

BOARD AGENDA ITEM
January 26, 2016

SUBJECT:

Policy DFA -- *Revenues From Investments* [recommended new policy] -- **First Reading**

BACKGROUND:

In addition to an amended policy on fiscal management and a new recommended policy on debt management, another needed policy relates to revenues from investments. The District already follows safe investment protocols and practices, and also complies with all state mandates concerning limiting undue risks for investments and maximizing security with federal deposit insurance or collateralized securities issued by the United States government. Most of these investments must be short term in order to match funding needs.

ADMINISTRATIVE CONSIDERATION:

The proposed new policy (DFA) dealing with *revenues from investments* would accomplish a Board position statement concerning these areas of interest to bond rating agencies, and would also solidify by policy statement the practices already being followed.

RECOMMENDATION:

Approve on first reading the proposed new Policy DFA -- *Revenues from Investments*

ATTACHMENT:

Proposed new Policy DFA

PREPARED BY:

M. O. (Tray) Traxler, III
William H. Burkhalter, Jr.

REVENUES FROM INVESTMENTS

Code **DFA** Issued **1/16**

Purpose: To establish the basic structure for district use of revenues from investments.

The board supports and authorizes the superintendent to implement a safe and sound investment of funds not needed for immediate use. Such a program is viewed as a critical ingredient of sound fiscal management, the purpose of which is to secure a maximum yield of interest revenues to supplement other district revenues for the support of the educational program of the district.

The board establishes the following criteria for investments:

- All funds not needed for immediate use should be held in interest-bearing accounts or investments to earn the maximum return possible while complying with state statutes and district policy.
- The safety of funds is to be the first consideration. The district should not enter into investment transactions which will expose itself to an undue risk. Appropriate investments will include securities issued by the United States government, the South Carolina local government investment pool, and banks that provide security with federal deposit insurance or collateralize the deposit with securities issued by the United States government

Derivative instruments and collateralized mortgage obligations are not suitable for public funds and are not to be used.

- Maturities of investments must match funding needs. Liquidity is an important consideration. The timing of future expenses should be assessed and all investments should mature when funds are needed. Investments should not be made which may need to be liquidated before maturity and could result in the loss of principal due to interest rate fluctuations.

Adopted 1/26/2016

Legal references:

- A. S. C. Code, 1976, as amended:
 1. Sections 11-1-60, 11-1-70 - Legal investments.