BOARD POLICY
San Mateo County Community College District

***Subject*:** BP 8.00 Fiscal Management
Revision Date: 3/11
Policy References: Education Code Section 84040(c) and (e); Title 5, Section 58311; ACCJC Accreditation Standard III.D

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1. The Chancellor shall establish procedures to assure that the District's fiscal management is in accordance with the principles contained in title 5, Section 58311, including:

    a. Adequate internal controls exist.

    b. Fiscal objectives, procedures and constraints are communicated to the Board of Trustees and employees.

    c. Adjustments to the budget are made in a timely manner, when necessary.

    d. The management information system provides timely, accurate and reliable fiscal information.

    e. Responsibility and accountability for fiscal management are clearly delineated.

2. The District shall establish and maintain an efficient organization for managing and reporting financial information and providing supportive services to the Colleges and District in the areas of budget preparation, contracts, investments, payroll, accounts payable and receivable, revolving cash fund, student financial aid, programs funded by external sources, general ledger accounting, risk management, purchasing, financial management of bookstores and cafeterias, public safety and plant and facilities operations.

3. The District Administrative Services Office, under direction of the Executive Vice Chancellor, is responsible to insure that all federal, state, county, and District procedures are adhered to and that the necessary accounting and audit records are monitored and maintained within approved guidelines and according to the California Community Colleges Budget and Accounting Manual.

4. The Chancellor shall make appropriate periodic reports to the Board and shall keep the Board fully advised regarding the financial status of the District, including a mid-year report showing the financial and budgetary condition of the District.

BOARD POLICY
San Mateo County Community College District

Subject: 8.05 District Financial Audits
Revision Date: 11/11
Policy Reference: Education Code Section 84040(b); ACCJC Accreditation Standard III.D.7

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1. An annual audit of the books and accounts of the District, including auxiliary services, student organizations, trust accounts, general, special reserve, community education, bonds, staff housing and any other funds under the control of the District shall be conducted and the cost of the audit will be paid from District funds. The bonds and auxiliary services will be charged a proration of the audit cost for their portion of the audit.

2. One certified public accountant or firm of certified public accountants shall be employed by the Board for a period of not less than three consecutive years, unless the work is deemed unsatisfactory, to audit all funds of the District. This audit shall be conducted in accordance with the rules and regulations of the State Department of Finance, the State Chancellor's Office, and the State Board of Accountancy as well as OMB Circular A-133 for federal audit standards.

3. The results of the annual audit shall be received annually by the Board at a public meeting. A representative of the audit firm shall be present at the meeting.

BOARD POLICY
San Mateo County Community College District

***Subject*:** 8.06 Investment of District Funds
Revision Date: 3/11; 7/15
Policy References: California Probate Code Section 16040; Government Code Sections 53600 et seq., 1090 et seq., 81000 et seq.

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1. This section of Rules and Regulations provides policy direction for the investment of all District funds. The Executive Vice Chancellor or designee is responsible for investment of District funds, within the parameters of this policy. It is intended to provide meaningful guidance in the management of the portfolio and not be overly restrictive given the changing economic and investment market conditions. This policy statement shall be reviewed no less than annually by the District and approved by the Board of Trustees. Any modifications should be immediately provided to the Districts' investment advisors, if any. There may be additional investment restrictions on bond proceeds on an issue-by-issue basis as required by bond rating agencies and as specified in the bond issuance documents.

2. The District operates its temporarily idle cash under the prudent-man rule (CA Probate Code Section 16040). This affords the District a broad spectrum of investment opportunities as long as the investment is deemed prudent and is allowable under current legislation of the State of California (Government Code Section 53600 et seq.). It is the policy of the District to invest public funds in a manner which will provide maximum security of principal invested with a secondary emphasis on providing liquidity matching cash flow needs and achieving the highest yield while conforming to all applicable statutes and resolutions governing the investment of public funds.

