

APPROPRIATIONS AND REVENUE SOURCES  
INVESTMENTS

CAK  
(LOCAL)

**Safety and  
Investment  
Management**

The College District and its investment officer shall ensure that all available College District funds are invested to the maximum extent possible at the highest rates obtainable at the time of investment in conformance with the Public Funds Investment Act (PFIA) and this policy. This policy is adopted in accordance with Texas law and shall be reviewed at least annually, pursuant to relevant sections of the Texas Government Code. The Board shall annually adopt a resolution stating that it has reviewed this policy and any investment strategies developed in relation to and shall create a record of any changes made to either this policy or the investment strategy. The College District's investment strategy is as follows:

1. Preservation and safety of principal are most important.
2. Maintenance of sufficient liquidity to meet operational needs.
3. To the extent that principal is protected and there is liquidity, the investment officer shall invest the funds to yield the highest possible rate of return in accordance with this policy.
4. Diversification of investments to avoid unreasonable or avoidable risks.

The College District's portfolio is designed and managed in a manner to promote the best interest of the College District and the public. The College District's conservative investment strategy is rooted in the PFIA's Standard of Care, which states: "Investments shall be made with judgment and care, under prevailing circumstances, that a person of prudence, discretion, and intelligence would exercise in the management of the person's own affairs, not for speculation, but for investment, considering probable safety of capital and probable income to be derived.

All investment transactions except investment pool funds and mutual funds shall be executed on a delivery-versus-payment basis.

**Scope**

This policy applies to all investment activity of the College District, including Brookhaven College, Cedar Valley College, Eastfield College, El Centro College, Mountain View College, North Lake College, and Richland College.

**Authorized  
Investment  
Instruments**

The College District may make investments only in the following types of instruments:

1. Treasury bills, treasury notes, and treasury bonds of the United States and other direct obligations of the agencies and instrumentalities of the United States as permitted by Government Code 2256.009.

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2. Fully collateralized repurchase agreements and reverse repurchase agreements permitted by Government Code 2256.011.
3. Certificates of deposit and share certificates that are fully guaranteed or insured by the FDIC, through an authorized broker/dealer, to one or more than one depository institution, as permitted by Government Code 2256.010.
4. Public funds investment pools as permitted by Government Code 2256.016.
5. A securities lending program as permitted by Government Code 2256.0115.
6. No-load money market mutual funds as permitted by Government Code 2256.014.
7. A guaranteed investment contract as an investment vehicle for bond proceeds, provided it meets the criteria and eligibility requirements established by Government Code 2256.015.
8. Obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than AA or its equivalent as permitted by Government Code 2256.009(a).
9. Investments that are fully guaranteed or insured by the FDIC.
10. Commercial paper with a maximum maturity of 181 days, rated A1/P1 by a nationally recognized rating agency.

Investment in any and all types of derivatives is prohibited.

All investments are prohibited unless expressly described in this policy in the section, Authorized Investment Instruments, which are made in conformity to the PFIA.

**Monitoring Market  
Prices and Rating  
Changes**

In accordance with Government Code 2256(b), the investment officer shall monitor investments acquired with public funds for market prices and rating changes. Monitoring shall be done monthly and more often as economic conditions warrant by using appropriate reports, indices, or benchmarks for the type of investment, as well as using nationally recognized rating agencies. The investment officer shall keep the Board informed of significant changes in ratings and/or declines in the market value of the College District's investment portfolio at least quarterly. Information sources may include financial/investment publications and electronic media, available software for tracking investments, depository banks, commercial or investment banks, financial advisers, and

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representatives/advisers of investment pools or money market funds.

The investment officer shall take all prudent measures that are consistent with the investment policy to liquidate an investment if the investment:

1. Does not have a minimum rating; or
2. Significantly changes its rating or declines in market value.

**Liquidity and  
Diversification**

The investment portfolio shall be diversified in terms of investment instruments, maturity scheduling, and financial institutions to reduce risk of loss resulting from overconcentration of assets in a specific class of investments, specific maturity, or specific issuer. The following are guidelines for maximums:

- |   |      |
|---|------|
| 1. U.S. Treasury Securities   | 100% |
| 2. U.S. Agencies and Instrumentalities  | 85%  |
| 3. Insured or collateralized Certificates of Deposit  | 100% |
| 4. Repurchase Agreements*   | 20%  |
| 5. Money Market Mutual Funds  | 50%  |
| 6. Authorized Investment Pools  | 85%  |
| 7. Commercial paper with a maximum maturity of 181 days, rated A1/P1 by a nationally recognized rating agency, and not more than five percent in any single issuer. | 30%  |

\*Excluding flexible repurchase agreements for bond proceeds investments.

To maintain a sufficient level of liquidity, at least ten percent of the portfolio will be maintained in investment pools.

**Maturity and  
Liquidity**

The College District will only make investments as defined in this policy, in the section Authorized Investment Instruments, for a term of no greater than six years with the condition that the average maturity of the portfolio will be no more than four years. A reverse repurchase agreement may not exceed 90 days and may not be used to purchase any investment whose final maturity date exceeds the expiration date of the reverse repurchase agreement. The College District's investment portfolio shall have sufficient liquidity to meet anticipated cash flow requirements.

**Interest Rate Risk**

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To reduce exposure to changes in interest rates that could adversely affect the value of investments, the College District shall use final and weighted-average-maturity limits and diversification.

