PORTLAND COMMUNITY COLLEGE

DEBT MANAGEMENT STANDARDS

The College maintains conservative financial policies, budgets and strategic planning efforts to support strong financial health both short-term and long-term.

I. SCOPE

Within the applicable Federal, State and Local laws, including Oregon Revised Statute ("ORS") Sections 287A and 341 and Oregon Administrative Rule ("OAR") 170-061, Portland Community College ("College") may enter into debt obligations to finance the construction or acquisition of buildings and infrastructure and other assets, maintain existing facilities, purchase land and personal property, or act on the option to refinance or restructure existing debt and other legally acceptable obligations. Unless recommended otherwise by the President or designee, whose recommendation must be approved by the Board, all debt will be incurred at the College level.

These Standards ("Standard") provide general guidance for the issuance and management of College debt and applies to all debt issued, regardless of the purpose for which issued or the funding source for repayment.

All Debt issued will be in compliance with these standards.

II. PURPOSE

A. This Standard sets forth criteria for the issuance, use and repayment of debt; and creates procedures and policies designed to:

- Manage the College's obligations within available resources;
- Minimize the debt service and issuance costs for the repayment structure and period selected;
- Maintain the highest credit ratings possible;
- Maintain full, complete, and accurate financial disclosure and reporting and comply with regulations requiring continuing disclosure; and
- Comply with appropriate and applicable Federal, State and Local law.

III. RESPONSIBILITY

A. Authority to issue and manage debt is derived from Federal and State law and the financial and debt management policies of the College. The President or designee shall be responsible for implementing the debt service policies and procedures reviewed in accordance with the College's policy review cycle and shall establish debt operating procedures for the College.

B. This section authorizes the President or designee to appoint a subordinate employee from Finance and Administration to act in the capacity of the Debt Officer.

C. Responsibilities of the Debt Officer shall include:

1. Ensuring compliance with Federal, State and Local laws and rules governing public borrowing, both tax-exempt and taxable, and issuance of bonds and post issuance monitoring;
2. Providing sufficient funds to meet current and future debt service requirements on all indebtedness;
3. Ensuring full compliance with the terms and conditions outlined in bond resolutions approved by the Board.

D. The College Debt Officer shall perform the following functions:

1. Upon the approval by the Board, the College shall issue bonds and other obligation in accordance with the guidelines and limitation set forth in ORS Sections 287A and 341 and OAR 170-061 and all specifications in the College's' Debt Policies and Procedures and Federal Regulations. As further specified, the College shall maintain a debt service fund to account for property tax revenues levied to pay for the maturing principal and interest of the general obligation bonds and to establish an adequate fund balance to meet the cash outlay requirements until property tax revenues are received.
2. For non-voter approved obligations, ensure the college has sufficient funds to meet future debt payments.
3. Act in the best interest of the college and taxpayers when issuing debt, and market our debt with advice from independent financial advisors and/or underwriters and legal bond counsel to get unbiased professional opinions on methodology and structure. In addition, periodically monitor the changes in interest rates and, where feasible and beneficial to the college, refund the existing debt(s) in accordance with Federal, State and Local laws and regulations.
4. Establish the process for the review, approval and publication of official primary market disclosure, where appropriate, following review by the appropriate office.

5. Account for the debt issues and related transactions in accordance with local budget law and general accepted accounting principles.
6. Recommend debt operating procedures policies to the appropriate college officials.
7. Maintain the primary relationship and communicate with national rating agencies.
    a) This communications effort includes providing periodic updates on the College's general financial condition along with coordinating meetings and presentations in conjunction with debt issuances.
8. Prepare and utilize key performance indicators and financial ratios to analyze the College's capacity to assume debt.
9. Monitor compliance with federal tax law for tax-exempt bonds regarding use of proceeds, sizing of debt service funds, and utilization of debt service reserve accounts as appropriate.
10. Prepare materials in compliance with Continuing Disclosure Agreements from prior debt offerings and post on the Electronic Municipal Market Access System ("EMMA"). Track material events in accordance with those Agreements and post information for any material event as required under the Agreements.

IV. OBJECTIVES:

A. The College shall provide the most efficient means of financing the College's short-term and long-term capital needs and to provide sufficient resources to pay for the College's obligations when they mature. General Obligation indebtedness shall only be used to finance legally allowable obligations including but not limited to major capital construction, acquisition and maintenance projects.

B. The College shall issue bonds and other obligations in accordance with the guidelines and limitations set forth in the ORS Sections 287A and 241 and OAR 170-061 and all other applicable Federal, State and Local laws and regulations.

C. The College shall maintain conservative financial policies, budgets and strategic planning efforts to support strong financial health both short-term and long-term and strive to:
    1. Reduce or avoid fluctuations in the debt rate;
    2. Minimize borrowing costs and tax-payer impact;
    3. Preserve or enhance the College's credit ratings;

4. Assure full, complete and accurate financial disclosure and reporting compliance;
5. Comply with applicable Federal, State and Local laws and regulations that govern public borrowing and issuance of bonds;
6. Provide sufficient funds to meet debt service requirements on all indebtedness;
7. Ensure full compliance with the terms and conditions outlined in the bond resolution.

