



3296

Investment

Policy 3296

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Review Dates:

I. PURPOSE

In order to meet its obligation to the citizens of the City of Minneapolis and to meet the district's strategic goal of creating and sustaining a positive financial position, Minneapolis Public Schools invests district funds that are being held temporarily for District uses. The purpose of this policy is to establish the guiding principles for such investment.

II. GENERAL STATEMENT OF POLICY

- A. The district shall comply with all state or federal laws related to investments held by it.
- B. The terms of this policy apply to all investments of the funds of the school district, regardless of the fund accounts in which they are maintained, unless specifically exempted from these terms by formal action of the Board of Directors.
- C. The primary criteria for the investment of funds, in priority order are:
 1. **Safety of principal.** Investments shall be undertaken so as to ensure the preservation of capital in the investment portfolio.
 2. **Liquidity.** Funds shall be invested to assure that adequate funds are available to meet immediate payment requirements for payroll, accounts payable, debt service and any other known or anticipated costs.
 3. **Return on investment.** Investments shall be managed in a manner to attain a market rate of return through various economic and budgetary cycles, taking into account constraints on risk and other criteria requirements.
- D. Persons acting on behalf of the district in investing district funds shall be held to a "prudent person standard" of conduct. This standard of conduct requires the person acting to exercise that degree of judgment and care, under the circumstances then prevailing, that persons of prudence, discretion and intelligence would exercise in the careful management of their own affairs. The standard considers the probable safety and probable return on investment to be derived under the investment planned, and does not include speculative investments. Persons acting within this standard, within policy and law and exercising due diligence on behalf of the district's investment program shall not be held personally responsible for a specific investment's performance or for market price changes.
- E. The Superintendent or superintendent's designee shall establish a system of internal controls which shall be documented in writing. These controls shall be reviewed by the Board Standing Committee on Finance and reviewed annually by the district's



independent auditors for compliance. The internal controls shall address, but not be limited to:

1. provisions controlling collusion;
 2. separation of functions;
 3. separation of transaction authority from accounting and record keeping;
 4. custodial safekeeping;
 5. avoidance of bearer form securities;
 6. limitation of security losses, and appropriate remedial actions to take in the event of loss;
 7. written confirmations of all verbal transactions;
 8. supervision of employee actions;
 9. limitation of the number of authorized investment officers;
 10. documentation of transactions and investment strategies;
 11. specific description of authority granted to employees.
- F. The Superintendent or Superintendent's designee shall establish a system for safekeeping and collateralization of investments which system shall be approved by the Board Standing Committee on Finance.
- G. Any public depository, broker or institution to be used for holding district investments must offer electronic fund transfer capability to the district, which transfers shall be in conformation with Minnesota Law.

III. PERMISSIBLE PORTFOLIO OF INVESTMENTS

- A. Instruments identified in Minnesota Law as permissible investments for school district funds may be chosen as investments for district funds.
- B. The district shall diversify its investments to avoid incurring unreasonable risks inherent in over-investing in specific instruments, individual financial institutions or maturities. Diversification of investment by security type shall be suggested by the Superintendent or Superintendent's designee and approved by the Board.
- C. Limitations on instruments, diversification and maturity scheduling shall depend on whether the funds being invested are considered short-term or long-term funds.
1. Funds reserved for building construction projects or specific future projects and any unreserved funds used to provide financial-related managerial flexibility for future fiscal years generally shall be long-term investments.
 2. All other funds generally shall be short-term investments.
- D. No leveraged investments or derivative investments of any kind shall be allowed.

IV. RESPONSIBILITY

- A. The Superintendent shall designate appropriate investment officers to act in investment decisions and activities as directed by the Board of Directors. Investment



Officers may delegate certain duties to a designee or designees, but shall remain primarily responsible for the operation of the investment program.

- B. The Superintendent or Superintendent's designee shall recommend either a public depository qualified under Minnesota law or authorized investment brokers and institutions for approval by the Board Finance Committee. Such brokers and institutions must be:
1. Primary and regional dealers that qualify under Securities and Exchange Commission Rules;
 2. Capitalized no less than Ten Million Dollars (\$10,000,000.00);
 3. Registered as a dealer under the Securities Exchange Act of 1934;
 4. Member of the Financial Industry Regulatory Authority (FINRA);
 5. Registered to sell securities in the State of Minnesota; and
 6. Must as a firm, and as the assigned broker, have been engaged in the business of transacting in U.S. government and agency obligations for at least five (5) consecutive years prior to engagement by the district.
- C. The Superintendent or Superintendent's designee shall provide all authorized brokers and institutions with a copy of the district policy and regulations regarding investment.
- D. All brokers, dealers and other financial institution to be approved by the district as qualified institutions shall certify that they have read and understood and agree to comply with district policy and regulations regarding investment.

Legal References:

15 U.S.C. §78a *et seq.* (Securities Exchange Act of 1934)
Minn. Stat, Ch. 118 A (Deposit and Investment of Local Public Funds)
Minn. Stat. §471.38, subds .3 and 4 (Claims: Electronic Fund Transfers)

Cross References:

MPS Policy 3000 (Code of Ethics)
MPS Policy 3400 (Banking)
MPS Policy 3430 (Periodic Financial Reports)
MPS Policy 3434 (Periodic Audit)
MPS Policy 3470 (Trust Account Investment)