

CLARK COUNTY SCHOOL DISTRICT REGULATION

R-3214

INVESTMENT PROGRAM

I. Purpose and Scope

The purpose of this regulation is to outline the general guidelines for the prudent investment of public funds for the Clark County School District. All investment policies, regulations, and procedures shall be in accordance with Nevada Revised Statutes (NRS) Chapters 350, 355, and 356.

II. Objectives

A. The objective of the District's investment program is to provide for the investment of public funds in a manner which will provide the highest degree of safety, liquidity, and yield while conforming to all statutes governing the investing of public funds. Criteria for selecting investments in order of priority are as follows:

1. The primary objective of the Clark County School District investment activity is the preservation of capital in each portfolio. Each investment transaction shall seek first to ensure that capital losses are avoided, whether they be from securities defaults, erosion of market value, or other risks.
2. The District's investment portfolio will remain sufficiently liquid to enable the District to meet operating requirements that might be reasonably anticipated. Liquidity shall be achieved by matching investment maturities with forecasted cash flow requirements and by investing in securities with active secondary markets.

Due to the changing requirements of cash flow caused by factors not totally within the control of the District, the ability to convert a security into cash must be considered. This transaction should occur promptly and with minimum risk of loss of principal and accrued interest.

3. Rate of return on investment becomes a consideration only after the basic requirements of safety and liquidity have been met.

District investments shall be acquired in a manner designed to attain the maximum rate of return throughout budgetary and economic cycles, taking into account statutory constraints on investment instruments.

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The investment program shall seek to augment returns consistent with risk limitations identified herein and prudent investment principles. Generally, in regard to selling securities prior to maturity for purposes of investing in another security (swaps), temporary losses are acceptable on a sale before maturity and may be taken when the reinvested proceeds will earn an income flow with a present value greater than the present value of the income flow that would have been generated by the old investment, taking into consideration any capital loss or forgone interest on the original investment.

III. Risk of Loss

All participants in the investment process shall act responsibly as custodians of the District funds. District employees shall avoid any transaction that might impair public confidence in the District's ability to govern effectively. In a diversified portfolio, occasional measured losses due to market volatility are inevitable, and must be considered within the context of the overall portfolio's investment return, provided that adequate diversification has been implemented.

IV. Investment Committee

A. The Investment Committee shall consist of the following members:

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1. ~~Deputy Superintendent, Operations/~~Chief Financial Officer.

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2. Deputy Chief Financial Officer. ~~Assistant Superintendent, Finance.~~

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3. Director of ~~Accounting~~Facilities and Bond Fund Financial Management.

4. Two District staff members appointed by the Superintendent of Schools.

5. Director of Budget as an alternate for any of the regular members.

B. The Investment Committee will receive operational staff support from District employees whose documented job description includes responsibility related to District investments.

The Investment Committee shall meet as deemed necessary by the committee to determine general strategies and monitor results. The Investment Committee shall be authorized to invite advisors to the meetings as needed.

C. The Investment Committee agenda shall include at least the following topics: Economic outlook, portfolio diversification, maturity structure, potential risk to the District's funds, authorized brokers and dealers, collateral agreements, evaluation of financial institutions, and continuous comparison of the performance of the District's portfolio to market measures selected by the Investment Committee.

D. The Investment Committee shall provide for minutes of its meetings. Any two members of the Investment Committee may request a special meeting, and a majority of the members shall constitute a quorum. The Investment Committee shall recommend operating procedures to the ~~Deputy Superintendent, Operations/~~Chief Financial Officer.

V. Responsibility and Control

A. The ~~Deputy Superintendent, Operations/~~Chief Financial Officer, is responsible for the investment program. Written operating procedures consistent with the investment regulation shall be established. Such operating procedures shall include explicit delegation of authority to persons responsible for investment transactions.

B. No person shall engage in an investment transaction except as provided under the terms of applicable statutes and regulations, the investment regulation, and the operating procedures established by the ~~Deputy Superintendent, Operations/~~Chief Financial Officer. The ~~Deputy Superintendent, Operations/~~Chief Financial Officer, shall be responsible for all transactions undertaken, and shall establish a system of controls to regulate the investment activities.

C. The ~~Deputy Superintendent, Operations/~~Chief Financial Officer, shall present to the Superintendent of Schools a comprehensive annual report on the investment program and activities for the previous fiscal year by the third week in October.

D. District employees involved in the investment process shall refrain from activities that could conflict with proper execution of the investment program, or which could impair their ability to make impartial investment decisions.

VI. Investments

A. Assets of funds of the District may be pooled for investment in accordance with NRS Chapter 355.

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Proceeds of bonds of the District issued under Chapter 350 of NRS may be invested in securities which are permitted investments under Chapters 350, 355, and 356 of NRS and the resolution authorizing the issuance of bonds.