V. DEBT ISSUANCE

A. Limitation on Indebtedness:

1. General obligation indebtedness shall be used to finance legally acceptable obligations such as but not limited to major capital construction, acquisition and maintenance projects, and pension obligations.
2. The College may consider using full faith and credit obligations to fund legally allowable obligations if sufficient revenues are available to pay the obligation in the future. In addition, the College may consider other types of lease arrangements if deemed beneficial to the College.
3. The College's outstanding debt shall not exceed 65 percent of the Colleges' legal debt margin.

B. Method of Sale:

1. The College shall choose between the following three bond sale methods: negotiated, competitive, or private placement, including placements directly to bank portfolios. Factors that may be considered when determining the most efficient or effective bond sale method include: bond market, bond structure, market timing, credit demand, credit acceptance, credit ratings, use of proceeds, bond size financing complexity, privacy of financial information, credit enhancement participation, desire to negotiate bond covenants.
2. When applicable or as required the College shall prepare and make available upon request, to bidders and investors, a preliminary official statement containing all relevant information required by Federal, State and Local law.

3. The College may obtain a credit enhancement device providing additional security for the payment of all or any portion of the amounts owing on the bonds or for the purpose of funding, in lieu of cash, all or any portion of the debt service reserve. Credit enhancement may be in the form of letter of credit, line of credit, municipal bond insurance, state bond guaranty or other device or facility used to enhance the creditworthiness or marketability of the obligations.

C. Debt Service

1. The College shall maintain a debt service fund to account for property tax revenues levied to pay for the maturing principal and interest of general obligation bonds and to establish an adequate fund balance to meet the cash outlay requirements until property tax revenues are received.
2. The College shall maintain a debt service fund to account for revenues designated to pay indebtedness other than GO bonds as appropriate to the situation.

D. Financing Proposals:

1. Financing proposals or other extensions of College credit through sale of securities, execution of loans or making of guarantees directly or indirectly, or the lending or pledging of the College credit, shall be referred to the President or designee for approval.

E. Financial Accountability:

1. The College shall establish a debt service fund to account for the revenues and other financing sources for payment of the maturing principal and interest on its outstanding obligations.
2. The College shall maintain adequate funds in the debt service account to meet the cash outlay requirement for payment of maturing principal and interest until property tax revenues and revenues from other financing sources are received.

F. Refunding

1. The College shall periodically monitor the changes in interest rates and where feasible and beneficial, refund the existing debt in accordance with the guidelines, procedures and policies of the Office of the State Treasurer and under Federal, State and Local law.
2. For advance refunding, a minimum of 3.00% in present value savings shall be achieved before proceeding.

3. For current refunding, the College shall review on a case-by-case basis the benefits that the refunding in question would generate.

G. Financial Advisors and Legal Counsel

1. The College shall employ professional, technical and legal services to ensure the most cost effective method of selling the bonds. These services may include legal services (bond counsel), financial advisory services, underwriters and paying agents.

H. Rating Agencies

1. The College shall secure ratings from at least two major rating agencies on all sales of indebtedness when it is deemed to be beneficial to the College.

I. Debt service reserves for non-voter approved obligations

1. Indebtedness under this category may include, but is not limited to, full faith and credit obligations (FFCs), revenue bonds, limited taxable general obligation bonds, pension obligation bonds and certain long-term lease financing.
2. Unlike voter approved obligations where the payment for debt service is made through an annual property tax levy, the resources to pay the debt service on non-voter approved obligations come from the general operating resources or from designated funding sources of the College.
3. As a guide, the College shall consider maintaining a debt service reserve equal to 100% of one year's debt service requirement. This is to allow the College to have more time to implement measures due to contractual obligations. The exact level will be determined on a case by case basis by the President. Exceptions can be made if the annual debt service payment on the indebtedness is under $250,000 or as directed by the President when such an exception is warranted.

VI. POST ISSUANCE

A. Arbitrage Rebate Compliance and Other Post-issuance Responsibilities:

1. The College Debt Officer shall establish and maintain a system of record keeping and reporting to meet the arbitrage rebate compliance requirement of the federal tax code and the College compliance procedures to include:

a) Tracking investment earnings on bond proceeds, calculating rebate payments in compliance with the tax law, and remitting any earnings subject to rebate to the federal government in a timely manner in order to preserve the tax-exempt status of the College's outstanding tax-exempt or tax advantaged debt issues.

b) Designated College staff shall:

    (1) Maintain appropriate accounting records of the tax-exempt and tax-advantaged bond expenditures in compliance with legal and accounting requirements and to provide those records to the Financial Services Division on an as needed basis.

    (2) Provide continuing disclosure to assist issuers in maintaining compliance with discloser standards promulgated by state and national regulatory bodies.

B. Financial Disclosure:

1. The College is committed to full and complete primary and secondary financial disclosure, and to cooperating fully with rating agencies, institutional and individual investors, the College's divisions, outside agencies and other levels of government and the general public to share clear, comprehensible, and accurate financial information.
    a) The College is committed to meeting secondary disclosure requirements on a timely and comprehensive basis.
    b) Official statements accompanying debt issues, Comprehensive Annual Financial Reports and continuous disclosure statements will meet (at a minimum), the standards articulated by the Government Standards Board (GASB), the National Federation of Municipal Analysts, the Securities and Exchange Commission (SEC), an Generally Accepted Accounting Principles (GAAP).
    c) The President or designee shall be responsible for ongoing disclosure to established national information repositories and for maintaining compliance with disclosure standards promulgated by Federal and State regulatory bodies.

