

OTHER REVENUES  
INVESTMENTS

CDA  
(LOCAL)

**Investment Authority**

The Superintendent or other person designated by Board resolution shall serve as the investment officer(s) 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.

The District may contract with a non-discretionary, SEC-registered investment adviser to assist in management of the portfolio(s).

All investment transactions except investment pool funds and money market mutual funds shall be settled 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. Fully insured or collateralized certificates of deposit from Texas banks as permitted by Government Code 2256.010 and collateralized in accordance with this policy.
3. Fully insured share certificates from Texas credit unions as permitted by Government Code 2256.010.
4. Fully collateralized repurchase agreements permitted by Government Code 2256.011.
5. A securities lending program as permitted by Government Code 2256.0115.
6. Prime banker's acceptances as permitted by Government Code 2256.012.
7. A1/P1-rated commercial paper with a maximum stated maturity of 270 days as permitted by Government Code 2256.013.
8. AAA-rated money market mutual funds, which strive to maintain a \$1 net asset value, as permitted by Government Code 2256.014.
9. 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.

OTHER REVENUES  
INVESTMENTS

CDA  
(LOCAL)

10. Public funds investment pools, which strive to maintain a \$1 net asset value, as permitted by Government Code 2256.016.
11. Fully FDIC-insured or collateralized interest-bearing accounts in Texas banks as permitted by Government Code 2256.010 and collateralized in accordance with this policy.

**Safety**

The primary goal of the investment program is to ensure safety of principal, to maintain liquidity, 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.

**Investment  
Management**

In accordance with Government Code 2256.005(b)(3), the quality and capability of investment management for District funds shall be in accordance with the standard of care, investment training, and other requirements set forth in Government Code Chapter 2256.

**Liquidity and  
Maturity**

Any internally created pool fund group of the District shall have a maximum dollar weighted average 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 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 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 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. The risk benchmark for the total portfolio shall be the six-month treasury bill for the comparable period.

OTHER REVENUES  
INVESTMENTS

CDA  
(LOCAL)

**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. Credit ratings shall be monitored at least monthly and if the credit rating falls, the investment officer or adviser shall notify the chief financial officer with alternatives for prudent liquidation of the securities so down-graded.

**Funds / Strategies**

Investments of the following fund categories shall be consistent with this policy and in accordance with the applicable strategy defined below. All strategies described below for the investment of a particular fund should be based on an understanding of the suitability of an investment to the financial requirements of the District and consider preservation and safety of principal, liquidity, marketability of an investment if the need arises to liquidate before maturity, diversification of the investment portfolio, and yield.

The District may commingle its funds for investment purposes while serving the unique needs of every fund type.

**Operating Funds**

Investment strategies for operating funds (including any commingled pools containing operating funds) shall have as their primary objectives preservation and safety of principal, investment liquidity, and maturity sufficient to meet anticipated cash flow requirements. Uncertain cash flows shall require a liquidity buffer in order to meet unanticipated cash flow needs.

**Custodial Funds**

Investment strategies for custodial funds shall have as their primary objectives preservation and safety of principal, investment liquidity, and maturity sufficient to meet anticipated cash flow requirements.

**Debt Service Funds**

Investment strategies for debt service funds shall have as their primary objective sufficient investment liquidity to timely meet each successive debt service payment obligation in accordance with provisions in the bond documents. No extensions are authorized until each successive debt service debt is fully funded.

**Capital Project  
Funds**

Investment strategies for capital project funds shall have as their primary objective sufficient investment liquidity to timely meet capital project obligations. Maturities shall be planned to meet expenditure expectations.

**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. All security transactions shall be cleared delivery versus payment.

OTHER REVENUES  
INVESTMENTS

CDA  
(LOCAL)

Collateral shall be required for all bank time and demand deposits above the FDIC insurance coverage. Collateral terms shall conform to FIRREA. Collateral shall be held by an independent third-party institution and have a market value of 102 percent of the total deposit (110 percent for mortgage-backed securities) in accordance with Government Code 2257. [See BDAE]

**Sellers of  
Investments**

Prior to handling investments on behalf of the District, brokers/dealers, or a qualified representative of a business organization, defined as a local government pool or discretionary investment adviser, must submit required written documents in accordance with law. [See Sellers of Investments, CDA(LEGAL)]

Representatives of brokers/dealers and representatives with distributors of investment pools 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). Distributors of investment pools shall also be a registrant in good standing with the Municipal Securities Rulemaking Board (MSRB).

All broker/dealers and representatives with distributors of investment pools shall be sent a copy of the Investment Policy as amended. Investment officers shall maintain information regarding the brokers/dealers or distributors of investment pools and the authorized broker/dealer and representative list shall be reviewed annually by the Board or a Board-created investment committee.

**Soliciting Bids**

In order to get the best return on its investments, the District shall solicit competitive bids for all securities 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 comply with maximum maturity and weighted-average-maturity limits and diversify the portfolio.

The District shall monitor interest rate risk against its risk benchmark 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 on all transactions;

OTHER REVENUES  
INVESTMENTS

CDA  
(LOCAL)

2. Avoidance of collusion;
3. Custodial safekeeping;
4. Clear delegation of authority;
5. Written confirmation of all transactions; and
6. Documentation of dealer questionnaires, quotations and bids, evaluations, transactions, and rationale.

These controls shall be reviewed by the District's independent auditing firm.

**Annual Review**

The Board shall review this investment policy and investment strategies not less than annually and shall document its review by resolution 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.