The College District shall monitor interest rate risk using weighted average maturity and specific identification.

**Authority**

The chief financial officer or associate chief of business affairs shall serve as the investment officer of the College District and shall invest College District funds as directed by the Board and in accordance with the College District's written investment policies.

**Review and Training**

The Board shall review its investment policy and investment strategy at least once each year and adopt a resolution that evidences the review. The Board shall, at least annually, review, revise, and adopt a list of qualified brokers who are authorized to engage in investment transactions with the College District.

Each member of the Board and the investment officer shall attend at least one training session relating to the person's responsibilities under the PFIA within six months after taking office or assuming duties. In addition, the investment officer shall attend a training session during each state fiscal biennium and may receive training from any independent source approved by the Board. The investment officer may also require other staff members to complete investment training during each state fiscal biennium. The investment officer shall prepare a report describing changes in the law and their impact on the College District's investment policy and strategy. The report shall be delivered to the Board no later than the 180th day after the last day of each regular session of the legislature.

**Administration of Investments**

The administration and procedures for investing College District funds and for requiring ethics disclosures of investment advisers shall be prescribed by the chief financial officer in the appropriate section of the College District business procedures manual, as amended. The administration and procedures shall be consistent with this policy.

**Funds / Strategies**

Investments of the following fund categories shall be consistent with this policy and in accordance with the strategy defined below. For pooled investments, the College District will consolidate cash balances from all funds in the pool to maximize investment earnings. The earnings will be allocated to the various funds participating in the pool based on their respective participation and in accordance with generally accepted accounting principles.

Operating Funds: Investment strategies for operating funds (including any commingled pools containing operating funds) shall have

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as their primary objectives safety, investment liquidity, and maturity sufficient to meet anticipated cash flow requirements.

**Debt Service Funds:** Investment strategies for debt service funds shall have as their objective sufficient investment liquidity to timely meet debt service payment obligations in accordance with provisions in the bond documents. Reserve funds for revenue debt may be invested for long-term maturity in order to maximize return on investment. Maturities longer than one year are authorized provided legal limits are not exceeded. Debt service funds shall be kept separate from other funds.

**Unexpended Plant Funds:** Investment strategies for capital projects in the unexpended plant funds shall have as their objective sufficient investment liquidity to timely meet capital project obligations. Unexpended plant funds transferred from operating funds may be commingled with operating funds.

**Bond Proceeds:** Investment strategies for bond proceeds shall have as their objective sufficient investment liquidity to meet capital project obligations. Bond proceeds shall be kept separate from all other funds.

**Safekeeping and  
Custody**

The College District shall retain clearly marked receipts providing proof of the College District's ownership. The College District may delegate, however, to an investment pool the authority to hold legal title as custodian of investments purchased with College District funds by the investment pool. The College District shall contract with a bank or banks for the safekeeping of securities either owned by the College District as part of its investment portfolio or held as collateral to secure demand or time deposits. Securities owned by the College District shall be held in the College District's name as evidenced by safekeeping receipts of the institution holding the securities.

**Collateralized  
Deposits**

Collateral for deposits will be held by a third-party custodian designated by the College District and pledged to the College District as evidenced by safekeeping receipts of the institution with which the collateral is deposited. Original safekeeping receipts shall be obtained. Collateral may be held by the depository bank's trust department, a Federal Reserve Bank or a branch of a Federal Reserve Bank, or a third-party bank approved by the College District.

**Brokers / Dealers**

Prior to handling investments on behalf of the College District, brokers/dealers must submit required written documents in accordance with law. Representatives of brokers/dealers shall be registered with the Texas State Securities Board and must have membership in the Securities Investor Protection Corporation (SIPC), and be in good standing with the Financial Industry Regu-

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latory Authority (FINRA). Those firms that request to become qualified bidders for securities transactions will be required to provide (1) a completed broker/dealer questionnaire that provides information regarding creditworthiness, experience, and reputation and (2) a certification stating the firm has received, read, and understood the College District's investment policy and agree to comply with the policy. Authorized firms may include primary dealers or regional dealers that qualify under Securities Exchange Commission Rule 15C3-1(Uniform Net Capital Rule), and qualified depositories.

**Soliciting Bids for  
Cd's or Other  
Securities**

In order to get the best return on its investments, the College District may solicit bids for certificates of deposit or other securities in writing, by telephone, or electronically, or by a combination of these methods. It is the policy of the College District to require competitive bidding for all individual security purchases and sales except for: (a) transactions with money market mutual funds and local government investment pools and (b) treasury and agency securities purchased at issue through an approved broker/dealer or financial institution.

**Internal Controls**

A system of internal controls shall be established and documented in writing and must include specific procedures designating who has authority to withdraw funds. Also, controls shall be designed to protect against losses of public funds arising from fraud, employee error, misrepresentation by third parties, unanticipated changes in financial markets, or imprudent actions by employees and officers of the College District. Controls deemed most important shall include:

1. Separation of transaction authority from accounting and recordkeeping and electronic transfer of funds.
2. Avoidance of collusion.
3. Custodial safekeeping.
4. Clear delegation of authority.
5. Written confirmation of telephone transactions.
6. Documentation of dealer questionnaires, quotations and bids, evaluations, transactions, and rationale.
7. Avoidance of bearer-form securities.

These controls shall be reviewed by the College District's independent auditing firm during the College District's annual financial audit.