

**California State University, Northridge
University Student Union, Inc.
Fiscal Policy**

SUBJECT: Investment Policy & Procedure

REFERENCES: Compilation of Policies and Procedures for California State University Auxiliary Organizations, Section 8.3 Investment Policies

DEFINITIONS: **Cash & Cash Equivalents** – readily accessible short-term, highly liquid investments such as a money market fund.

Money Market Fund - Seeks to provide current income and maintain a stable net asset value of \$1 per share by investing in short-term, high-grade securities. Investments in the fund are not insured or guaranteed by the FDIC or any other government agency.

Government Securities – debt instruments issued by the U.S. Treasury such as treasury bills or government sponsored agencies such as the Federal Home Loan Mortgage Corporation (Freddie Mac) and the Federal National Mortgage Association (Fannie Mae). These may also include repurchase agreements collateralized by U.S. government obligations. Treasury bills are backed by the full faith and credit of the U.S. government whereas agency securities are not.

Repurchase Agreements - An agreement between a seller and a buyer, usually in U.S. government securities, in which the seller agrees to, buy back the security at a later date. When the Federal Reserve makes a repurchase agreement with a government securities dealer, it buys a security for immediate delivery with an agreement to sell the security back at the same price by a specific date (usually within 15 days) and receives interest at a specific rate.

Commercial Paper - Short-term unsecured loans of financially strong companies.

Brokered Certificates of Deposit (CD's) - issued by a bank but bought in bulk by a bank and resold to bank customers. Brokered CDs carry federal deposit insurance up to \$250,000 through December 31, 2009.

Local Agency Investment Fund (LAIF) - is a voluntary program created by statute; began in 1977 as an investment alternative for California's local governments and special districts. This program offers local governments and non-profits the opportunity to participate in a major portfolio.

Federal Deposit Insurance Corporation (FDIC) - Federal agency established in 1933 that guarantees (within limits) funds on deposit in member banks and thrift institutions and performs other functions such as making loans to or buying assets from member institutions to facilitate mergers or prevent failures.

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Moody's Investor Service and Standard & Poor's Rating Agencies - Well-respected, widely utilized sources for credit ratings of money market funds and other financial instruments.

POLICY:

All funds of the University Student Union (USU) are held by the Board of Directors as a fiduciary. These funds are held by the corporation as a steward for the purpose of carrying out its mission in serving students. The Finance Committee is delegated responsibility for regularly reporting on investments to the Board.

The Executive Director/designee and the Associate Director, Finance & Business Services are authorized to make investment decisions (asset allocation, type of investment) on behalf of the University Student Union (USU).

The Associate Director, Finance & Business Services, the Accounting Manager, and Accounting Supervisor are authorized to execute investment transactions on behalf of the USU.

The Board of Directors and its Finance Committee are authorized to retain one or more investment counselors to assume the investment management of funds and assets administered by the organization.

The primary investment objective of the USU will be to invest funds to preserve capital and maintain immediate liquidity while attempting to maximize investment earnings. Preservation of capital and liquidity will always take precedence over maximization of investment earnings.

The only investment types authorized by the USU are cash and cash equivalents. USU investments should have maturity dates less than six months in duration in order to maintain liquidity.

USU assets invested directly in money market funds should only be invested in the financial instruments listed in the definition's section with LAIF being the only exception. LAIF has a diversified portfolio of investments managed by professionals who include government securities, repurchase agreements, certificates of deposit, time deposits, commercial paper, and corporate bonds.

Money market funds must be rated Aaa or Aa by Moody's Investor Service and AAA or AA by Standard & Poor's. Each money market fund must maintain a net asset value of \$1.00 per share.

Each individual brokered bank certificate of deposit may not exceed \$245,000. There may be no more than one brokered certificate of deposit with any one bank at any one

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time in order to have the investment fully protected by the Federal Deposit Insurance Corporation (FDIC).

USU management will provide the Finance Committee and Board of Directors with a quarterly report that will report investment asset allocation and investment performance of each individual investment as of the quarter month ending date. The report will be included in the quarterly budget report to the Finance Committee and Board of Directors.

PROCEDURE:

Withdrawals from USU investment accounts will be deposited in the USU's local operating bank account. The preferred method of depositing investment funds into the USU operating account is via wire transfer or an electronic ACH transaction.