3. The following criteria, known by the California Municipal Treasurer's Association as "SLY", will be used for selecting investments, in order of priority:

    a. <u>Safety</u>: The safety and risk associated with an investment refers to the potential loss of principal, interest, or a combination of these amounts. The District only operates in those investments that are considered very safe. The District shall seek to preserve principal and minimize capital losses by mitigating credit risk and market risk as follows:

    Credit Risk: Defined as an issuer(s) ability and willingness to repay interest and principal. Credit risk shall be minimized by diversifying the fund among issues and issuers so that the failure of any one issue or issuer would not result in a significant loss of income or principal to participants. Wherever possible, credit rating evaluations for all securities will be monitored on a consistent basis, prior to and after purchase. This analysis may be done by consultants and/or money managers. The District should not solely rely on nationally recognized credit reporting agencies for credit analysis.

    Market Risk: Defined as the risk of market value fluctuations due to changes in the general level of interest rates. Longer-term securities generally have greater market risk than shorter-term securities. Therefore it is critical to match the duration of the portfolio to the approximate duration of the cash flows needed by the District. The maximum allowable maturity for an instrument in the pool at the time of purchase is five years, and typically the duration of the aggregate portfolio will be between two and three years. Duration and maximum maturities must be monitored and reported quarterly.

b. Liquidity: This refers to the ability to "cash in" at any moment in time with a minimal chance of losing some portion of principal or interest. Liquidity is an important investment quality, especially when the need for unexpected funds appears occasionally. The District should match the maturities to the projected cash flows.

c. Yield: This is the potential dollar earnings an investment can provide, and sometimes is described as the "rate of return." Yield is the sum of both income and capitals gains or losses. The District's investments are designed to maximize the return on investable funds over various market cycles, consistent with the first priority of safeguarding principal, followed by the second priority of liquidity, then yield. Yield will be considered only after the basic requirements of safety and liquidity have been met.

4. To maximize the income generated from any surplus funds available for investment and to assure that these investments are made under the provisions of Federal and State law and regulations, the following financial instruments are designated as acceptable investments under the provisions of Government Code Sections 53600 and 53601. All final maturities are limited to five years unless specified otherwise. Maturities, or more precisely, duration of the portfolio should approximately match the cash flow needs, or time frame, of the District. This will optimize returns while minimizing safety and liquidity risks.

   a. Up to 100% of the portfolio may be invested in the District's own bonds.

   b. Up to 100% of the portfolio may be invested in U.S. Treasury notes, bills, bonds or certificates of indebtedness, for which the full faith and credit of the United States is pledged for the payment of principal and interest.

   c. Up to 30% of the portfolio may be invested in any one particular Federal agency or U.S. government-sponsored enterprise (GSE), such as FNMA or FHLMC. U.S. Government Agency/GSE securities must be rated AA, long-term, or A-1, Short-term, or better by at least two of the three nationally recognized rating services (S&P, Moody's and Fitch).

   d. Up to 20% of the portfolio may be invested in mortgage backed securities (MBS) or asset backed securities (ABS). The issuer of this investment shall have a minimum "A" credit rating by a nationally recognized rating service, and the specific investment shall carry a minimum rating of "AA."

   e. Up to 30% of the portfolio may be invested in negotiable certificates of deposit placed with commercial banks and/or savings and loan companies, insured by the FDIC, subject to a maximum of five percent of the portfolio in any one institution, at the time of purchase. At the time of purchase, negotiable certificates of deposit must be rated either A-1/P-1/F1 or better by at least two of the three nationally recognized rating services (S&P, Moody's and Fitch) and a long term rating of single A or better when applicable. These certificates must be issued by a U.S. National or State chartered bank or state or federal association (as defined by section 5102 of the California Financial Code). Issuers must be a corporation with total assets in excess of $5 Billion.

   f. Up to 30% of the portfolio may be invested in registered State of California warrants, notes or bonds.

g. Up to 15% of the portfolio may be invested in banker's acceptance, not to exceed 180 days maturities, with no more than 5% of the portfolio invested in the banker's acceptances of any one commercial bank. These banker's acceptances must be issued by a U.S. National or State chartered bank or state or federal association (as defined by section 5102 of the California Financial Code) and must be rated either A-1/P-1/F1 or better by at least two of the three nationally recognized rating services (S&P, Moody's and Fitch). Issuers must be a corporation with total assets in excess of $5 Billion.

h. Up to 30% of the portfolio may be invested in commercial paper of prime quality as defined by at least 2 nationally recognized organizations that rate these securities, subject to a maximum of 5 percent of the portfolio in any one issuer at the time of purchase, with maturity limited to 180 days or less.

