

REVENUE SOURCES
INVESTMENTS

CBF
(LOCAL)

PRINCIPLES OF INVESTMENT	The ESC shall invest public funds in a manner that ensures the safety of such funds, maintains sufficient liquidity to provide for the operational costs of the ESC, and provides the highest investment return or yield consistent with safety and liquidity.
SCOPE	The investment policy applies to all financial resources of the ESC, including all resources or funds accounted for in the audited combined balance sheet of all fund types and account groups.
DESIGNATION OF INVESTMENT ESC OFFICERS	The Board designates the Deputy Director for Business, Operations and Finance Support as the investment officer for the ESC and the Coordinator for the office of finance operations as the deputy investment officer. Both individuals shall attend such training as is required by the Public Funds Investment Act (PFIA).
OBJECTIVES	<p>In order of importance, the primary objectives of the ESC's investment activities are as follows:</p> <ol style="list-style-type: none">1. Safety – Investments shall be selected to ensure the preservation of principal or capital in the overall portfolio. In order to attain this objective, the portfolio shall be diversified as to types of securities, with the exception of United States Treasury securities, so that potential losses do not exceed the income generated from the remainder of the portfolio.2. Liquidity – The investment portfolio shall remain sufficiently liquid to meet all operating cash flow requirements based on reasonable assumptions and projections.3. Return to investment – The portfolio shall maintain a rate of return commensurate with the rate of return of other funds with similar risk constraints and duration of investments.
REQUIRED INFORMATION TO BE PROVIDED BY VENDOR	<p>Prior to doing business with the ESC, vendors of securities or investment products purchased under this policy must submit the following information to the ESC:</p> <ol style="list-style-type: none">1. Proof of registration or other authorization to conduct business in the state of Texas. Where the vendor is a pooled investment operated by, or on behalf of, other state governmental agencies or political subdivisions, authority to conduct business will be presumed so long as the pool is operated pursuant to the PFIA.2. Acceptable proof that the vendor is aware of, and will abide by, the terms, conditions, and limitations of the PFIA. <p>This information shall be reviewed by the investment officers and shall be submitted to the Board for review.</p>

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AUTHORIZED AND SUITABLE INVESTMENTS	<p>The ESC is empowered by statute to invest in the following types of securities:</p> <ol style="list-style-type: none"><li data-bbox="560 373 1435 512">1. Obligations of the United States or instrumentalities, other obligations, the principal and interest of which are unconditionally guaranteed by, insured by, or backed by the full faith and credit of the United States, or its instrumentalities.<li data-bbox="560 533 1435 705">2. Certificates of deposit issued by a state or national bank domiciled in Texas or a savings and loan association domiciled in Texas that is guaranteed or insured by the FDIC or its successor and is secured by obligation, in accordance with Government Code 2258.010.<li data-bbox="560 726 1435 793">3. A public funds investment pool meeting the requirements of Government Code 2256.016.
COLLATERALIZATION	<p>In order to anticipate market changes and provide a level of security for all funds, the collateralization level will be 100 percent of market value of principal and accrued interest.</p> <p>The ESC chooses to limit collateral to those items that are listed as authorized investments above. Collateral shall be held by an independent third party with whom the ESC has a current custodial agreement. Clearly marked evidence of ownership (safekeeping receipt) must be supplied to the ESC and retained. The ESC grants the right of collateral substitution with prior notice and consent of the ESC.</p>
SAFEKEEPING AND CUSTODY	<p>All security transactions entered by the ESC shall be conducted on a delivery versus payment (DVP) basis. Securities shall be held by a third-party custodian designated by the investment officer and evidenced by safekeeping receipts.</p>
DIVERSIFICATION AND MATURITIES	<p>With the exception of United States Treasury Securities, the ESC shall diversify its investment portfolio by security type and institution. The asset mix of the portfolio is expressed in terms of maximum commitment so as to allow sufficient flexibility to take advantage of market considerations within the context of this policy.</p> <p>Public funds investment pools operated by on or behalf of any local entity or entities in Texas subject to the PFIA may comprise up to 100 percent of the ESC's investment portfolio so long as the fund's investments meet the overall maturity and diversity limitations as set forth herein.</p>
MONITORING MARKET PRICES	<p>The investment officer shall monitor the investment portfolio and shall keep the Board informed of significant declines in the market value of the ESC's investment portfolio. Information sources may include financial/investment publications and electronic media,</p>

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	<p>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 at least quarterly, as required by law, and more often as economic conditions warrant by using appropriate reports, indices, or benchmarks for the type of investment.</p>
MONITORING RATING CHANGES	<p>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.</p>
FUNDS / STRATEGIES	<p>Investments of the following fund categories shall be consistent with this policy and in accordance with the strategy defined below.</p>
OPERATING FUNDS	<p>Investment strategies for operating funds (including any commingled pools containing operating funds) shall have as their primary objectives safety, investment liquidity, and maturity sufficient to meet anticipated cash flow requirement.</p>
AGENCY FUNDS	<p>Investment strategies for agency funds shall have as their objectives safety, investment liquidity, and maturity sufficient to meet anticipated cash flow requirements.</p>
LIQUIDITY AND MATURITY	<p>Any internally created pool fund group of the ESC shall have a maximum dollar weighted maturity of 180 days. The maximum allowable stated maturity of any other individual investment owned by the ESC 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.</p> <p>The ESC's investment portfolio shall have sufficient liquidity to meet anticipated cash flow requirements.</p>
INTEREST RATE RISK	<p>To reduce exposure to changes in interest rates that could adversely affect the value of investments, the ESC shall use final and weighted average maturity limits and diversification.</p> <p>The ESC shall monitor interest rate risk using weighted average maturity and specific identification.</p>
INTERNAL CONTROL	<p>The investment portfolio, as well as compliance with this policy, shall be reviewed annually by the board of directors and the ESC's external auditor in conjunction with the annual audit of the ESC's financial statements.</p> <p>The internal controls shall be documented in writing, reviewed by the independent auditor, and designated to prevent losses of public funds from:</p> <ol style="list-style-type: none">1. Fraud;

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2. Employee errors;
 3. Misrepresentation by third parties;
 4. Anticipated changes in financial markets; and
 5. Imprudent actions by employees and officers of the ESC.

The following important control procedures shall apply:

1. Control of collusion;
2. Segregation of duties;
3. Separation of transaction authority from accounting and recordkeeping;
4. Custodial safekeeping;
5. Avoidance of bearer-form securities;
6. Clear delegation of authority;
7. Specific limitations regarding securities losses and remedial action;
8. Written confirmation of telephone transactions;
9. Limiting the number of authorized investment officials; and
10. Documentation of transactions and strategies.

PERFORMANCE
STANDARD

The ESC's investment strategy shall be a passive one in that the majority of securities shall be purchased and held to maturity. Cash inflows and outflows shall be monitored daily. The benchmark to be used by the ESC to determine performance shall be the 90-day U.S. Treasury bill and the average Fed Fund rate.

REPORTING

On a quarterly basis, the deputy investment officer shall prepare and present a report to the Board on the investment portfolio. The investment report shall include, as appropriate, the cost of investments and market value as of the most recent month's end and the average yield, the performance of the asset class against any established benchmarks, and a report on the maturities of the portfolio.