C. Investment of Bond Proceeds

1. Unless otherwise authorized by the Board, the College shall invest the proceeds from the sale of its bonds in accordance with its Investment Policy, Federal and State laws. Management may employ investment professionals to manage these proceeds.

Investment Standards and Practices

Portland Community College

I) Scope

These Standards and Practices hereinafter referred to as the “investment policy”, apply to activities of the Portland Community College District (PCC) with regard to the investment of all financial assets, including bond proceeds. These funds are accounted for in PCC’s Comprehensive Annual Financial Report (CAFR). The amount of funds falling within the scope of this investment policy over the next three years, including bond proceeds, is expected to range between $100 million and $370 million.

II) Governing Authority

PCC’s investment program shall be operated in conformance with PCC’s Board Policy B502, Oregon Revised Statutes and applicable Federal Law. Specifically, this investment policy is written in conformance with ORS 294.035; 294.040; 294.052; 294.135; 294.145; and 294.810. Any revisions or extensions of these sections of the ORS shall be assumed to be part of this investment policy immediately upon being enacted. The College may, without competitive bidding, contract for the purpose of the investment or borrowing of funds when such investment or borrowing is contracted pursuant to duly enacted statute.

III) Objectives

The primary objectives, in priority order, of investment activities shall be:

A) **Preservation of capital:** Investments shall be undertaken in a manner that ensures the preservation of capital in the portfolio. The objective will be to mitigate credit risk and interest rate risk.

1) Credit Risk: The risk of default may be mitigated by investing in high-grade securities, and diversifying the investment portfolio so that potential losses on individual securities will be minimized.

2) Interest Rate Risk: The risk that the market value of securities in the portfolio will decline due to changes in interest rates shall be mitigated by structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations.

B) **Liquidity:** Investments shall be undertaken in a manner that seeks to ensure sufficient liquidity to meet all anticipated operating requirements, including construction draws of bond proceeds.

C) **Diversification:** Investments shall be undertaken in a manner that reduces unnecessary risk by avoiding over concentration in specific security types, issuance, issuer, industries, and, to the extent permitted by cash requirements, maturity ranges.

D) **Yield:** The Investment Officer shall maintain a maximum rate of return throughout budgetary and economic cycles given the constraints and spirit of these Standards and Procedures.

IV) Prudence

The standard of prudence to be used by investment officials shall be the "prudent person" standard, which states, *"Investments shall be made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the safety of their capital as well as the income to be derived."* The prudent person standard shall be applied in the context of managing the overall portfolio.

V) Ethics and Conflicts of Interest

Officers and employees involved in the investment process shall refrain from personal financial activity that could conflict with the proper execution and management of the investment program, or that could impair their ability to make impartial decisions. Employees and investment officials shall disclose any material interests in financial institutions with which they conduct business. Disclosure shall be made to the governing body. They shall further disclose any personal financial/investment positions that could be related to the performance of the investment portfolio. Employees and officers shall refrain from undertaking personal investment transactions with the same individual with whom business is conducted on behalf of PCC. Officers and employees shall, at all times, comply with the State of Oregon Government Standards and Practices code of ethics set forth in ORS Chapter 244.

VI) Indemnification

The district shall indemnify, hold harmless and defend Investment Officers and any College employees engaged in investment activities from personal liability for losses that may occur during the course of administering these Investment Standards and Procedures, provided deviations from expectations are reported and appropriate action is taken to control adverse developments within a timely fashion as defined in this investment policy.

VII) Governing Body

The PCC Board of Directors will retain ultimate fiduciary responsibility for invested funds. Monthly reports will be prepared and provided to the Board upon request, pursuant to, and with sufficient detail to comply with ORS 294.085 and 294.155.

VIII) Delegation of Authority

The Vice President for Administrative Services and Associate Vice President of Financial Services shall be responsible for oversight of the investment program, and the Treasury Manager shall serve as the Investment Officer. The Investment Officer will invest per the terms in this standards and procedures, and per the terms in the following: ORS 294.035 to 294.053, 294.125 to 294.145, and 294.810. The Investment Officer may delegate to specified treasury position(s) the authority to conduct transactions on behalf of PCC, subject to the Investment Standards and Practices contained herein. Delegation of authority shall be in writing. The Investment Officer and treasury staff members authorized to conduct transactions must be bonded individuals.

IX) Internal Controls

The investment officer and AVP of Finance are responsible for establishing and maintaining an adequate internal control structure designed to reasonably assure that invested funds are invested within the parameters of these investment standards and, protected from loss, theft or misuse. A written internal control policy shall be reviewed and updated periodically by the Investment Officer.

