



SOUTH SAN ANTONIO INDEPENDENT SCHOOL DISTRICT

Agenda Item Summary

Meeting Date: October 18, 2017

Purpose: ☐ Report Only ☐ Recognition ☒ Discussion/ Possible Action

From: Juan C. Zamora, Chief Financial Officer

Item Title: Annual Review of South San Antonio ISD Investment Policy and Strategies

Description:

Consent Item:

The Public Funds Investment Act requires the investment policy and strategies of district to be reviewed annually. It also requires that the board adopt a written instrument stating that it has reviewed the investment policy and strategies.

Recommendation:

Approval of resolution of annual review and approval of South San Antonio ISD investment policy and strategies.

District Goal/Strategy:

Strategy 5 We will prioritize district revenues to guide student future choices.

Funding Budget Code and Amount:

CFO Approval

APPROVED BY:

SIGNATURE

DATE

Chief Officer:

Superintendent:

[Handwritten signature] 10/11/17
[Handwritten signature] 10-13-2017

RESOLUTION OF THE BOARD REGARDING REVIEW OF THE INVESTMENT PROGRAM

WHEREAS, Section 2256.005(e) of the Public Funds Investment Act (Texas Government Code Chapter 2256) requires the Board of Trustees of South San Antonio Independent School District to (a) review the District's investment policy and investment strategies not less than annually, and (b) adopt this resolution reflecting the Board's review and recording any changes made to the investment policy or strategies;

WHEREAS, the District's investment policy is being presented to the Board for its consideration and approval, as required by the Act; and

WHEREAS, the District's investment policy for fiscal year has not changed from the District's investment policy CDA since fiscal year 2010-2011.

NOW THEREFORE BE IT RESOLVED, that the Board of Trustees of South San Antonio Independent School District has reviewed the District's investment policy in compliance with the Public Funds Investment Act.

Adopted this 18th day of October 2017 by the Board of Trustees.

Angelina Osteguín, Board President

Linda Longoria, Board Secretary

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INVESTMENT
AUTHORITY

The Superintendent or other person designated by Board resolution shall serve as the investment officer of the District and shall invest District funds as directed by the Board and in accordance with the District's written investment policy and generally accepted accounting procedures. All investment transactions except investment pool funds and mutual funds shall be executed on a delivery versus payment basis.

POLICY

The District shall invest public funds in a manner that ensures the safety of invested funds, maintains sufficient liquidity to provide for the daily cash flow demands of the entity, provides the highest investment return, and conforms to all state and local statutes governing the investment of public funds.

APPROVED
INVESTMENT
INSTRUMENTS

From those investments authorized by law and described further in CDA(LEGAL), the Board shall permit investment of District funds in only the following investment types, consistent with the strategies and maturities defined in this policy:

1. Obligations of, or guaranteed by, governmental entities as permitted by Government Code 2256.009.
2. Certificates of deposit and share certificates as permitted by Government Code 2256.010.
3. Fully collateralized repurchase agreements permitted by Government Code 2256.011.
4. A securities lending program as permitted by Government Code 2256.0115.
5. Banker's acceptances as permitted by Government Code 2256.012.
6. Commercial paper as permitted by Government Code 2256.013.
7. No-load money market mutual funds and no-load mutual funds as permitted by Government Code 2256.014.
8. 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.
9. Public funds investment pools as permitted by Government Code 2256.016.

SCOPE

This policy shall apply to all financial assets of the District. These funds are accounted for in the District's Comprehensive Annual Financial Report and include:

FUNDS

1. General operating fund.

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2. Special revenue fund(s), including funds used to account for federal, state, and local grants, as well as the food service fund and the campus activity fund.
3. Debt service fund(s).
4. Capital project fund(s).
5. Proprietary fund(s), including funds used to account for the worker's compensation self-insurance program.
6. Trust and agency fund(s), including the student activity fund.

OBJECTIVES

The primary objectives of the District's investment activities, in order of priority, shall be as follows:

SAFETY

Safety of principal shall be the foremost objective of the investment program. Investments of the District shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. To attain this objective, diversification shall be required in order that potential losses on individual securities do not exceed the income generated from the remainder of the portfolio.

LIQUIDITY AND
MATURITY

Any internally created pool fund group of the District shall have a maximum dollar weighted maturity of 180 days. The maximum allowable stated maturity of any other individual investment owned by the District shall not exceed one year from the time of purchase. The Board may specifically authorize a longer maturity for a given investment, within legal limits.

The District's investment portfolio shall have sufficient liquidity to meet anticipated cash flow requirements.

