College’s surplus funds. Securities of this type which are therefore prohibited include:
 - 1. Reverse repurchase agreements

2. Floating rate securities whose coupon floats inversely to an index or whose coupon is determined based upon more than one index
- M. To address default risk, excluding U.S. Government and U.S. Government agency securities, a maximum of 5% of the surplus funds may be invested in securities of any single issuer.
 - N. To address maturity and liquidity risk, at least 40% of the overall portfolio shall be invested in overnight securities or other local governmental or intergovernmental investment pools or like instruments which can be converted into cash within one day, inclusive of those specified in sections A and/or B of this section noted above.
 - O. Average maximum maturities exceeding five years with any Manager or Fund that cannot otherwise be liquidated within a one-year period shall be limited to no more than 25% of the overall portfolio.
 - P. The portfolio shall not purchase individual securities on the open market, but invest via Managers and Funds, eliminating the need for competitive bidding of specific securities on the open market.

The weighted average quality rating of the collective surplus funds invested will maintain a rating of 7.5 or higher, according to the following scale, as dictated by each Manager or Fund's overall rating, or if unavailable, the weighted average for the securities in their portfolio. This calculation will be performed at least annually by the College's Advisor. Investments in commingled fixed income alternative investments, such as Crestline, SJC, or MSIM shall be considered an unrated security for this calculation. Funds pledged/received under the state's Facility Enhancement Challenge Grant program shall be excluded from this calculation and governed by Procedure 3821, as noted in section I.A. above.


U.S. Government securities	10.0
U.S. Government agency securities	9.5
"AAA" rated securities	9.0
"AA" rated securities	8.0
"A" rated securities	7.0
"BBB" rated securities	6.0
"BB" rated or unrated securities	5.0

V. CUSTODIAL ARRANGEMENTS AND AGREEMENTS

Except for overnight repurchase agreements whose underlying securities are held by the originating institutions, all securities purchased under this policy shall be properly designated as assets of the College and held in safe keeping by a third party custodial bank or other third party custodial institution. If a bank or investment trust company serves as an investment advisor, the said bank or trust company could also perform the custodial and reporting services.

VI. INTERNAL CONTROL

The College shall establish a system of internal controls, which include safeguarding controls, to promote management’s objectives regarding compliance with applicable laws and other guidelines; the economic and efficient operation of the College; and the reliability of financial records and reports. The procedures shall be designed to prevent losses of funds, which might arise from fraud, employee error, or misrepresentation by third parties. The system of internal controls is set forth in the operational procedures of the College.

	
1/30/19	
PRESIDENT	DATE