A) The concept of reasonable assurance recognizes that the cost of a control should not exceed benefits likely to be derived and the valuation of costs and benefits requires estimates and judgments by management. Internal controls shall address the following points:

1. Compliance with Investment Standards and Practices, investment diversification by type and maturity
2. Control of collusion.
3. Separation of transaction authority from accounting and record keeping.
4. Avoidance of physical delivery of securities when possible and address control requirements for physical delivery

5. Clear delegation of authority to subordinate staff members.
6. Confirmation of transactions for investments and wire transfers in written or digitally verifiable electronic form.
7. Dual authorizations of non-repetitive wire and automated clearing house transfers
8. Staff training
9. Review, maintenance and monitoring of automated and manual security procedures.

X) Audits

An external auditor shall provide an annual independent review of the College investments to assure compliance with Oregon state law, PCC policies and procedures and internal controls. Such audit will include tests deemed appropriate by the auditor.

XI) Broker/Dealer Qualification and Review

The Investment Officer shall determine which Broker/Dealer firms and registered representatives are authorized for the purposes of investing funds within the scope of this investment policy. The following minimum criteria must be met before Broker/Dealer firms and affiliated registered representatives are authorized to execute investment transactions. The Investment Officer may impose more stringent criteria.

A) A list will be maintained of approved Broker/Dealer firms and affiliated registered representatives. Broker/Dealer firms must meet the following minimum criteria:

1. Must be registered with the Securities and Exchange Commission (SEC)
2. Must be registered with the Financial Industry Regulatory Authority (FINRA)
3. Must provide most recent audited financials
4. Must provide FINRA Focus Report filings

B) Approved Broker/Dealer employees who execute transactions with the College must meet the following minimum criteria:

1. Must be a registered representative with the Financial Industry Regulatory Authority (FINRA)
2. Must be licensed by the state of Oregon
3. Certification, in writing, of having read, understood and agreed to comply with the most current version of this investment standards and procedures

C) Annual review of all authorized Broker/Dealers and their registered representatives will be conducted by the Investment Officer. Factors to consider include:

1. Pending investigations by securities regulators
2. Significant changes in net capital
3. Pending customer arbitration cases
4. Regulatory enforcement actions

XII) Depositories and Collateralization

All financial institutions who desire to become depositories must be qualified Oregon Depositories pursuant to ORS Chapter 295.

XIII) Competitive Bids

A. The Investment Officer shall obtain and follow a protocol to receive competitive bid information on all investments purchased or sold in the secondary market. Competitive bids or offers should be obtained, when possible, from at least three separate brokers/financial institutions or through the use of a nationally recognized trading platform.

B. In the instance of a security for which there is no readily available competitive bid or offering on the same specific issue, then the Investment Officer shall document quotations for comparable or alternative securities.

C. When purchasing original issue instrumentality securities, no competitive offerings will be required as all dealers in the selling group offer those securities as the same original issue price. However, the Investment Officer is encouraged to follow internal protocols for quotations on comparable securities.

D. The Investment Officer shall routinely monitor the contents of the portfolio comparing the holdings to the markets, relative values of competing instruments, changes in credit quality, and benchmarks. If there are advantageous transactions, the portfolio may be adjusted accordingly.

XIV) Safekeeping and Custody

All trades of marketable securities will be executed (cleared and settled) by delivery vs. payment (DVP) to ensure that securities are deposited in PCC's safekeeping institutions prior to the release of funds.

Securities will be held by independent third-party safekeeping institutions selected by PCC. All securities will be evidenced by safekeeping receipts in PCC's name. Upon request, the safekeeping institutions shall make available a copy of its Statement on Standards for Attestation Engagements (SSAE) No. 16.

XV) Diversification by Security Type and Institution

It is the policy of the College to diversify its investments. Where appropriate, exposures will be limited by security type, maturity, issuance and issuer. In accordance with ORS Sections 294.035, 294.040, 294.052 and 294.810, the following securities are authorized for purchase.

A. **Investment Instruments**	**Maximum Percent of Portfolio**
1. U.S. Treasury Obligations	100%
2. Securities of U.S. Government Agencies and Instrumentalities	75%
Investment in U.S. Government Agencies and Instrumentalities shall be limited to a maximum of 25% per entity.	
3. Bankers' Acceptances	25%
Bankers' acceptances issued by qualified financial institutions as defined in ORS Section 294.035 (h)(B) , which have obtained a rating of A1 (Standard and Poor's) or P1 (Moody's), or an equivalent rating by any nationally recognized rating agency, must meet the same asset requirements as those	

discussed under *Repurchase Agreements*.

4. Time Certificates of Deposit (TCD) 25%

   TCD's must be FDIC insured, and collateralized in accordance with ORS Chapter 295.001 to 295.108. Exception to the yield objective and asset requirements (discussed under Repurchase Agreements) may be made for deposits in financially sound community banks for up to the current FDIC insurance limit per institution.

   No more than 25% of PCC's total investable funds shall be held in deposits or investment instruments which represent the liability of a single commercial bank or bank holding company.

   Bank demand deposits in qualified depository institutions are considered cash vehicles and not investments and are therefore outside the scope of this investment policy. Pursuant to ORS 294.035(3)(d), time deposits, certificates of deposit and savings accounts are considered investments and within the scope of this investment policy.

5. Corporate Indebtedness 35%

   Commercial paper must be rated A1 by Standard & Poors or P1 by Moody's, or an equivalent rating by any nationally recognized rating agency. Corporate notes, bonds and debentures must be rated AA or better by Standard & Poor's or Aa or better by Moody's, or an equivalent rating by any nationally recognized rating agency.