- B. It is the policy of the District to diversify its investment portfolios. Assets held in the general pooled funds investment portfolio shall be diversified to eliminate the risk of loss resulting from a concentration of assets in a specific maturity, a specific issuer, or a specific class of securities. Diversification strategies shall be determined and revised periodically by the Investment Committee.

Portfolio maturities shall be diversified in a way that protects interest income from the volatility of interest rates and that avoids undue concentration of assets in a specific maturity sector. Securities shall be selected which provide for stability of income and reasonable liquidity to meet expected cash requirements.

VII. Selection of Banks and Dealers

The Investment Committee shall select only those brokers and dealers reporting to the Market Report Division of the Federal Reserve Bank of New York, also known as the "primary government securities dealers," unless a comprehensive credit and capitalization analysis reveals that other firms are adequately financed to conduct public business.

VIII. Custody and Collateralization

- A. U.S. Government securities will be held in custody by a financial institution approved by the Board of School Trustees.

- B. All deposits of District funds including Certificates of Deposit shall be secured by collateral pledged by the institution issuing the certificate. The collateral shall have a market value equal to no less than 100 percent of the deposit, less the amount insured by the Federal Deposit Insurance Corporation. Documentation of the pledged collateral shall be maintained by the ~~Deputy Superintendent, Operations~~/Chief Financial Officer, or a designee. All such collateral shall be held in the name of the District by a third party financial institution who is acting on behalf of the District. Collateral shall be reviewed monthly by the ~~Deputy Superintendent, Operations~~/Chief Financial Officer, or a designee, to assure the market value of the securities pledged equals or exceeds the related bank balances.

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- C. All securities purchased as an investment of District funds must be held by a third party custodial bank which is insured by the Federal Deposit Insurance Corporation. The securities must be held by the trust department of the third party custodial bank on behalf of the District, pursuant to a written agreement between the District and the trust department of the bank. Documentation of the ownership by the District of those securities shall be maintained by the third party custodial bank and the District. Securities acquired as part of a repurchase agreement must be held by the third party custodial bank on behalf of the District as is stated above for other investments and must have a market value on the date of purchase and throughout the term of the investment equal to no less than 100 percent of the repurchase price of the investment. Securities purchased and securities owned pursuant to a repurchase agreement shall be reviewed monthly by the ~~Deputy Superintendent, Operations~~/Chief Financial Officer, or a designee, to assure the custody and market value requirements in this paragraph are met.
- D. All arrangements for custody of District investments shall be in accordance with a custodial agreement approved by the Investment Committee. The custodial institution, or agent, shall be the Federal Reserve Bank or an institution not affiliated with the firm pledging any necessary collateral. The custodial agreement shall include the signatures of the President and Clerk of the Board of School Trustees and the custodial agent.
- E. The District shall accept as collateral only securities which are backed by the full faith and credit of the United States or which are issued by an agency thereof.
- F. All collateral shall be subject to inspection and audit by the ~~Deputy Superintendent, Operations~~/Chief Financial Officer, and the District's independent auditors.

IX. Delivery vs. Payment

Treasury Bills, Notes, Bonds, Government Agencies' securities, Repurchase Agreements, Commercial Paper, Municipal Obligations, and any other securities in which the District invests shall be purchased using the delivery vs. payment method. That is, funds shall not be wired or paid by the custodial agent until verification has been made that the security or collateral was received by the custodial agent. The collateral shall be held in the name of the District or held on behalf of the District. The custodial agent's records shall assure the notation of the District's ownership of or explicit claim on the securities.

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X. Management and Internal Controls

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- A. The ~~Deputy Superintendent, Operations~~/Chief Financial Officer, shall establish a system of internal controls which shall be reviewed annually by an independent auditor. The controls shall be designed to prevent losses of public funds arising from fraud, employee error, misrepresentation by third parties, and minimize losses due to unanticipated changes in financial markets, or imprudent actions by District employees involved in investment activities.
- B. Controls and managerial emphasis deemed most important that shall be employed where practical are:
1. Protection against collusion.
  2. Separation of duties.
  3. Separation of transaction authority from accounting and record keeping.
  4. Records management for monthly investment and collateral statements.
  5. Delegation of authority and assigning accountability.
  6. Documentation of investment bidding events.
  7. Written confirmation of telephone transactions.
  8. Reconciliations and comparisons of confirmations with the investment subsidiary records.
  9. Compliance with investment policies.
  10. Preparation of accurate and timely reports.
  11. Training and development of District employees involved in investment activities.
  12. Verification of all interest income and security purchase and sell computations.
  13. Staying informed about market conditions, changes, and trends that require adjustments in investment strategies.

Legal Reference: NRS Chapter 350 Municipal Obligations  
NRS Chapter 355 Public Investments  
NRS Chapter 356 Depositories of Public Money and  
Securities

Review Responsibility: Business and Finance Unit ~~Services~~

Adopted: 8/13/87

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Pol. Gov. Review: 6/28/01

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Addition/  
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