

Board Information Item

Information
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Board Agenda
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Action

Board Agenda
Consent

01/13/2025

Subject: Approve Adoption of Resolution of the Board Regarding Review of the Investment Policy

Contact Person: Derick Sibley, Chief Financial Officer
Chris Miller, Director of Finance

Policy/Code: Texas Government Code Section 2256.005
Public Funds Investment Act

Priority and Performance Objective: Priority 4: Strong Financial Stewardship and Internal System Efficiency
Objective 4.1: Transparent Financial Stewardship

Summary: The Public Funds Investment Act and Section 2256.005 of the Government Code require the Board of Trustees to annually review the District's local investment policy and adopt a written resolution reflecting the Board's review and any changes made to the investment policy or strategies. The local policy must emphasize the safety of principal and liquidity, and address investment diversification, yield, maturity, and the quality and capability of investment management. There have been no changes to the policy in the last twelve months.

Attachments: Board Policy CDA(LOCAL) Other Revenues: Investments
Resolution of the Board Regarding Review of the Investment Policy

Recommendation: The recommendation is for the Board of Trustees to adopt the Resolution of the Board Regarding Review of the Investment Policy as required by the Public Funds Investment Act and Texas Government Code Section 2256.005.

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Investment Authority

The chief financial officer and the director of finance shall serve as the investment officers 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.

**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.
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.

**Safety and
Investment
Management**

The main goal of the investment program is to ensure its safety and 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.

Liquidity and Maturity

Any internally created pool fund group of the District shall have a maximum dollar weighted maturity of 365 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.

In accordance with Government Code 2256.009 and this policy, the known maturity date of variable rate demand notes (VRDN) shall correspond to the date on which time funds may legally be demanded by the District or put back to the remarketing agent; the known maturity date shall not correspond to the final stated maturity date of the bonds themselves. At no time shall the District purchase a VRDN with a demand date exceeding 397 calendar days.

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

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 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 advisers, and representatives/advisers of investment pools or money market funds. Monitoring shall be done monthly or 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

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 commingled pools containing operating funds) shall have as their primary objectives safety, investment liquidity, and maturity sufficient to meet anticipated cash flow requirements.

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Custodial Funds	Investment strategies for custodial funds shall have as their 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. Maturities longer than one year are authorized provided legal limits are not exceeded.
Capital Projects Funds	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.
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.
Sellers of Investments	<p>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)]</p> <p>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).</p> <p>All security transactions, including collateralization for repurchase agreements, shall be conducted on a delivery vs. payment basis.</p>
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.
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 recordkeeping and electronic transfer of funds.2. Avoidance of collusion.3. Custodial safekeeping.

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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.

Investment Risks

Credit Risk and
Concentration of
Credit Risk

The District shall minimize credit risk, the risk of loss due to the failure of the issuer or backer of an investment, and concentration of credit risk (the risk of loss attributed to the magnitude of investment in a single issuer) by:

1. Limiting investments to the safest types of securities.
2. Prequalifying the financial institutions and brokers/dealers with which the District does business.
3. Diversifying the investment portfolio so that potential losses on individual securities are minimized.
4. Monitoring the investment ratings of securities held in the portfolio. This procedure shall be performed at least monthly by reviewing ratings websites or another form of written research or by using the District's safekeeping agent, investment adviser, brokers/dealers, or depository bank.

Collateral shall always be held by an independent third party with whom the District has a current custodial agreement.

Interest Rate Risk

By limiting the maximum weighted average maturity of the investment portfolio to 365 days, the District shall manage the risk of interest earnings and market value of investments in the portfolio falling due to changes in general interest rates. In addition, the District shall:

1. Structure the investment portfolio so that investments mature to meet cash requirements for ongoing operations, thereby avoiding the need to liquidate investments prior to maturity.
2. Invest operating funds primarily in bank demand deposit accounts, certificates of deposit, shorter-term securities, money market mutual funds, or local government investment pools functioning as money market mutual funds.
3. Diversify maturities and stagger purchase dates to minimize the impact of market movements over time.

**Custodial Credit Risk
Management**

Collateralization shall be required on certificates of deposit and repurchase agreements. In order to anticipate market changes and to 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 shall limit collateral to those items listed as authorized investments in this policy and lines of credit offered through a third party.

Collateral shall always be held by an independent third party with whom the District has a current custodial agreement. A clearly marked evidence of ownership (safekeeping receipt) shall be supplied to and retained by the District. The District shall grant the right of collateral substitution, with prior notice and consent of the District.

GRAPEVINE-COLLEYVILLE INDEPENDENT SCHOOL DISTRICT

RESOLUTION REGARDING REVIEW OF INVESTMENT POLICY

WHEREAS, Section 2256.005(e) of the Public Funds Investment Act (Texas Government Code Chapter 2256) requires the Board of Trustees of Grapevine-Colleyville Independent School District to:

(a) review the District's investment policy and investment strategies set forth in CDA(LOCAL) 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 for fiscal year 2023-2024 has been presented to the Board for its consideration and approval, as required by the Act;

NOW THEREFORE BE IT RESOLVED that the Board of Trustees of Grapevine-Colleyville Independent School District has reviewed the District's investment policy, and hereby adopts the policy for fiscal year 2024-2025 in compliance with the Public Funds Investment Act.

Adopted this ____ day of January, 2025, by the Board of Trustees.

Shannon Braun
President, Board of Trustees

Kathy Florence Spradley
Secretary, Board of Trustees