   The minimum weighted average credit rating of the portfolio's rated investments shall be Aa/AA/AA by Moody's Investors Service; Standard & Poor's; and Fitch Ratings Service respectively or an equivalent rating agency. Corporate indebtedness is subject to a valid registration statement on file with the SEC or issued under the authority of section 3(a)(2) or 3(a)(3) of the Securities Act of 1933 as amended. Corporate indebtedness must be issued by a commercial, industrial or utility business enterprise, or by or on behalf of a financial institution.

   Investment in corporate indebtedness shall be limited to a maximum of 5% for one corporate entity (including any related affiliates) and 20% by industry sector.

6. Repurchase Agreements 25%

   In accordance with ORS Section 294.035(11), investments in repurchase agreements must be for no more than seven (7) days and must be at least 102% collateralized by direct U.S. Government or U.S. Government agency securities. Banking institutions from which repurchase agreements are purchased must have holding company assets of at least $5 billion and execute a master repurchase agreement with the College. PCC will not enter into any reverse repurchase agreements.

7. Regional, State, and Municipal Debt Obligations 25%

   PCC will limit its purchases to lawfully issued debt obligations of the agencies and instrumentalities of the State of Oregon and its political subdivisions that have a long-term rating of A or an equivalent rating or better or are rated on the settlement date in the highest category for short-term municipal debt by a nationally recognized statistical rating organization.

   Per ORS 294.040, the bonds of issuers listed in ORS 294.035 (3)(a) to (c) may be purchased only if there has been no default in payment of either the principal or the interest on the obligations of the issuing county, port, school district or city, for a period of five years next preceding the date of the investment.

8. Investment Pools – PCC may participate, up to the legal limit, in the Local Government Investment Pool (LGIP) as authorized under ORS Section 294.810. 75%*

B. If additional types of securities are considered for investment, per Oregon state statute, they will not be eligible for investment until these standards have been amended and the amended version is adopted by the college.

C. The value of at least 10% of funds from the general fund, available for investing, to meet budgeted operating expenditures will be invested in the Oregon Short Term Fund or investments maturing in less than 90 days to provide sufficient liquidity.

XVI) Market Liquidity

The Investment Officer shall take reasonable steps to improve secondary market liquidity by limiting the par amount invested* in a specific debt issuance. Recommended guidelines include:

Issue Type	Maximum of issuance (par)
US Agency Securities	50%
Corporate Commercial Paper	50%
Corporate Notes and Bonds	25%
Municipal Bonds	50%

* Issued under a single CUSIP.

XVII) Maximum Callable Exposure

The maximum percent of callable securities in the portfolio shall be 50%.

XVIII) Investment Maturity

The maximum stated final maturity of individual securities in the portfolio shall be five (5) years, except as otherwise stated in this investment policy. The maximum portfolio average maturity (measured with stated final maturity) shall be 2.5 years.

Investments shall not be made predicated upon selling the security prior to maturity. The Investment Officer may adjust the contents of the portfolio based on the available markets and the relative values of competing instruments.

XIX) Total Prohibitions

Purchase of standby commitments or forward commitments in excess of 14 business days (in accordance with ORS Section 294.145 are specifically prohibited.

Securities not specifically addressed by this investment policy are prohibited for investment purposes.

XX) Divestment & Social Responsibility

PCC is committed to operational practices that model the sustainable use of resources. Holding securities issued by fossil fuel companies is inconsistent with the college's sustainability goals. Therefore, the Treasury Manager will not invest in securities of fossil fuel companies (as listed in the Carbon Underground 200 or comparable fossil fuel indices). Indices shall be reviewed prior to any energy sector investment. Indices shall also be reviewed for changes not less than annually.

The college is committed to advancing the promotion and protection of human rights and fundamental freedoms. In support of this commitment and the inherent belief in the dignity and worth of each individual, The Treasury Manager shall invest in a socially responsible manner when feasible. The Board understands that socially responsible investments are not always self-evident and it is not possible to be informed of every activity that a business undertakes.

A copy of the college's investment holdings shall be shared annually with the District Student Council for review and comment.

The above restrictions apply only to investments purchased directly by the College.

XXI) <u>Interest Rate Risk:</u>

Interest rate risk will be mitigated by providing adequate liquidity for short-term cash needs, and by making longer-term investments only with funds that are not needed for current cash flow purposes.

A) The following strategies will be employed to control and mitigate adverse changes in the market value of the portfolio due to changes in interest rates:

1. Investment maturities should be matched with expected cash outflows to mitigate market risk.
2. Investment maturities not matched with cash outflows, including liquid investments under one year, should be staggered to mitigate re-investment risk.
3. No commitments to buy or sell securities may be made more than 14 days prior to the anticipated settlement date, or receive a fee other than interest for future deliveries.
4. The maximum percent of callable securities in the portfolio shall be 50%.

XXII) <u>Securities Lending Prohibited</u>

The College shall not lend securities nor directly participate in a securities lending program.