i. Up to 100% of the portfolio may be invested in the Local Agency Investment Fund (LAIF).

j. Up to 100% of the portfolio may be invested in the San Mateo County Treasury.

k. Up to 30% of the portfolio may be invested in U.S. corporate bonds with a minimum rating of "A" by a nationally recognized rating service, subject to a maximum of 5% of the portfolio in any one corporation, at the time of purchase. Non-U.S. issuers are excluded.

l. General account and collateralized Guaranteed Investment Contracts (GICs) are allowed. General account GICs shall be considered similarly to a corporate bond and subject to the 30% aggregate and 5% per issuer limits and credit rating limits described above. Collateralized GICs, if backed by U.S. Treasuries or agencies exclusively, shall be subject to the Federal Agency requirements listed above.

m. Credit Quality. Should any investment or financial institution represented in the portfolio be downgraded by any of the major rating services to a rating below those established in this investment policy, the Executive Vice Chancellor or designee must immediately make an informed decision as to the disposition of that asset. The situation will be monitored daily by the Executive Vice Chancellor or designee until final disposition has been made.

Security Description	**Maximum**
District's own bonds	100%
U.S. Treasuries	100%
Federal Agencies or GSEs (per issuer)	30%
Mortgage backed securities or Asset backed securities (MBS or ABS)	20%
Certificates of deposit (CD)	30%
Registered state warrants, notes or bonds	30%
Bankers Acceptance	15%
Commercial Paper	30%
Local Agency Investment Fund (LAIF)	100%

San Mateo County Treasury	100%
Other Federal government guaranteed securities	30%
U.S. Corporate Bonds	30%

All investments are subject to additional aggregate limits per issuer and minimum credit ratings as described above.

5. Prohibited Transactions. At the time of purchase, all permitted investments shall conform in all respects with this Investment Policy and with California Government Code Sections §53601, §53601.1, §53601.2, §53601.6, and §53635, as may be amended from time to time. No investment prohibited by California Government Code shall be permitted herein. Any investment transactions, credit risk criterion, percentage limitations or market valuation that are not in compliance with this Investment Policy at time of purchase are prohibited. If a percentage restriction is adhered to at the time of purchase, a later increase or decrease in percentage resulting from a change in values or assets will not constitute a violation of that restriction. The District shall not leverage its investments through any borrowing collateralized or otherwise secured by cash or securities held unless authorized by this investment policy. Security Lending is not authorized by this policy. The following transactions are specifically prohibited: A. Borrowing for investment purposes ("Leverage") is prohibited B. Inverse floaters, leveraged floaters, equity-linked securities, event-linked securities, or structured investment vehicles (SIV) are prohibited. U.S. Treasury and Agency zero coupon bonds, U.S. Treasury and Agency strips, or other callable securities which otherwise meet quality, maturity and percent limitations assigned to their respective security category, are exempt from this section. C. Derivatives (e.g. swaps, spreads, straddles, caps, floors, collars, etc.) shall be prohibited. D. Trading of options and futures are prohibited.

6. Internal Controls. The Executive Vice Chancellor shall establish internal controls to provide reasonable assurance that the investment objectives are met and to ensure that the assets are protected from loss, theft, or misuse. The Executive Vice Chancellor shall also be responsible for ensuring that all investment transactions comply with the District's investment policy and the California Government Code. The Executive Vice Chancellor shall establish a process for daily, monthly, quarterly and annual review and monitoring of investment program activity. Daily, the Executive Vice Chancellor or authorized District personnel shall review the investment activity, as well as corresponding custodial and commercial bank balances and positions for compliance with the investment policy and guidelines. The District shall conduct an annual review of the investment program's activities. It is to be conducted to determine compliance with the District's investment policy and the Government Code. The responsibility for conducting the District's investment program resides with the Executive Vice Chancellor, who supervises the investment program within the guidelines set forth in this policy. The Executive Vice Chancellor may delegate the authority for day-to-day investment activity to the Chief Financial Officer or outside Investment Advisors, such activity to be in full compliance with the District investment policy.

