

LOUISIANA COMMUNITY & TECHNICAL COLLEGE SYSTEM
Policy # 5.013

Title: CASH MANAGEMENT AND INVESTMENT

Authority: Board Action

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The Louisiana Community and Technical College System and its colleges are “State depositing authorities” as described in the La R.S. 49:319. This policy is written in accordance with state rules and regulations and includes the minimum requirements for an investment policy as recommended by the Cash Management Review Board, in coordination with the Department of the Treasury, under the authority of R.S. 49:327c(3). This policy will be updated periodically as needed.

Demand deposit account and other basic banking service agreements shall not exceed five years and should be based on proposals. Proposals will be based on the State Treasurer's Standard banking specifications, modified as necessary to meet the needs of the particular college.

The evaluation criteria in requests for proposals should include, but shall not be limited to, the following:

- Availability of Services
- Location of Institution
- Cost of services
- Transaction processing time
- Institution's financial condition
- Opportunity cost of switching institutions

To be eligible to provide banking services, an institution must be an approved fiscal depository institution as designated by the State of Louisiana Interim Emergency Board.

Proposals are not required for investment transactions such as certificates of deposits or repurchase agreements. Such transactions are generally accomplished by surveying institutions to find the best rate.

Additional criteria/requirements for establishing and monitoring a financial institution's eligibility are described below:

1. The Agency Head (i.e. College Chancellors or the LCTCS Board President) or his designee have the authority to determine where funds are to be invested. Interest rates at financial depository institutions are to be periodically reviewed and a determination made as to where to invest funds. Only depositories, which offer fair current market interest rates, should be considered for investments.

2. All depository and investment accounts should be established in accordance with state rules and regulations. A listing of the accounts shall be provided to the State of Louisiana Department of the Treasury and Division of Administration upon request.
3. A banking agreement shall be established with the college's primary depository and updated periodically as needed. The college chancellor and an authorized bank official shall sign the written agreement.
4. All employees handling cash or check receipts shall be bonded by the State of Louisiana through the Office of Risk Management. Prior notification shall be provided to the Office of Risk Management for all employees who shall be assigned the job duties to handle cash or check receipts. No employee not meeting the criteria for bonding under the Office of Risk Management program shall be assigned job duties handling cash or check receipts.
5. The college shall enter into a Master Repurchase Agreement in accordance with the laws of the state with depositories who invest in daily repurchase agreements.
6. Cash flow projections shall be made on a periodic basis to determine cash needs and the availability of funds for investing. Funds not required for immediate disbursement for the operations of the college are to be invested. The following types of securities and transactions will be considered permissible investments, not requiring board office approval:
 - a. Direct United States Treasury Obligations (T-Bills, T-Notes, T-Bonds), the principal and interest of which are fully guaranteed by the government of the United States.
 - b. United States government agency obligations, the principal and interest of which are fully guaranteed by the government of the United States.
 - c. Federal Instrumentality Securities: debentures, discount notes, callable securities and stripped principal or coupons issued by the following only: Federal National Mortgage Association (FNMA), Federal Home Loan Bank (FHLB), Federal Home Loan Mortgage Corporation (FHLMC), and Federal Farm Credit Bank (FFCB). Mortgage-backed securities and collateralized mortgage obligations are not considered to have defined maturities and are excluded from this approved securities list.
 - d. Time Certificates of Deposit in bank domiciled or having a branch office in the state of Louisiana, savings accounts or shares of savings and loan associations and savings banks, as defined by R.S. 6:703(16) and (17), or share accounts and share certificate accounts of federally or state chartered credit unions issuing time certificates of deposit.
 - e. Money Market Mutual Funds.
 - f. Direct Security repurchase agreements and reverse direct security repurchase agreement of any federal book entry only securities.

The following types of securities and transactions will be considered permissible investments, requiring board office approval prior to purchasing:

- a. Investment grade commercial paper and investment grade corporate notes and bonds.

7. Funds available for short term investment shall be derived from the following sources and not limited to the following:
 - Building Use Fees
 - Academic Enhancement Fees
 - Student Government Association Fees
 - Parking Permits and Fines
 - Registration Service Fees
 - Technology Fees
8. The college bank shall pay interest on funds invested in the daily investment (or sweep) account.
9. The college investments shall comply with state law and Financial Institutions Reform Recovery and Enforcement Act (FIRREA) requirements as follows:
 - Depository institutions are required to pledge adequate securities to cover all certificate of deposit and money market accounts, and to provide the college with hard copies of securities pledge.
 - The bank shall monitor balances and collateralize all funds for the college with appropriate securities. Funds invested shall be collateralized at 102% of the market valuation. The depository is required to enter into a security agreement with the college. The Board of the bank must annually approve a resolution concerning the collateralization of the public funds as well as a custodian agreement.
10. The college or a third party financial institution acting as trustee shall hold securities in the name of the college or vocational institution pledged by the financial institution.
11. The bank as required shall provide a confirmation letter detailing securities pledged.
12. The actual safekeeping receipts shall be verified with the Federal Reserve Bank's statement of pledge holdings.