XXIII) <u>Investment of Bond Proceeds</u>

The Investment Officer will determine the investments best suited for the bond proceeds. These investments will be segregated for both tracking and arbitrage purposes within the district's overall portfolio and invested in a manner consistent with this investment policy, Internal Revenue Service requirements, trust indentures, if any, Oregon Revised Statutes (Chapter 294) and expected drawdown schedules. This provision also applies to bond proceeds received in defeasance of previously issued debt.

XXIV) Portfolio Monitoring, Reporting and Compliance

The Investment Officer shall routinely monitor the contents of the portfolio comparing the holdings to the markets, relative values of competing instruments, changes in credit quality, and benchmarks. If there are advantageous transactions, the portfolio may be adjusted accordingly.

A quarterly report of investment performance will be prepared at the direction of the Investment Officer and distributed to the Vice President of Administrative Services, Associate Vice President of Financial Services. The report will contain investments classified on a principal basis.

A) The report will include, at a minimum, the following:

1. A listing of all investments held during the reporting period showing: par value, principal, accounting book value, market value, type of investment, issuer, credit ratings and yield to maturity
2. Average maturity of the portfolio
3. Maturity distribution of the portfolio
4. Average portfolio credit quality
5. Average weighted yield to maturity
6. Distribution by type of investment.
7. Distribution of transactions among financial counterparties such as Broker/Dealers.
8. Violations of portfolio guidelines or non-compliance issues

XXV) Benchmark

The Investment Officer shall benchmark monthly portfolio performance duration against available indices which accurately reflect the composition of the investment portfolio, such as the Local Government Investment Pool. Other indices which may be used include a nationally recognized 3 month Treasury Bill index or a 1-3 Year Us Government/Corporate AA Rated index.

XXVI) Accounting Method and Pricing

PCC shall comply with all required legal provisions and Generally Accepted Accounting Principles (GAAP). The accounting principles are those contained in the pronouncements of authoritative bodies including but not necessarily limited to, the American Institute of Certified Public Accountants (AICPA); the Government Accounting Standards Board (GASB); the General Accounting Office (GAO); and the Financial Accounting Standards Board (FASB).

Market valuations shall be obtained for all portfolio holdings on a monthly basis and recorded in the investment performance report for the portfolio. Accounting will record the market value of portfolio holdings as of fiscal year end, each year on June 30.

XXVII) Procedural Review

The investment policy shall be updated periodically as necessitated by material changes in legislative and administrative rules or in the College's investment strategies. In accordance with ORS Section 294.135a, all changes will be submitted to the Oregon Short Term Fund Board for comment prior to review and re-adoption by PCC's Board of Directors.

To ensure consistency with the overall objectives of preservation of principal, liquidity and return, and its relevance to current law and financial and economic trends, this investment policy will be reviewed and made available to the Board annually.

Any investment held prior to the adoption of this policy shall be exempted from the requirements of this policy. At maturity or liquidation, such monies shall be reinvested as provided by this policy.

XXVIII) <u>Adoption</u>

These Investment Standards and Practices are adopted by the PCC Board this 20th Day of April, 2017

ORIGINAL POLICY ESTABLISHED: 09/09/1991

REVISION DATES: 07/28/1992
06/10/1997
05/03/2001
07/15/2004
09/16/2010
08/21/2014

GOAL: To ensure the integrity of the College financial accounting and budgetary system and records; to prevent the unauthorized use and disposition of the College assets and resources; to ensure compliance with all existing laws, regulations and guidelines governing the accounting and budgetary operations of the College.

OBJECTIVES: To provide a solid and reliable foundation for financial planning and decision making by the Board of Directors, The Budget Committee, the President, and College staff.

- The College will maintain an accounting and financial reporting system that conforms to Generally Accepted Accounting Principles (GAAP) adopted by the Government Accounting Standards Board (GASB), the National Association of College and University Business Officers (NACUBO), and the Oregon Local Budget Law.

- The College will issue an audited Comprehensive Annual Financial Report (CAFR) that conforms with GAAP and GASB requirements and the standards and reporting guidelines of the Government Finance Officers Association (GFOA) of the United States and Canada.

- The College will utilize a basis of accounting designed for governmental operations in the General Fund, Special Revenue Funds, Capital Projects Funds, and Debt Service Funds.

- The College will utilize a basis of accounting designed for proprietary fund type to account for operations that are financed and operated in a manner similar to a private business enterprise—where the intent is that costs (including depreciation) of providing goods or services on a continuing basis be financed or recovered primarily through fees and charges; or that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

- The College will maintain an adequate cash balance equivalent to the total of the first three months of the fiscal year's expenditure requirements and shall provide a means to maintain the reserve through short-term borrowing, if necessary, in the event the goal is not achieved at the beginning of each fiscal year.

- The College will provide projections of operating revenues and expenditures, capital expenditures and debt service requirements comprised of the current fiscal year's projected results of operation and forecasts for the next two to three fiscal years.

GOAL: To present a balanced budget that complies with the requirements of the State budget law; to provide a budget with a financial base sufficient to support high quality and innovative educational programs that are accessible and affordable to the residents of the District. To help the College administrators make informed choices about the provision of educational services and capital assets and to promote stakeholder participation in the process.

OBJECTIVES: To provide incentives to use financial resources wisely, to give responsibility for budget management to cost centers, and to increase flexibility to address changing needs.

