INTRODUCTION

This statement outlines the investment policies and procedures, objectives, and guidelines for the operating funds for Delaware County Community College (DCCC). Part I has two purposes: (1) to define and assign responsibilities of the parties involved; and (2) to establish a clear understanding of the investment goals and objectives for operating funds and a basis for evaluating investment results.

Part II provides guidelines and limitations to all investment managers, including College managers, regarding the investment of the College’s operating funds.

Operating funds for the purpose of these Investment Procedures and Guidelines are defined as dollars, which are available to the College as part of the normal course of College operations. Primary sources of operating dollars are Sponsoring School Districts and State appropriations, students’ tuition and fee payments, and investment income. Not included in this definition of operating funds are dollars received for restricted purposes.

PART I - OVERSIGHT POLICIES AND PROCEDURES AND INVESTMENT OBJECTIVES

Responsibilities of the Board of Trustees and College Management

The Board of Trustees is responsible for adopting and maintaining investment policies that are consistent with the Board’s role as stewards of public dollars, the collective philosophy of the Board with respect to investment asset risk and liquidity, and to provide investment earnings so as to maintain the Board’s vision of affordable educational opportunities in a technologically rich and supportive learning environment.

The DCCC management team is responsible for the investment of operating funds under the policies established by the Board of Trustees. No person may engage in an investment transaction except as provided under the terms of this policy. Specific responsibilities include:
1. The Board will establish and maintain reasonable and consistent investment objectives, policies, and guidelines, which will direct the investment of the operating funds.

2. College management will prudently and diligently identify and recommend to the Board qualified investment professionals, including investment management consultant(s), custodian(s), and trustee(s).

3. College management will regularly evaluate the performance of the investment managers to assure adherence to policy guidelines and monitor investment objective progress.

4. The Board will monitor the investment strategies and rates of return to ensure compliance with Board-established guidelines.

5. The Board will establish and maintain an Investment Committee that will be comprised of no fewer than three (3) and no more than five (5) members of the Board including a Chairperson appointed by the Chairperson of the Board who shall serve in an ex-officio capacity. Along with the Board members, other committee members will include the College President and the Vice President for Administration and Treasurer.

Requirements and Responsibilities of the Investment Manager

Investment managers must be a registered investment advisor under the Investment Advisors Act of 1940, as amended, or a licensed commercial bank. Each investment manager must acknowledge in writing its acceptance of responsibility as a fiduciary. Specific responsibilities of the investment managers include:

1. Discretionary investment management including decisions to buy, sell, or hold securities as defined herein while observing and operating within all policies, guidelines, constraints, and philosophies as outlined in this statement. Any deviation from these policies and/or guidelines requires written approval from DCCC.

2. Monthly reporting on a timely basis of account valuations and investment performance results.

3. Communicating any major changes to economic outlook, investment strategy, or changes within the investment management organization, or any other factors which affect implementation of investment process or their progress toward investment objectives.

4. Complying with any legislative or regulatory statutes and regulations.
Delaware County Community College General Investment Objectives

The general investment objective is to generate annual income and capital appreciation while maintaining sufficient liquidity and avoiding excess risk. DCCC believes that the achievement of investment returns should be viewed in a long-term context. Furthermore, DCCC recognizes that rates of return are volatile on a year-to-year basis and that investment returns will not progress uniformly over time. Thus, volatility will be tolerated in as much as it is consistent with the volatility of a comparable market index. Specific objectives include the following:

1. Maintaining sufficient liquidity to meet anticipated cash needs.
2. Achieving a high, stable rate of return within DCCC’s risk tolerance.
3. Generate capital appreciation on its assets while keeping preservation of principal as a guiding principle. DCCC recognizes that it may be necessary to forego opportunities for potential large gains to achieve a reasonable risk posture.
4. Understanding that risk is present in all types of securities and investment styles, DCCC recognizes that some risk is necessary to produce long-term investment results that are sufficient to meet DCCC’s objectives. However, unnecessary levels of risk taking are to be avoided.
5. Diversification, in so far as it reduces portfolio risk, is required.
6. All funds shall be invested with the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent person acting in like capacity and familiar with such matters would use in the investment of a fund of like character and with like aims.
7. Conforming with applicable federal, state, city, and other legal requirements.

Specific Investment Goal

Each manager is expected to meet or exceed the market index/benchmark selected and agreed upon while displaying an overall level of risk consistent with the risk associated with their benchmark.

