

OAKLAND UNIFIED SCHOOL DISTRICT  
Office of the State Administrator

October 31, 2007

**LEGISLATIVE FILE**

**File ID No.** 07-1286  
**Introduction Date** 10-31-2007  
**Enactment No.**  
**Enactment Date** \_\_\_\_\_  
**By** \_\_\_\_\_

**TO:** Vincent Matthews, Interim State Administrator  
Board of Education

**FROM:** Leon Glaster, CFO/Associate Superintendent

**SUBJECT:** Amended Board Policy - BP 3430 – Investing

**ACTION REQUESTED:**

Approval by State Administrator of revised Board Policy No. BP 3430 – Investing - Business and Non-instructional Operations, which proposes that the Governing Board consider and authorize formal written guidelines for investing District Funds.

**BACKGROUND:**

Government Code 53646 requires that the Treasurer or Chief Fiscal Officer Shall annually render to the legislative body of the local agency and any oversight committee a statement of investment policy, which the legislative body of the local agency shall consider at a public meeting.

**RECOMMENDATION:**

Approval by State Administrator of revised Board Policy No. BP 3430 – Investing - Business and Non-instructional Operations, which proposes that the Governing Board consider and authorize formal written guidelines for investing District Funds.

**ATTACHMENTS:**

Board Policy 3430 (Revised)

# OAKLAND UNIFIED SCHOOL DISTRICT

(Revised)

## Board Policy:

BP 3430

### Business and Noninstructional Operations

#### Investing

The Governing Board recognizes that the Superintendent or designee has fiduciary responsibility and is subject to prudent investor standards for all investment decisions. As such, district investments must be made with skill, prudence and diligence, with the primary objective of safeguarding the principal of the funds and with the secondary objective of meeting the district's liquidity needs. In order to enhance investment return, the district's third investment objective shall be to generate an investment yield that attains or exceeds a market-average rate of return through economic cycles.

The Board recognizes the importance of overseeing investments made with district funds, including investments by the county treasurer. The Superintendent or designee shall maintain ongoing communication with any county committees established for the purpose of overseeing county investments. In addition, the Superintendent or designee shall keep the Board informed about policies that guide the investment of these funds.

#### The Purpose

This document specifies policies, guidelines and criteria governing investments of all public funds held by the Oakland Unified School District. The Superintendent or Associate Superintendent of Business may invest as permitted by law all or part of the special reserve fund of the district or any surplus monies not required for immediate district operations. Such investments shall be limited to securities specified in Government Code 16430, 53601 and 53635.

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#### Investment Policy Statement

It is proposed that the Governing Board consider and authorize formal written guidelines for investing District Funds. The intent of the Investment Policy of the Oakland Unified School District is to define the parameters within which funds are managed. The Investment Policy is intended to establish the investment scope, objectives, delegation of authority to the Superintendent or the Chief Financial Officer of Oakland Unified School District to invest and standards of prudence to be applied in investments, develop internal controls to monitor the investment portfolio and identify reporting, bidder eligibility standards, bidding practices, investment limitations and safeguarding requirements. It is the policy of Oakland Unified School District to manage public funds in a manner which will provide sufficient liquidity to meet future cash flow requirements, insure security and safety of invested funds, and provide the highest investment yield while complying with all state and local requirements governing the investments of public funds. Such investments shall be limited to securities as specified in Government Code 16430, 53601 and 53635.

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In Summary, the primary objective of the investment policy is to safeguard the principal of the funds and with the secondary objective of meeting the district's liquidity needs. In order to enhance

investment return, the district’s third investment objective shall be to generate an investment yield that attains or exceeds a market-average rate or return through economic cycles.

The Chief Financial Officer for the Oakland Unified School District under the direction of the Superintendent and the Board of Education shall have the responsibility for all decisions and activities performed under the Oakland Unified School District’s Investment Policy. The Chief Financial Officer shall have the ability to allocate resources or delegate responsibility as necessary to optimize the safety and liquidity of the investment portfolio and to implement this Investment Policy. In addition, the Superintendent or Chief Financial Officer shall keep the Governing Board informed about policies that guide the investment of these funds.

### **Background**

Government Code 53646 requires that the Treasurer or Chief Fiscal Officer shall annually render to the legislative body of the local agency and any oversight committee a statement of investment policy, which the legislative body of the local agency shall consider at a public meeting.

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### **Prudence**

The Oakland Unified School District shall make investments in the context of the “Prudent Investor Rule: (Civil Code Section 2261, et.seq.), which in substance states that:

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“Investing shall be made with the Investments must be made with skill, 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 probable safety of their capital as well as the probable income derived.”

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The standard of prudence to be used shall be the “prudent person” standard and shall be applied in context of managing an overall portfolio. Persons authorized to trade on behalf of Oakland Unified School District acting in accordance with written procedures, this Investment Policy, and exercising due diligence shall be relieved of personal responsibility for an individual security’s credit risk or market price change.

### **Legal Constraints**

Pursuant to California Education Code Section 41001, the District shall deposit all funds received or collected from any source into the Alameda County Treasury, to be placed to the credit of the proper Fund of the District, except as otherwise provided herein.