- The College will maintain a balanced revenue portfolio including establishing tuition, fees, charges and indirect cost rates that are sufficient to recover the cost of providing the services.

- The College will maintain an unappropriated balance in the General Fund equivalent to a minimum of 9% of the total operating expenditure requirements for the fiscal year.

- The College will establish a General Fund base budget for each cost center by taking the adopted budget for the current year and adjusting it for all policy level decisions that impact the budget. Policy level decisions are changes that affect the base budget and include, but are not limited to; budget augmentations as a result of granting cost of living increases, contractual salary requirements, changes in benefit costs, and other augmentations authorized by the President and the Board.

- General Fund operating surplus, if any, will be used first to bring the fund balance to a minimum 9% level and any excess will be allocated to enhance instructional programs including allocating resources to finance critical equipment needs and technological infrastructure.

- The College will maintain a contingency account to meet unanticipated requirements that may occur during the budget year.

- The College will maintain and update a multi-year capital maintenance project list. This list will be the basis in budgeting for the annual capital maintenance requirements. The College will also maintain a Capital Projects Fund to account for capital expenditures, including the annual appropriation of resources to finance the capital maintenance requirements. In the event that available resources are not sufficient to fund the annual capital maintenance requirements, projects in the lists will be prioritized based on the following criteria: a) maintenance projects to correct safety and health issues, b) maintenance projects to correct potential liability issues including compliance with the ADA (Americans with Disabilities Act) requirements, and c) energy saving projects.

- The College will seek to maximize the use of one-time resources for those programs and projects that would generate future benefits/savings and will not use them to fund on-going commitments.

- The College will annually review the results of the operations of the Proprietary Funds to ensure that fees and charges are set at the level sufficient to recover the cost of providing the services.

- The College will strive to provide maximum flexibility to cost center managers in budgeting for experimental programs.

BUDGET TRANSFERS
In the General Fund, there are two different methods of establishing legal budget authority. These methods determine the level of the College's budgetary compliance with the requirement of the Oregon Revised Statute governing budgets. For all programs, a total amount is appropriated for each of the following cost centers:

- Sylvania Campus
- Rock Creek Campus
- Cascade Campus
- Southeast Campus
- Office of Academic Affairs
- Office of Student Affairs
- Office of the President
- Office of the Executive Vice President
- Finance & Administration

Generally, budget changes do not increase the overall spending authority for a program or department; they simply move spending authority from one account to another. Campuses and/or programs may transfer spending authority between and within categories of expenditures (personal services, materials and services, and capital outlay).
Examples:

- Monies budgeted for materials, services and supplies may be transferred to equipment, or salary budget may be moved to supplies, etc. with the approval of the cost center manager or Campus President.

- Transfers that do not increase or decrease the cost center base budget. Example: Transfer of money between object code and/or program within the Cost Center budget like from A40100 account 03010 Supplies to A40100 account 03925 Travel or from A40100 Dean of Instruction to A40305 Mathematics program. Note that in this example, the budget remains within the cost center.

- For cost centers that are budgeted by expense category, transfers of funds within the expenditure category.

SUPPLEMENTAL BUDGETS
Should circumstances arise during the fiscal year that require expenses to be paid that were not budgeted, the College receives revenue it did not plan for in its budget, or changes in budget authority levels are needed, it may be possible to change the Adopted Budget through the supplemental budget process

I. CRITERIA
Changes to the budget can be made after adoption through a supplemental budget process, but they are restricted by statute. The conditions under which an entity may propose a supplemental budget are:

a. An occurrence or condition which was not known at the time the budget was prepared which requires a change in financial planning.
b. To expend specific purpose grants, gifts, bequests, or devices received after the budget was adopted.
c. To expend proceeds of certain bonds.
d. To provide for the debt service of certain bonds.

II. SUPPLEMENTAL BUDGET TYPES
There are two types of supplemental budgets. The size of the budget change is the primary determining factor as to which type of supplemental budget must be used. A supplemental budget is valid only through June 30 of the biennium fiscal period in which it is adopted. A supplemental budget does not authorize the governing body to impose additional property taxes.

1) Supplemental Budget by governing body resolution. Examples:

- Budget transfers between appropriation units within a Fund or transfers of money that increase or decrease

the base budget of the cost center:
Example: Transfer from the General Fund contingency account to an appropriation unit or transfers between Cost Centers, i.e.: moving funding from the Sylvania Campus to the Cascade Campus or vice versa.

- For funds that are budgeted by expenditures category, transfers between categories of expenditures at a consolidated level requires Board approval by resolution.
- Changes to budgeted Inter-fund Transfers (Transfers between Funds)
  Example: A transfer from the General Fund to the Contracts and Grants Fund, or from the Student Activities Fund to the General Fund.

2) Supplemental Budget by public hearing. Examples:

- Transfers between programs, expenditure categories, or funds that have no prior budget for transfers in or transfers out, and
- The amount of the transfer exceeds the established threshold (see formula below).

