



SOUTH SAN ANTONIO INDEPENDENT SCHOOL DISTRICT

Agenda Item Summary

Meeting Date: July 17, 2024

Agenda Section: Consent

Agenda Item Title: Annual Review of Investment Policy CDA (Local)

From/Presenters: Tony Kingman, Chief Financial Officer

Description: The review is an annual requirement by the Public Funds Investment Act. There are no recommended changes to the current policy.

Historical Data: The Public Funds Investment Act requires the investment policy and strategies of the District to be reviewed and approved on a not less than annual basis. The Act also requires that the board adopt a written instrument stating that it has reviewed the investment policy and strategies.

Recommendation: Approval of the South San Antonio ISD investment policy and strategies.

Purchasing Director and Approval Date: N/A

Funding Budget Code and Amount: N/A

Goal: 3. SSAISD will implement program initiatives and activities that reflect a commitment to preparing 100% of students for post-secondary educational or career paths.

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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 settled on a delivery versus payment basis.

The District may choose to appoint, subject to Board approval, an investment adviser registered with the Securities and Exchange Commission (SEC) to assist the District's financial staff in the management of the District's funds. The adviser must also be registered with the Texas State Securities Board as an investment adviser. To be eligible for consideration, the adviser shall demonstrate knowledge of and experience in the management of public funds. An appointed adviser shall act within the guidelines of this investment policy and shall not transact business on behalf of the District without obtaining prior written authorization from the District investment officer.

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) under Authorized Investments, the Board shall permit investment of District funds, including bond proceeds and pledged revenue to the extent allowed by law, 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.

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7. No-load mutual funds, except for bond proceeds, and no-load money market 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.

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 730 days. The maximum allowable stated maturity of any other individual investment owned by the District shall not exceed three years 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.

Monitoring Market Prices

The investment officer shall monitor the investment portfolio and shall keep the Board informed of significant changes 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 advisers, and representa-

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tives/advisers 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.

**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.

**Safekeeping and
Custody**

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

**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).

**Sellers of
Investments**

Prior to handling investments on behalf of the District, a broker/dealer or a qualified representative of a business organization 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
CDs**

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.

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, 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:

1. Separation of transaction authority from accounting and recordkeeping and electronic transfer of funds.
2. Avoidance of collusion.

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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 District's independent auditing firm.

Performance Standards

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.

Market Yield (Benchmark)

The District's investment strategy shall be a passive one, in that a 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.

Annual Review

The Board shall review this investment policy and investment strategies not less than annually and shall document its review in writing, which shall include whether any changes were made to either the investment policy or investment strategies.

Annual Audit

In conjunction with the annual financial audit, the District shall perform a compliance audit of management controls on investments and adherence to the District's established investment policies.

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 2019-2020.

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 17th day of July 2024 by the Board of Trustees.

Manuel Lopez, Board President

Shirley Ibarra, Board Secretary