7. Approved Investment Advisors. The Executive Vice Chancellor will maintain a current list of Approved Investment Advisors, Brokers and Dealers who may conduct business with the District. All financial institutions on the approved list will be evaluated individually, with preference given to primary dealers, who possess a strong capital and credit base appropriate to their operations. The Executive Vice Chancellor will forward a copy of the District Investment Policy to all approved Investment Advisors, Brokers, and/or Dealers and require written acknowledgment of the policy. No Investment Advisor, broker, brokerage, dealer or securities firm is allowed on the approved list if, within any consecutive 48-month period, they have made a political contribution in an amount

exceeding the limitations contained in Rule G-37 of the Municipal Securities Rulemaking Board, to any member of the governing board of the District or any candidate for that office.

8. Statements, including positions marked to the market, all transactions, and summary of income, will be sent to the Executive Vice Chancellor monthly. Performance reports will be provided to the Board on a quarterly basis. Investment performance will be reported relative to appropriate market benchmarks. These benchmarks should approximate the specific restrictions in this investment policy statement, the California government code guidelines, and the timeframe for the portfolio. Shorter-term portfolios, such as LAIF, should be benchmarked against shorter-term indices like the 3 month T-bill. Intermediate-term portfolios should be benchmarked against the Barclay's Capital 1-3 Year Government Index and the Barclay's Capital 1-5 Year Aggregate Index. While no one benchmark exactly matches the specifics of this investment policy statement, reviewing performance relative to these three benchmarks is appropriate.

9. Officers, employees, and agents involved in the investment process shall refrain from personal business activities that could conflict with proper execution of the investment program, or which could impair their ability to make impartial decisions. Officers, employees, and agents involved in the investment process shall abide by California Government Code Section 1090 et seq. and the California Political Reform Act (California Government Code Section 81000 et seq.).

BOARD POLICY

San Mateo County Community College District

***Subject*:** 8.07 Debt Issuance and Management
***Policy Date*:** 3/18
***Reference*:** Government Code Section 8855(i)

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1. This Policy provides a framework for debt management and capital planning by the District, and has been developed to meet Government Code Section 8855(i) and the following goals:

    a. Identifying the purposes for which debt proceeds may be used.

    b. Identifying the types of debt that may be issued.

    c. Describing the relationship of the debt to, and integration with, the District's capital improvement program.

    d. Establishing policy goals related to the District's planning goals and objectives.

    e. Implementing internal control procedures to ensure that any debt proceeds will be directed to the intended use upon completion of the issuance.

2. For purposes of this Board Policy, "debt" shall be interpreted broadly to mean bonds, notes, certificates of participation, financing leases, or other financing obligations, but the use of such term in this Board Policy shall be solely for convenience and shall not be interpreted to characterize any such obligation as an indebtedness or debt within the meaning of any statutory or constitutional debt limitation.

3. The Board Policy may be amended by the Board as it deems appropriate from time to time in the prudent management of the debt of the District. Any approval of debt by the Board that is not consistent with this Board Policy shall constitute a waiver of this Board Policy.

Purposes for which debt proceeds may be used:

1. The District may deem it necessary to finance inter-year cash flow requirements for general operating costs under certain conditions. Such cash flow borrowing must be payable from taxes, income, revenue, cash receipts and other moneys attributable to the fiscal year in which the debt is issued.

2. General operating costs include, but are not limited to, those items normally funded in the District's annual operating budget.

3. The District's Chancellor, or his/her designee, will review potential methods for financing inter-year cash flow requirements to determine which method is most prudent for the District. Potential financing vehicles include tax and revenue anticipation notes, temporary borrowing from the San Mateo County Treasurer and Tax Collector, and internal temporary interfund borrowing.

4. Long-term debt may be issued to finance the construction, acquisition, and rehabilitation of capital improvements and facilities, equipment and land to be owned and operated by the District.

5. The District will incur debt to refund outstanding District debt as described below:

    a. District's Best Interest. The District shall consider refunding or restructuring outstanding debt if it will be financially advantageous or beneficial to reduce interest costs or provide structuring flexibility.

    b. Net Present Value Analysis. The Vice Chancellor shall review a net present value analysis of any proposed refunding intended to reduce interest costs in order to make a determination regarding the cost-effectiveness of the proposed refunding.

    c. Debt Sizing. The sizing of a refunding debt issue will be determined by the amount of money required to defease the refunded debt, including financing costs, and will consider account earnings on any escrow fund that may be created to invest the refunding debt proceeds until they are used to pay off the refunded debt.

    d. Comply with Existing Legal Requirements. The refunding of any existing debt shall comply with all applicable State and Federal laws governing such issuance.