III. PROCESS AND PREPARATION OF SUPPLEMENTAL BUDGET

1) If the supplemental budget will adjust the current adopted budget by more than 10 percent of the Fund's expenditures, or if the supplemental budget will create a new Fund, program, or appropriation category, the process to adopt the supplemental budget must follow the same approval and notification process used in adopting a biennial operating budget. Budget Committee approval is not required, but the changes must be adopted through a public hearing.

To calculate the 10% threshold:
Total Fund, Program, or Appropriation Category Budget
Less Budgeted Transfers, Unappropriated Ending Fund Balance and Contingency
Net Operating Budget
X 10%
Maximum Budget Increase Allowed without Budget Committee Approval

2) If the supplemental budget will adjust the current budget by less than 10 percent of the fund's budgeted expenditures, the supplemental budget may be adopted by resolution of the governing body at a regularly scheduled board meeting. Notice of the regular meeting in which the supplemental budget will be adopted must be published once not less than 7 days before the meeting.

IV. PERMANENT VS. TEMPORARY TRANSFERS

• TEMPORARY

These are transfers of funds made during the budget period that "temporarily" increase or decrease the cost center/department/division budget without affecting the cost center's base budget total. These are generally housekeeping entries with a goal of eliminating a perceived over expenditure in a line item. An example of this is a transaction moving budgeted appropriation from a supplies account to a travel account. This kind of budget transfer only affects the budget period in which it is processed.

• PERMANENT

These are transfers of funds that increase or decrease the cost center base budget, the effect of which carries over to the ensuing fiscal year. An example of this is updating the cost center budget for a cost of living increase.

V. EXCEPTIONS TO THE SUPPLEMENTAL BUDGET PROCESS

Certain expenditures are exempt from the requirement of the Local Budget Law. The most common exceptions are:

a. Expenditures of proceeds from sale of certain bonds may be made during the current year without adopting a supplemental budget. An example would be expenditures of the proceeds of a voter approved general obligation bond.

b. Expenditures to pay debt service on certain bonds, which are authorized and issued during the biennium fiscal period, may be made without adopting a supplemental budget. An example of this is a bond issued for refunding purposes.

c. Expenditure of funds irrevocably placed in escrow for the purpose of defeasing and paying bonds.

d. Expenditure of funds to deal with damage or destruction from a civil disturbance or natural disaster may be made after enactment of a resolution authorizing the expenditure or adoption of a supplemental budget.

Expenditures of money refunded after a purchase has been returned may be made after enactment of a resolution authorizing the expenditures.

OBJECTIVE:
To provide the most efficient means of managing budget transfer transactions processed during the budget period; to provide better control in managing the budget and to limit budget transfers to transactions that have a material effect in the cost center/department/division budget.

BACKGROUND:
Each year the Budget Office processes and posts an average of 11,500 budget transfer transactions ranging from transfers from the contingency account to transfers between line items within the campus/department/division budgets. In FY 2010, there were 6,116 budget transfer transactions processed and posted, of which 1,980 were initiated at the campus / department / division budget level transferring budget between line items. Amounts ranged anywhere from $10 to a few thousand and were mostly submitted to provide funds for unbudgeted expenditures incurred within an organization code or to eliminate a perceived over-expenditure.

RECOMMENDATION:
In order to minimize staff time and to efficiently and effectively manage and monitor the campus/ division/ department's budget, the following is recommended:

1. Record the expense where it is incurred. If the expense is for supplies, put it in supplies; if it is for travel, put it in travel. Do not search for a line item with a budget that will accommodate the charges. Recording an expense in the proper account code will create historical information on the level of expenditures required for the program and this will help managers to determine the amount of annual budget needed to operate the program. This will also help justify the need for any budget augmentation requests.

2. Do not chase over-expenditures with budget transfers. Check the Organization code bottom line total for sufficient unencumbered funds to accommodate the expenditures. If not available, check the budget at the roll-up level.

3. If two or more departments pool their purchase for savings and/or to use discounts, put the account codes in the requisition. Refrain from transferring funds between departments.

4. The best time to evaluate your budget needs is at the beginning of the biennial budget process. This process is your opportunity to budget the money where you plan to spend it. After the budget is adopted, your budget is established for two years. Therefore, when evaluating your current fiscal year's need, it is advisable to monitor and check your budget on a quarterly or monthly basis, especially if you find a need to do budget transfers to re-align your line item expenditures.

5. Consider the materiality of the amount being transferred. As a general rule, we recommend limiting budget transfers to amounts greater than $500. Use Banner Form FWAJVCQ to process your transfer. Call or email the Budget Office if you need assistance on the use of the form.

6. Recall that we operate on a base budget principle, meaning, your current year budget is the same as last year's budget, adjusted only for globally approved augmentations such as cost of living increases or any new initiatives approved by the Cabinet. This means the amount in your line item budget last year is carried forward to your current year's budget. Therefore, any budget transfers processed and posted during the current year are all temporary in nature. If the intent is to make the budget transfer permanent, notify the Budget Office so the next year's budget will be adjusted to reflect the changes.

7. Charging labor cost to another campus/division/department can be accomplished using payroll FOAPAL override on the timesheet. You do not need to process a budget transfer for these transactions unless the charges are permanent in nature, meaning it will carry-over to the next fiscal year. In this case, you will need to work with the Budget Office to effect the transfer. Please check with the Payroll Office regarding how to do a FOAPAL override.