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APPROPRIATIONS AND REVENUE SOURCES
INVESTMENTS

CAK
(LOCAL)

GENERAL The College District shall invest public funds in a manner that will provide the highest investment return with the maximum security and safety while meeting the daily cash flow requirements and conforming to all state and federal statutes governing the investment of public funds. The Board shall review the College District investment policy and investment strategy not less than annually.

MANAGEMENT Each member of the governing board and all investment officers shall attend at least one training session relating to the person's responsibilities under the Public Funds Investment Act [(PFIA) Government Code, Chapter 2256] within six months after taking office or assuming duties. The chief financial officer and associate dean of finance are authorized to administer the investment program according to the strategy, standard of care, and conditions prescribed in the policy. Each investment shall be approved by the College President.

STANDARD OF CARE Investments shall be made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion, and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of capital as well as income to be derived. Investment of funds shall be governed by the following investment objectives, in order of priority: preservation and safety of principal, liquidity, yield, and diversification. The standard of prudence to be used by investment officers shall be the "prudent person" standard and shall be applied in the context of managing an overall portfolio and whether the investment was consistent with the written investment policy of the College District.

Investment officers involved in the investment process who have a personal business relationship with an entity seeking to sell an investment to the College District shall file a statement disclosing that personal business interest. Any investment officer who is related within the second degree by affinity or consanguinity, as determined under Chapter 573, to an individual seeking to sell an investment to the College District, shall file a statement disclosing that relationship. A statement required under this subsection shall be filed with the Texas Ethics Commission and the Board.

INTERNAL CONTROL In conjunction with the annual financial audit, the Board shall request a compliance audit of the management controls on investments and adherence to the College District's established investment policies. The results of the compliance audit shall be reported to the state auditor.

At each regularly scheduled meeting of the Board, but not less than quarterly, a written report describing the investment status for all funds for the preceding reporting period shall be prepared. The

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report shall conform to the contents of the PFIA and shall be prepared and signed by all investment officers.

AUTHORIZED
INVESTMENTS

The College District shall pursue a conservative approach to investment activity. Although other investments are authorized by law, the College District may invest only in the following:

1. Certificates of deposit if issued by a state or a national bank domiciled in this state. Each certificate of deposit must be guaranteed or insured by the FDIC or its successor or secured by obligations that are described by section 2556.009(a) of the PFIA.
2. Treasury bills, treasury notes, and treasury bonds of the United States and other direct obligations of the agencies of the United States.
3. State-sponsored AAA-rated local government investment pools operated under the guidelines of the PFIA.

The College District shall diversify maturity dates and to the extent possible, match investments with anticipated cash flow requirements. Unless matched to a specific investment, investment maturities shall not exceed two years at the time of purchase.

From time to time, the College District has been endowed other investments that no longer comply with current investment policy. These investments shall be liquidated when advantageous to the College District.

AUTHORIZED BROKER /
DEALER

In accordance with section 2256.005(k) of the PFIA, a written copy of the investment policy shall be presented to any person seeking to sell investments to the College District. The registered principal of the business organization seeking to sell authorized investments shall execute a written instrument substantially to the effect that the registered principal has:

1. Received and thoroughly reviewed the investment policy of the College District; and
2. Acknowledged that the organization has implemented reasonable controls in an effort to preclude imprudent investment transactions.

The College District shall not buy any investments or securities from a person or firm who has not delivered an instrument in substantially the form provided above according to the PFIA.

INVESTMENT
STRATEGY

Each major fund type has varying cash flow requirements and liquidity needs. Specific strategies shall be implemented consider-

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ing each fund's unique requirements. The objectives and general strategy for each fund are as follows.

CURRENT /
OPERATING FUNDS

Investment strategies for current and operating funds shall have as their primary objective ensuring that anticipated cash flows are matched with adequate investment liquidity while preserving and protecting principal balances. Short-term operating funds shall be deposited in an interest bearing bank account or approved local government investment pool. Depending on cash flow requirements, current funds may be invested in short-term certificates of deposit in a ladder structure. A dollar-weighted average maturity of 365 days or less shall be maintained and calculated by using the stated final maturity date of each investment.

ENDOWMENTS

Investment strategies for endowment funds shall have as the primary objective the ability to generate a dependable revenue stream to the appropriate fund while preserving and protecting principal balances. Endowment funds shall be deposited in interest bearing bank accounts, with significant balances being invested in bank certificates of deposit using a ladder structure. A dollar-weighted average maturity of 365 days or less shall be maintained and calculated by using the stated final maturity date of each investment.

DEBT SERVICE
FUNDS

Investment strategies for debt service funds shall have as the primary objective the assurance of stability and liquidity adequate to cover the College District's debt service obligations. Funds shall be invested in interest bearing bank accounts, an approved local government investment pool or short-term certificates of deposit in a ladder structure, or any combination herein. A dollar-weighted average maturity of 365 days or less shall be maintained and calculated by using the stated final maturity date of each investment.

DEBT SERVICE
RESERVE FUNDS

Investment strategies for debt service reserve funds shall have as their primary objective security of principal and the ability to generate a dependable revenue stream. Funds shall be invested primarily in certificates of deposit in a ladder structure or in interest bearing bank accounts.

Market prices for invested funds shall be monitored by the investment committee on a monthly basis.

SAFEKEEPING

All bank deposits and investments of College District funds shall be secured by pledged collateral equal to the amount of investment less FDIC coverage. Copies of original safekeeping receipts shall be provided to the College District along with monthly reports showing the current market value of pledged securities. The chief financial officer or the associate dean of finance shall approve the release and/or replacement of pledged collateral.

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All transactions shall be executed on a delivery-versus-payment (DVP) basis. That is, funds shall not be wired or paid until verification has been made that the Trustee received the collateral. The collateral shall be held in the name of the College District or on behalf of the College District.