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Pursuant to California Education Code Section 41015, the District may invest all or part of funds deposited in a Special Reserve Fund or any surplus monies not required for the immediate necessities of the District in any of the investments specified in California Government Code Sections 16430 or 53601. Special Reserve Funds are defined as those funds that the Board of Education has designated for capital outlay or other purposes, where an accumulation over a period of fiscal years is desired.

### **Ethics and Conflict of Interest**

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All persons authorized to trade on behalf of Oakland Unified School District must refrain from personal business activity that could potentially conflict with proper execution of this Investment Policy or impair their ability to make impartial decisions. The County Treasurer shall implement an annual attestation to be completed by all personnel authorized to trade disclosing all personal brokerage relationships. The County Treasurer shall collect and review such attestations and file them with the internal audit function.

Under no circumstances shall a participant in the investment process receive any type of financial gain, either directly or indirectly, from the investment of Oakland Unified School funds. Any real or potential conflict of interest must be reported to the internal audit function and General Counsel.

### Reporting

In accordance with state law, the Superintendent or designee shall annually provide to the governing Board and any district oversight committee a statement of the district's investment policy or, if all district surplus funds are invested with the county treasurer, the county's investment policy. At a public meeting, the Board shall review this policy. If the Board decides not to invest surplus funds in the county treasury, The Superintendent or designee also shall provide the Board quarterly reports with specified components, including a statement of how the district portfolio compares with the district's investment policy. (Government Code 53646)

~~The Governing Board recognizes that the Superintendent or Associate Superintendent of Business has fiduciary responsibility and is subject to prudent investor standards for all investment decisions. As such, district investments must be made with skill, prudence and diligence, with the primary objective of safeguarding the principal of the funds and with the secondary objective of meeting the district's liquidity needs. In order to enhance investment return, the district's third investment objective shall be to generate an investment yield that attains or exceeds a market average rate of return through economic cycles.~~

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~~The Superintendent or Associate Superintendent of Business shall annually provide to the Board and any district investment oversight committee a statement of the district's investment policy or, if all district surplus funds are invested with the county treasurer, the county's investment policy. At a public meeting, the Board shall review this policy and discuss any changes to be made. If the Board decides not to invest surplus funds in the county treasury, the Superintendent or designee also shall provide the Board quarterly reports with specified components, including a statement of how the district portfolio compares with the district's investment policy. (Government Code 53646)~~

~~(cf. 3020—Fiscal Policy Team)~~

~~(cf. 3460—Financial Reports and Accountability)~~

~~(cf. 9270—Conflict of Interest)~~

### Legal Reference:

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**EDUCATION CODE**

- 41001 \_\_\_\_\_ Deposit ~~O~~of Money ~~I~~in County Treasury
- 41002 \_\_\_\_\_ General Fund Deposits ~~A~~nd ~~a~~nd Exceptions
- 41002.5 \_\_\_\_\_ Deposit ~~O~~of Certain Funds ~~I~~in Insured Institutions
- 41003 \_\_\_\_\_ Funds Received From Rental ~~O~~of Real Property
- 41015 \_\_\_\_\_ Authorization Of ~~A~~nd ~~a~~nd Limitation Investment ~~O~~of District Funds
- 41017 \_\_\_\_\_ Deposit ~~O~~of Miscellaneous Receipts
- 41018 \_\_\_\_\_ Disposition ~~O~~of Money Received
- 42840-42843 \_\_\_\_\_ Special Reserve Fund

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**GOVERNMENT CODE**

- 16430 \_\_\_\_\_ Eligible Securities ~~F~~or ~~f~~or Investment ~~O~~of Surplus Moneys
- 27130-27137 \_\_\_\_\_ County Treasury Oversight Committees
- 53600-53609 \_\_\_\_\_ Investment ~~O~~of Surplus
- 53630-53686 \_\_\_\_\_ Deposit ~~O~~of Funds, Especially:
- 53635 \_\_\_\_\_ Local Agency Funds; Deposit ~~O~~of Investment
- 53646 \_\_\_\_\_ Treasurer Reports ~~A~~nd ~~a~~nd Statements ~~O~~of Investment Policy
- 53852.5 \_\_\_\_\_ Investment Term ~~F~~or ~~f~~or Funds Designated ~~f~~or Repayment ~~O~~of Notes
- 53859.02 \_\_\_\_\_ Borrowing ~~B~~y ~~y~~ Local Agency

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# OAKLAND UNIFIED SCHOOL DISTRICT

BP 3430

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#### **EDUCATION CODE**

41001	Deposit of Money in County Treasury
41002	General Fund Deposits and Exceptions
41002.5	Deposit of Certain Funds in Insured Institutions
41003	Funds Received From Rental of Real Property
41015	Authorization Of and Limitation Investment of District Funds
41017	Deposit of Miscellaneous Receipts
41018	Disposition of Money Received
42840-42843	Special Reserve Fund

#### **GOVERNMENT CODE**

16430	Eligible Securities for Investment of Surplus Moneys
27130-27137	County Treasury Oversight Committees
53600-53609	Investment of Surplus
53630-53686	Deposit of Funds, Especially:
53635	Local Agency Funds; Deposit or Investment
53646	Treasurer Reports and Statements of Investment Policy
53852.5	Investment Term for Funds Designated for Repayment of Notes
53859.02	Borrowing by Local Agency

7/14/04; 10/31/07A