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CASH MANAGEMENT AND INVESTMENT

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Purpose:

To effectively manage the funds and investments of the University.

Additional Authority:

Idaho Code §67-1210 et seq.

Idaho Code §67-2327

Idaho Code §67-2328

Scope:

Applies to all university funds used for investment purposes.

Responsible Party:

Finance and Administration 426-1200.

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POLICY

I. Policy Statement

This policy establishes and defines the objectives of, and authority for, the University's cash management and investment program.

II. Authority

A. Investment authority for BSU funds is delegated to the Vice President for Finance and Administration (VPFA), and those persons whom the VPFA shall designate to have such authority.

B. The VPFA shall establish through appointment an Investment Committee. The VPFA must also be considered a member of this committee. The Investment Committee will determine the Boise State University Investment Guidelines, which in turn will establish the criteria for the University's investment program.

III. Investment Objectives

A. Safety: Safety of principal is the single most important objective of the investment program. Investments must be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. The objective will be to mitigate credit and interest rate risk.

- B. Liquidity: The investment portfolio shall remain sufficiently liquid to meet all financial needs and obligations that may be reasonably anticipated. This will be accomplished by structuring the portfolio so that securities mature concurrently with anticipated cash requirements. While the University purchases securities with the intent of holding them to maturity, it may liquidate early to maximize the total return on assets, or to compensate for temporary shortfalls in liquidity.
- C. Total return: The investment portfolio shall be designed with the objective of achieving a maximum total return throughout budgetary and economic cycles, within the context parameters set forth by objectives A & B above. Return on investment is of secondary importance as compared to the safety and liquidity objectives described above.

#### IV. Eligible Investments

- A. Pre-Approved Funds: Funds may be invested without prior Idaho State Board of Education approval in the following areas:
  - 1. FDIC passbook savings accounts
  - 2. Certificates of Deposit
  - 3. U.S. Securities
  - 4. Federal Funds
  - 5. Repurchase agreements
  - 6. Reverse repurchase agreements
  - 7. Federal agency securities
  - 8. Large money market funds
  - 9. Banker's Acceptances
  - 10. Corporate bonds (rated Aa or better)
  - 11. Mortgage-backed securities (rated Aa or better)
  - 12. Commercial Paper (prime or equivalent grade)

- B. Other Funds: Investments into areas other than those delineated above requires prior approval from the State Board of Education. Such approval may allow for the investment or reinvestment of cash, securities, and other assets.
  - C. Local Government Investment Pool and Diversified Bond Fund: Idaho Code allows the University to invest in the Idaho State Treasurer's Local Government Investment Pool (LGIP) and Diversified Bond Fund (DBF).
  - D. Investment in US Government/Government Guarantee Securities: Covenants of certain bond resolutions restrict investment of specific university funds to U.S. Government or government guaranteed securities.
  - E. Investment Medium: All investments will be in U.S. Dollars.
- V. Credit Quality
- A. Rating Scale: The University will use the Moody's Rating Scale as the standard when evaluating investments in debt securities in order to limit the credit risk of those holdings.
  - B. Required Rating: A minimum rating of P-1 will be required of all short-term debt, and an Aa3 rating will be required for all long-term holdings.
- VI. Maturity
- Long-term Investment: The University will seek to control interest rate risk in long-term investments by attempting to match anticipated cash requirements to investment maturities. Generally, in conjunction with maintaining proper liquidity, the investment program should remain flexible enough in its design to enable the University to take advantage of opportunities in a changing interest-rate environment.
- VII. Diversification
- Need for Diversification: Investments will be diversified in order to minimize the risk of loss resulting from the concentration of assets.
- VIII. Safekeeping
- Custody: Investments shall be held in the name of the University, under the custody of the Investment Manager. If the portfolio size and related risk of non-delivery of securities makes it necessary to utilize the services

of an independent safekeeping agent, the cost of that service must be considered when evaluating whether to hire an agent.