

REVENUE SOURCES
INVESTMENTS

CBF
(LOCAL)

INVESTMENT
AUTHORITY

The associate director of business and human resource services, or other person designated by Board resolution, shall serve as the investment officer of the ESC and shall invest ESC funds as directed by the Board and in accordance with the ESC'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.

ETHICS AND
CONFLICT OF
INTEREST

Officers and employees involved in the investment process shall refrain from personal business activity that might impair their ability to make impartial decisions. Employees and investment officers shall disclose to the Executive Director any material financial interest in financial institutions that conduct business within this jurisdiction and shall further disclose any large personal financial/investment positions that may be related to the performance of the ESC, particularly with regard to the time of purchases and sales. [See also DBD]

APPROVED
INVESTMENT
INSTRUMENTS

From those investments authorized by law and described further in CBF(LEGAL), the Board shall permit investment of ESC 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 2256.016-2256.019.

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COLLATERALIZATION	<p>Collateralization shall be required on two types of investments: certificates of deposits and repurchase agreements. In order to anticipate market changes and provide a level of security for all funds, the collateralization level shall be 110 percent of market value of principal and accrued interest.</p> <p>The ESC shall limit collateral to those items listed as authorized investments above. Collateral shall always be held by an independent third party with whom the ESC has a current custodial agreement. A clearly marked evidence of ownership (safekeeping receipt) shall be supplied to the ESC and retained. The ESC grants the right of collateral substitution, with prior notice and consent of the ESC.</p>
SAFETY AND INVESTMENT MANAGEMENT	<p>The main goals of the investment program are to ensure its safety and to maximize financial returns within current market conditions in accordance with this policy. Investments shall be made in a manner that ensures the preservation of capital in the overall portfolio and offsets, during a 12-month period, any market price losses resulting from interest-rate fluctuations by income received from the balance of the portfolio. No individual investment transaction shall be undertaken that jeopardizes the total capital position of the overall portfolio.</p>
PRUDENCE	<p>Investments shall be made with the same 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 the probable safety of capital and the probable income to be derived.</p> <p>The standard of prudence to be used by investment officials shall be the "prudent person" standard and shall be applied in the context of managing an overall portfolio. Investment officers acting in accordance with written procedures and the investment policy and exercising due diligence shall be relieved of personal responsibility for an individual security's credit risk or market price changes, provided that deviations from expectations are reported in a timely fashion and appropriate action is taken to control adverse developments.</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>

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DIVERSITY	The investment portfolio shall be diversified in terms of investment instruments, maturity scheduling, and financial institutions to reduce risk of loss resulting from over concentration 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 declines in the market value of the ESC'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 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. The investment officer shall keep the Board informed of significant declines in the market value of the ESC's investments.
FUNDS / STRATEGIES	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 all operating funds (including any commingled pools containing operating funds) including special revenue funds, proprietary funds, enterprise funds and internal service funds, shall have as their primary objectives safety, investment liquidity, and maturity sufficient to meet anticipated cash flow requirements. The secondary objective is to create a portfolio structure that will experience minimal volatility during economic cycles. This may be accomplished by purchasing high quality, short to medium term securities that will complement each other in a ladder or barbell maturity structure. The dollar weighted average maturity of 365 days or less shall be calculated using the stated final maturity date of each security.
SAFEKEEPING AND CUSTODY	The ESC shall retain clearly marked receipts providing proof of the ESC's ownership. The ESC may delegate, however, to an investment pool the authority to hold legal title as custodian of investments purchased with ESC funds by the investment pool.
BROKERS / DEALERS	Prior to handling investments on behalf of the ESC, brokers/dealers must submit required written documents in accordance with law. [See SELLERS OF INVESTMENTS, CBF(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).

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SOLICITING BIDS FOR CD'S	In order to get the best return on its investments, the ESC may solicit bids for certificates of deposit in writing, by telephone, or electronically, or by a combination of these methods.
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 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 ESC. 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 ESC's independent auditing firm.</p>
REPORTING	<p>At each Board meeting, the investment officers shall present a report that includes a summary statement by fund with:</p> <ol style="list-style-type: none">1. The beginning market value for the period, additions and changes to the market value during the period, and the ending market value for the period.2. The book value and market value of each separately invested asset at the beginning and end of the reporting period by the type of asset invested.3. The maturity of each investment.4. The compliance of the investment portfolio with this policy and the ESC's investment strategy.