Type of debt that may be issued:

1. The District will authorize the following types of debt for issuance:

    a. **Short-Term:** The District may issue fixed-rate and/or variable rate short-term debt, which may include TRANs, when such instruments allow the District to meet its cash flow requirements. The District may also issue bond anticipation notes ("BANs") to provide interim financing for bond projects that will ultimately be paid from GO Bonds.

    b. **Long-Term:** Debt issues may be used to finance essential capital facilities, projects and certain equipment where it is appropriate to spread the cost of the projects over more than one budget year. Long-term debt should not be used to fund District operations.

    Long term debt in the form of GO Bonds may be issued under Article XIII A of the State Constitution, either under Proposition 46, which requires approval by at least a two-thirds (66.67%) majority of voters, or Proposition 39, which requires approval by at least 55% of voters, subject to certain accountability requirements and additional restrictions.

    The District may also enter into long-term leases and/or certificates of participation ("COPs") for public facilities, property, and equipment.

    For new money debt, the District shall size the debt consistent with the "spend-down" requirements of the Internal Revenue Code and within any limits approved by the District's voters. To the extent possible, the District will also consider credit issues, market factors (e.g. bank qualification) and tax law when sizing the District's bondissuance.

    c. **Use of General Obligation Bonds:** A significant portion of the District's capital projects are projected to be funded by GO Bond proceeds. Projects financed by GO Bonds will be determined by the constraints of applicable law and the project list approved by voters.

<u>Relationship of debt to and integration with District's Capital Improvement Program or budget</u>:

1. The District shall strive to fund the upkeep and maintenance of its infrastructure and facilities due to normal wear and tear through the expenditure of available operating revenues. The District shall seek to avoid the use of debt to fund infrastructure and facilities improvements that are the result of normal wear and tear. The cost of debt issued for major capital repairs or replacements may be judged against the potential cost of delaying such repairs.

2. The District shall integrate its debt issuances with the goals of its capital improvement or master facilities plan or other capital planning documentation by timing the issuance of debt to ensure that projects are available when needed in furtherance of the District's public purposes.

3. The District shall seek to issue debt in a timely manner to avoid having to make unplanned expenditures for capital improvements or equipment from its general fund.

4. In evaluating financing options for capital projects, both short and long-term debt amortization will be evaluated when considering a debt issuance, along with the potential impact of debt service, and additional costs associated with new projects on the operating budget of the District.

5. The Vice Chancellor for Facilities and the facilities staff have responsibility for the planning and management of the District's capital improvement program subject to review and approval by the Executive Vice Chancellor and the Chancellor, subject to Board approval. Staff will, as appropriate, supplement and revise any applicable Facilities Master Plan in keeping with the District's current needs for the acquisition, development and/or improvement of the District's real estate and facilities. Such plans may include a summary of the estimated cost of each project, schedules for the projects, the expected quarterly cash requirements, and annual appropriations, in order for the projects to be completed.

<u>Policy goals related to the District's planning goals and objectives:</u>

1. The District is committed to long-term financial planning, maintaining appropriate reserves levels and employing prudent practices in governance, management and budget administration. The District intends to issue debt for the purposes stated in this Policy and to implement policy decisions incorporated in the District's annual operations budget.

2. It is a policy goal of the District to protect taxpayers and constituents by utilizing conservative financing methods and techniques so as to obtain the highest practical credit ratings (if applicable) and the lowest practical borrowing costs.

