Information Sheet – 11/14/17 - Board of Trustees Meeting

TO: Board of Trustees Item: 7.3

FROM: Celli Coeville

DATE: November 8, 2017

RE: Revise BP 3430 Investing

Investing Board Policy has been updated to reflect language consistent with district practices and sample CSBA board policy.

Recommendation: Adopt Board Policy as presented

CSBA Sample
Board Policy
Investing

BP 3430
Business and Noninstructional Operations

Note: Education Code 41001 requires most school district funds to be deposited into the county treasury. Education Code 41015 allows any Governing Board which has funds in a special reserve fund of the district or any surplus monies not required for immediate district operations to invest all or part of the funds in accordance with Government Code 16430 and 53601-53609. In addition, the district may invest money in accordance with Government Code 53635 when the district pools money in deposits or investments with other local agencies.

All or part of the special reserve fund of the district, or any surplus monies not required for the immediate necessities of the district, may be invested as allowed by law for public funds. (Education Code 41015; Government Code 16430, 53601-53609, 53635)

Note: Government Code 53607 allows the Board to delegate authority for investing or reinvesting district funds to the chief fiscal officer of the district for a one-year period. The chief fiscal officer shall make monthly reports of these transactions to the Board. The Board may review and renew the delegation of authority each year if desired, and has the right to revoke the authority. The following paragraph is optional.

The Governing Board authorizes the district's chief fiscal officer to invest and reinvest such funds on behalf of the district. He/she shall make monthly reports of those transactions to the Board. The Board retains the right to revoke this authority at any time.

Note: The following paragraph is optional. Pursuant to Government Code 53600.3-53600.5, persons authorized to make investment decisions for the district are fiduciaries subject to prudent investor standards. If the Board has not delegated investment authority to the chief fiscal officer as provided above, the following paragraph should be revised to indicate that the Board retains fiduciary responsibility. With regards to funds deposited in the county treasury, Government Code 27000.3 provides that the county treasurer serves as a fiduciary subject to prudent investor standards.

The Board recognizes that the district's chief fiscal officer has fiduciary responsibility for any funds invested outside the county treasury and is subject to prudent investor standards for investment decisions. As such, he/she shall act with care, skill, prudence, and diligence under the prevailing circumstances, including but not limited to the general economic conditions and the anticipated needs of the district. The investment objectives shall be to first safeguard the principal of the funds, then to meet the district's liquidity needs and, third, to achieve a return on the funds. (Government Code 53600.3, 53600.5)

(cf. 9270 - Conflict of Interest)

Note: The following optional paragraph expands on the third objective described above.

In order to enhance investment return, the district's goal shall be to generate an investment yield that attains or exceeds a market-average rate of return through economic cycles.

Note: Government Code 27131 encourages a county, or city and county, that is investing surplus funds to establish a county treasury oversight committee. The county board of supervisors, in consultation with the county treasurer, shall determine the size and the categories which committee members shall represent. Pursuant to Government Code 27132, one of the members may be a representative selected by a majority of the board presidents of the school and community college districts in the county. In addition, Government Code 27133 requires that the county treasurer in any such county must annually prepare an investment policy, with specified components, to be reviewed and monitored by this committee.

The Board recognizes the importance of overseeing investments made with district funds, including investments by the county treasurer. The Superintendent or designee shall maintain ongoing communication with any county committee established for the purpose of overseeing county investments. In addition, the Superintendent or designee shall keep the Board informed about county policies that guide the investment of these funds.

~~***Note: The following paragraph is optional.***~~

~~The Board may establish an investment oversight committee to monitor the district's investments and make recommendations to the chief fiscal officer and the Board regarding investment policies.~~

~~(cf. 1220 - Citizen Advisory Committees)~~

Annual Statement of Investment Policy

~~***Note: AB 2853 (Ch. 889, Statutes of 2004) amended Government Code 53646 to encourage, but no longer require, the district's chief fiscal officer to annually render a statement of investment policy to the Board and any district investment oversight committee. If the Board chooses to require the annual statement of investment policy, the Board must consider the policy, or any changes in the policy, at a public meeting.***~~

~~***Note: The following optional section is for use by Boards that choose to continue to require this annual statement of investment policy. The following paragraph may be revised if the district has not established a district investment oversight committee.***~~