RETURN ON
INVESTMENTS

The District's investment portfolio shall be designed with the objective of attaining a maximum rate of return throughout budgetary and economic cycles, commensurate with the District's investment risk constraints and the cash flow characteristics of the portfolio.

DIVERSITY

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 District shall diversify its investment by security type and institution. The asset mix of the District's portfolio shall be expressed in terms of maximum commitment so as to allow sufficient flexibility to take advantage of market considerations within the content of this policy. The asset mix requirements shall be as follows:

Money Market Accounts	10% (maximum)
Certificates of Deposit	50% (maximum)

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U.S. Treasury Obligations	100% (maximum)
U.S. Treasury Securities *	100% (maximum)
U.S. Federal Agency Securities	100% (maximum)
Repurchase Agreements	5% (maximum)
Public Funds Investments Pools *	100% (maximum)
Commercial Paper	5% (maximum)

* No one issuer of U.S. Government Securities or Public Funds Investment Pool shall compose more than 50 percent of the District's investment portfolio.

MONITORING MARKET
PRICES

The investment officer shall monitor the investment portfolio and shall keep the Board informed of significant declines in the market value of the District's investment portfolio. Information sources may include financial/investment publications and electronic media, available software for tracking investments, depository banks, commercial or investment banks, financial advisors, and representatives/advisors of investment pools or money market funds. Monitoring shall be done _____ more often as economic conditions warrant by using appropriate reports, indices, or benchmarks for the type of investment.

MONITORING RATING
CHANGES

In accordance with Government Code 2256.005(b), the investment officer shall develop a procedure to monitor changes in investment ratings and to liquidate investments that do not maintain satisfactory ratings.

FUNDS / STRATEGIES

The District maintains a portfolio that utilizes the following specific investment strategy considerations designed to address the unique characteristics of the fund groups represented in the portfolio. The District's investment strategy shall be a passive one, in that the majority of securities shall be purchased and held to maturity.

Investments of the following fund categories shall be consistent with this policy and in accordance with the strategy defined below:

OPERATING FUNDS

Investment strategies for operating funds (including any comingled pools containing operating funds) shall have as their primary objectives safety, investment liquidity, and maturity sufficient to meet anticipated cash flow requirements.

This shall be accomplished through careful preparation of cash flow statements that shall be used as a guide for the purchase of high grade investments whose maturity closely matches the cash requirements. The types of high grade investments to be purchased shall consist of U.S. Treasury/Agency Obligations and U.S.

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	<p>Treasury/Agency Securities. In conjunction with Public Funds Investment Pools, these investments shall be used to achieve the investment objectives. The quantities of all types of investments purchased shall be directly tied to the portfolio asset mix requirements.</p>
TRUST AND AGENCY FUNDS	<p>Investment strategies for trust and agency funds, including the student activity fund, shall have as their primary objectives, safety, investment liquidity, and maturity sufficient to meet anticipated cash flow requirements.</p> <p>This shall be accomplished by working in unison with the schools to prepare a cash flow statement that matches investment maturity with student club's operating requirements. The type of investment to be purchased to meet the student activity fund's objectives shall be certificates of deposit. The quantities of all investment purchased shall be directly tied to the portfolio asset mix requirements.</p>
DEBT SERVICE	<p>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. Maturities longer than one year are authorized provided legal limits are not exceeded.</p> <p>The types of investments to be purchased shall consist of U.S. Treasury/Agency Obligations and U.S. Treasury/Agency Securities. In conjunction with Public Funds Investment Pools, these investments shall be used to achieve the investment objectives. The quantities of all types of investments purchased shall be directly tied to the portfolio asset mix requirements.</p>
CAPITAL PROJECTS	<p>Investment strategies for capital project funds shall have as their objective sufficient investment liquidity to timely meet capital project obligations. Maturities longer than one year are authorized provided legal limits are not exceeded.</p> <p>The types of investments to be purchased shall consist of U.S. Treasury/Agency Obligations and U.S. Treasury/Agency Securities. In conjunction with Public Funds Investment Pools, these investments shall be used to achieve the investment objectives. The quantities of all types of investments purchased shall be directly tied to the portfolio asset mix requirements.</p>
SPECIAL REVENUE FUNDS	<p>Investment strategies for special revenue funds including funds used to account for federal, state, and local grants, as well as the food service fund and the campus activity fund, shall have as their primary objectives safety, investment liquidity, and maturity sufficient to meet anticipated cash flow requirements. This shall be accomplished through careful preparation of cash flow statements</p>

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that shall be used as a guide for the purchase of high grade investments whose maturities closely match the cash requirements. The type of high grade investments purchased to meet the food service fund's goal shall consist of U.S. Treasury/Agency Obligations and U.S. Treasury/Agency Securities. In conjunction with Public Funds Investment Pools, these securities shall be used to achieve the investment objectives. The type of investment to be purchased to meet the campus activity fund's goal shall be certificates of deposit. The quantities of all types of investments purchased shall be directly tied to the portfolio asset mix requirements.