PART II - INVESTMENT GUIDELINES

1. Investment Approach

The College's operating fund balances will be divided into two categories for investment purposes:
A. **Short-Term Funds** – Funds will be liquid within 20 business days or less. Should be invested in primarily short-term, fixed-rate investments, mutual funds, and other investments holding such short-term investments.

B. **Long-Term Funds** – Funds not needed to be liquid in the near future. May be invested in longer-term fixed rate securities, equities, and other investments specified herein and mutual funds and other investments holding such short-term investments.

2. **Policy Benchmarks**

The overall portfolio has an average annual return objective of the 3-month Treasury bill yield plus 150 basis points. The portfolio will also attempt to maintain or exceed a Strategic Policy benchmark that matches the liquidity classification of the underlying assets to the following benchmarks:

- Short-Term Funds: 3-month Treasury bill yield
- Long-Term Funds (excluding equity): 50% Barclays Capital U.S. Aggregate Index / 50% Merrill Lynch 1-3 year Treasury Index
- Long-Term Funds (equity): S & P 500 Index
- Overall Long Term Funds (equity/non-equity combined) 3-month Treasury bill yield + 200 basis points
- Performance will be measured based on the Policy Portfolio Asset level and percentage of assets designated to each asset classification.

3. **Allowable Assets**

Allowable Assets are limited to the following:

A. **Short-Term Funds**

- Treasury Bills
- Money Market Funds (AAA rated)
- Commercial Paper
- Banker’s Acceptances
- Repurchase Agreements rated A1/P1 (or equivalent) or better
- FDIC-Insured Certificates of Deposit
- Demand Deposit Account from A1-Rated Commercial Banks

B. **Long-Term Funds** – any investment allowed under Short-Term Funds plus:
4. **Requirements for Cash Equivalents and Fixed Income Securities Investments**

- The maximum investment in equities in the Long-Term Fund shall not exceed 15% of that Fund.

- No more than 5% of the total investments of a manager’s portfolio may be invested in the securities of a single issuer with the exception of the United States Government and Government Agency obligations.

- Individual security holdings of eligible government agencies may not exceed 30% of the portfolio.

- Repurchase agreements must be backed by U.S. Treasury or Government Agency securities having at all times determined on a daily basis a market value of at least equal to 102% of the amount invested.

- Banker’s acceptances and certificates of deposit must be issued by a bank which has, or whose parent holding company has, combined capital and surplus of no less than $500 million and a rating on unsecured senior debt of A or higher from Moody’s or Standard & Poor’s.

5. **Prohibited Investments**

Prohibited investments are any investments that are not specifically authorized within this statement. These include but are not limited to the following:

- Commodities and Futures Contracts for Speculative Purposes
- Private Placements (Except as detailed in item 10 below)
- Options for Speculative Purposes
- Venture Capital
• Tangible Personal Property
• Direct Real Estate
• Art/Precious Metals
• Margin Transactions
• Oil and Gas Payments/Drilling Partnerships
• Instruments issued in any country where such investments are prohibited by city, state, or federal policies.

6. Safekeeping and Custody

Investment securities purchased for DCCC will be delivered by either book entry or physical delivery and held in third-party safekeeping by a Federal Reserve member financial institution or its affiliated trust company designated as DCCC’s depository and custodian. DCCC shall execute a Safekeeping/Custody Agreement with each bank or trust company prior to using the depository's services.

7. Contractual Arrangement with Investment Managers

Contractual arrangements with organizations providing investment services will be short-term with the College reserving the right to terminate the relationship without financial cost other than that paid for services to date.

8. Board Review of Guidelines and Performance

The Board will, from time to time, review the Investment Guidelines and performance to determine any appropriate revisions.

9. Change in Status of Investment

The guidelines, outlined above, apply at the time of purchase. DCCC recognizes that subsequent market valuation changes may cause an investment which was allowable at the time of purchase to subsequently fall outside of these stated guidelines. In those instances, it is expected that the investment manager will either reduce the investment so that it is allowable under the guidelines or obtain written approval from DCCC management to continue the investment.

Withdrawals

10. Any withdrawals of Long Term Funds that reside with an investment advisor must be requested by the President and Vice President for Administration and Treasurer and endorsed by the Investment Committee for further approval by the Board of Trustees.
11. **Reserve Funds**

Any of those funds associated with the Reserve Practice Funds will be considered as short-term funds.