3. The District will comply with applicable state and federal law as it pertains to the maximum term of debt and the procedures for levying and imposing any related taxes, fees and charges, as applicable, and in the case of refinancing of existing debt, achieving savings as may be required by law or achieving other objectives of substantial benefit to the District, the rationale for which is presented to the governing board at the public meeting at which the proposed refinancing is considered.

    a. The District shall strive to fund capital improvements from voter-approved GO Bond issues to preserve the availability of its General Fund for District operating purposes and other purposes that cannot be funded by such bond issues.

b. The District shall, with respect to GO Bonds, remain mindful of its statutory debt limit in relation to assessed value growth within the school district and the tax burden needed to meet long-term capital requirements.

c. The District shall consider market conditions, District cash flows and capital requirements when timing the issuance of debt.

d. The District shall determine the amortization (maturity) schedule that will fit best within the overall debt structure of the District at the time the new debt is issued.

e. The District shall approximately match the average life of the debt issue to the expected useful lives of assets funded by that issue whenever practicable and economic, while considering repair and replacement costs of those assets to be incurred in future. The District will comply with applicable provisions of law relating to duration of the debt.

f. The District shall, when planning for the issuance of new debt, consider the impact of such new debt on local, state and other governments that overlap with the District.

g. In order to minimize the encroachment on the District's General Fund, the District shall, when issuing debt, assess financial alternatives, including new and innovative financing approaches, such as categorical grants, revolving loans or other State/federal aid.

h. The District shall, when planning for the sizing and timing of debt issuance, consider its ability to expend the funds obtained in a timely, efficient and economical manner.

Internal Control Procedures for Issuance of Debt to Ensure Intended Use of Proceeds:

1. The Executive Vice Chancellor is responsible for implementing and monitoring compliance with this Board Policy.

2. The District may have undertaken, and may undertake in the future, obligations for continuing disclosure pursuant to Securities and Exchange Commission Rule 15c2-12. The Executive Vice Chancellor will periodically review the requirements of Rule 15c2-12 and each of the District's undertakings, and ensure that annual and other periodic filings that may be required are done in a complete and timely manner. The Executive Vice Chancellor may monitor, prepare and make the District's required filings, or may engage a third party dissemination agent to assist the District to make complete and timely filings. It shall be the policy of the District as implemented by the Executive Vice Chancellor to have in place a process for full and complete compliance for the benefit of bondholders or other investors in District debt.

3. The District shall have a policy of full compliance with all applicable federal tax law requirements. In connection with prior and new debt issues, the Executive Vice Chancellor shall review applicable federal tax requirements with its bond or other counsel, including requirements relating to arbitrage and rebate compliance.

4. Proceeds of debt issued by the District shall be invested only in accordance with law and as permitted in the resolution or other document governing the issuance of the debt.

5. It is the policy of the District to ensure that proceeds of District debt is spent only on lawful and intended uses. Expenditures of proceeds of debt may only be made by submission of requests for

draws to the holder of the proceeds of debt, whether the county, or other trustee, fiscal agent, custodian or financial institution, that identify the amount, purpose and payee of a proposed draw. Each draw request shall be approved and signed by the Chancellor, the Executive Vice Chancellor or such officer’s written designee. The District shall maintain records of the purpose and amount of each draw.

6. The District shall have a policy of full compliance with public reporting requirements.

BOARD POLICY
San Mateo County Community College District

***Subject*:** 8.18 Revolving Cash Fund
***Revision Date*:** 3/11

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1. A revolving cash fund in an amount not to exceed $25,000 may be established in a checking account of a local bank and the District may establish petty cash funds out of its existing accounts.

2. The Executive Vice Chancellor or designee is authorized to sign papers, checks, and drafts in connection with this fund.

3. The District revolving cash fund may be used for:

    a. Convenience and efficiency in securing materials, services, or in paying expenses.

    b. Advances or reimbursement for conference attendance or travel properly approved and in the interest of the District.

    c. Reimbursements for tuition fees and other user fees in accordance with refund policies of the District.

    d. Mileage payments.

    e. Small expenditures for which the formal warrant procedure would be excessively expensive.

    f. Reimbursements for approved expenses paid out of pocket.

    g. Purchase orders requiring prepayment or cash with order.

    h. Establishment of petty cash funds as may be necessary for the efficient operation of the District.

    i. Other minor expenditures as authorized by the Chancellor or the Executive Vice Chancellor.

4. Each College shall have one revolving cash fund (petty cash) for emergency purchases in an amount not to exceed the limit set by the Chancellor or the Executive Vice Chancellor.

5. Claims shall be allowed and payments made for materials or services only when supported by properly documented invoices detailing expenditures and itemized on the District Petty Cash Reimbursement Claim Form. Claims shall indicate the date, description, purpose, and the item cost of expenditures.

6. The Board shall ratify such expenditures as part of the bills and salaries report.