PROPRIETARY
FUNDS

Investment strategies for proprietary funds including funds used to account for the worker's compensation self-insurance program shall have as their primary objectives the ability to generate a dependable revenue stream to the appropriate worker's compensation fund from securities with a low degree of volatility. Securities should be of high quality, with short-to-medium term maturities. Volatility shall be further controlled through the purchase of securities on a discounted basis. The types of high grade investments to be purchased shall consist of U.S. Treasury/Agency Obligations and U.S. Treasury/Agency Securities. In conjunction with Public Funds Investment Pools, these investments shall be used to achieve the investment objectives. The quantities of all types of investments purchased shall be directly tied to the portfolio asset mix requirements.

SAFEKEEPING AND
CUSTODY

The District shall retain clearly marked receipts providing proof of the District's ownership, or the District may delegate to an investment pool the authority to hold legal title as custodian of investments purchased with District funds.

COLLATERAL AND
INSURANCE

District investment officer(s) shall ensure that all District funds are fully collateralized or insured consistent with federal and state laws and the current bank depository contract in one or more of the following manners:

1. FDIC insurance coverage;
2. Obligations of the United States or its agencies and instrumentalities.

Collateralization shall be required on two types of investments, certificates of deposit and repurchase (and reverse) agreements.

In order to anticipate market changes and provide a level of security for all funds, the collateralization level shall be 102 percent of market value of principal and accrued interest.

The District chooses to limit collateral to only those allowed under Chapter 2257 (Public Funds Collateral Act).

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BROKERS / DEALERS

Prior to handling investments on behalf of the District, brokers/dealers must submit required written documents in accordance with law. [See SELLERS OF INVESTMENTS, CDA(LEGAL)] 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 Regulatory Authority (FINRA).

AUTHORIZED
FINANCIAL DEALERS
AND INSTITUTIONS

The investment officer(s) shall maintain a list of the financial institutions authorized to provide investment services. In addition, a list shall be maintained of approved security broker/dealers selected by credit worthiness who are authorized to provide investment services in the state of Texas. These may include "primary" dealers or regional duties that qualify under Securities & Exchange Commission Rule 15C3-1 (uniform net capital rule). No public deposit shall be made except in a qualified public depository as established by state laws.

All financial institutions and broker/dealers who desire to become qualified bidders for investment transactions must supply the District investment officer(s) with the following:

1. Audited financial statements.
2. Proof of National Association of Security Dealers certification.
3. Completed broker/dealer questionnaire.
4. Proof of state of Texas registration.
5. Trading resolution.
6. Certification of having read the District's investment policy.

An annual review of the financial condition and registrations of qualified bidders shall be conducted by the District investment officer(s).

A current audited financial statement shall be required to be on file for each financial institution and broker/dealer in which the District invests.

SOLICITING BIDS FOR
CD'S

In order to get the best return on its investments, the District may solicit bids for certificates of deposit in writing, by telephone, or electronically, or by a combination of these methods.

INTEREST RATE RISK

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

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

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INTERNAL CONTROLS	<p>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, they 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 District. Controls deemed most important shall include:</p> <ol style="list-style-type: none">1. Separation of transaction authority from accounting and record keeping 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. <p>These controls shall be reviewed by the District's independent auditing firm.</p>
PERFORMANCE STANDARDS	<p>The investment portfolio shall be designed with the objective of obtaining a rate of return through budgetary and economic cycles, commensurate with the investment risk constraints and cash flow needs.</p>
MARKET YIELD (BENCH MARK)	<p>The District's investment strategy shall be a passive one, in that the majority of securities shall be purchased and held to maturity. Additionally, cash inflows and outflows shall be monitored daily. Given this strategy, the basis used by the investment officer(s) to determine whether market yields are being achieved shall be the 91-day U.S. Treasury Bill.</p>
PORTFOLIO REPORT	<p>In addition to the quarterly report required by law and signed by the District's investment officer, a comprehensive report on the investment program and activity shall be presented annually to the Board.</p>