~~The district's chief fiscal officer shall annually provide to the Board and any district investment oversight committee a statement of the district's investment policy or, if all district surplus funds are invested with the county treasurer, the county's investment policy.~~

~~***Note: The following optional paragraph is based on a recommendation of the California Debt and Investment Advisory Commission's Local Agency Investment Guidelines which suggest that legislative bodies vote on and approve the annual investment report, no later than the end of the first quarter of the year to which it applies.***~~

~~The annual investment report shall be submitted no later than the end of the first quarter of the year to which it applies.~~

At a public meeting, the Board shall review this policy and discuss any changes to be made. (Government Code 53646)

Annual ~~Quarterly~~ Investment Reports

~~***Note: Government Code 53646, as amended by AB 2853 (Ch. 889, Statutes of 2004), encourages but no longer requires the district's chief fiscal officer to provide quarterly reports of the district's investments to the Board, the Superintendent and the district's auditor. The following optional section is for use by Boards that choose to continue to require these quarterly reports. See the accompanying administrative regulation for information about the contents of the reports.***~~

~~***Note: If the district chooses to provide such reports, Government Code 53646 provides that the chief fiscal officer shall not be required to render a quarterly report for individual accounts that are less than $25,000. Also, the Board may require these reports more frequently and may revise the following paragraph accordingly.***~~

~~The chief fiscal officer of the district shall provide the Board, Superintendent, and internal auditor with quarterly reports of district investments in individual accounts that are $25,000 or more.~~

~~(cf. 3460 - Financial Reports and Accountability)~~

Legal Reference:
EDUCATION CODE
41001 Deposit of money in county treasury
41002 General fund deposits and exceptions
41002.5 Deposit of certain funds in insured institutions
41003 Funds received from rental of real property
41015 Authorization of and limitation investment of district funds
41017 Deposit of miscellaneous receipts
41018 Disposition of money received
42840-42843 Special reserve fund
GOVERNMENT CODE
16430 Eligible securities for investment of surplus money
17581.5 Mandates contingent upon state funding

27000.3 Fiduciary for deposits in county treasury
27130-27137 County treasury oversight committees
53600-53609 Investment of surplus
53630-53686 Deposit of funds, especially:
53635 Local agency funds; deposit or investment
53646 Treasurer reports and statements of investment policy
53852.5 Investment term for funds designated for repayment of notes
53859.02 Borrowing by local agency

Management Resources:
School Finance CD-ROM, 2005
CALIFORNIA DEBT AND INVESTMENT ADVISORY COMMISSION PUBLICATIONS
Local Agency Investment Guidelines, 2002, rev. 2004
WEB SITES
California State Treasurer's Office, California Debt and Investment Advisory Commission:
http://www.treasurer.ca.gov/cdiac

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INVESTING

The Superintendent or designee may invest as permitted by law all or part of the special reserve fund of the district or any surplus monies not required for immediate district operations. Such investments shall be limited to securities specified in Government Code 16430, 53601 and 53635.

The Board of Trustees recognizes that the Superintendent or designee has fiduciary responsibility and is subject to prudent investor standards for all investment decisions. As such, district investments must be made with skill, prudence and diligence, with the primary objective of safeguarding the principal of the funds and with the secondary objective of meeting the district's liquidity needs. In order to enhance investment return, the district's third investment objective shall be to generate an investment yield that attains or exceeds a market-average rate of return through economic cycles.

The Board recognizes the importance of overseeing investments made with district funds, including investments by the county treasurer. The Superintendent or designee shall maintain ongoing communication with any county committees established for the purpose of overseeing county investments. In addition, the Superintendent or designee shall keep the Board informed about policies that guide the investment of these funds.

The Superintendent or designee shall annually provide to the Board and any district investment oversight committee a statement of the district's investment policy or, if all district surplus funds are invested with the county treasurer, the county's investment policy. At a public meeting, the Board shall review this policy and discuss any changes to be made. If the Board decides not to invest surplus funds in the county treasury, the Superintendent or designee also shall provide the Board quarterly reports with specified components, including a statement of how the district portfolio compares with the district's investment policy. (Government Code 53646)

(cf. 3460 - Financial Reports and Accountability)
(cf. 9270 - Conflict of Interest)

Legal Reference: (see next page)

INVESTING (continued)

Legal Reference:

EDUCATION CODE
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