

OTHER REVENUES
INVESTMENTS

CDA
(LOCAL)

INVESTMENT
AUTHORITY

The assistant superintendent for business services and the administrative officer of budget and finance shall serve as the designate investment officers of the District and shall be authorized to deposit, withdraw, invest, transfer, execute documentation, and otherwise manage District funds in accordance with this policy. Acting in accordance with written procedures and exercising due diligence, the investment officers shall not be held personally responsible for a specific security's credit risk or market price changes, provided that these deviations are reported immediately and that appropriate action is taken to control adverse developments. 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), the Board shall permit investment of District 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.

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 re-

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sulting 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 two 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.

YIELD

While investment yield shall be a primary objective, this objective shall always be secondary to safety of principal and liquidity. The portfolio shall seek to meet or exceed the average yield on the United States Treasury-Bill with a maturity level comparable to the District's weighted average maturity in days.

DIVERSIFICATION

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.

Bond proceeds may be invested in a single security or investment if the investment officers determined that such an investment is necessary to comply with federal arbitrage regulations or to facilitate arbitrage recordkeeping and calculation.

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 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.

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.

COLLATERAL

Eligible securities for collateralization of deposits and repurchase agreements shall meet the constraints defined by the Public Funds Collateral Act, the Public Funds Investment Act, and the District's

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investment procedure guidelines. The market value of the principal portion of collateral pledged for collateralized deposit must at all times be equal to or greater than the par value of the deposit plus accrued interest, less the applicable level of FDIC insurance. The market value of the purchased securities of any repurchase agreement must at all times be equal to or greater than the principal amount of the agreement plus accrued interest.

The District shall require monthly reports with market values of pledged securities from all business organizations with which the District has collateralized deposits or repurchase agreements. The investment officers shall monitor adequacy of collateralization levels to verify market values and total collateral positions. If the market value falls below the required level, the business organization shall be notified by an investment officer and shall be required to pledge additional securities no later than the end of the next succeeding business day. The Board shall be notified if the organization does not pledge additional securities.

Collateral substitution shall be permitted for all transactions, but should be limited, if possible, to minimize potential administrative problems and transfer expense. The investment officers may limit substitution that becomes excessive.

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| FUNDS / STRATEGIES | Final maturity dates shall be limited to two years unless matched to a known expense date, and the calculated weighted average maturity of the overall portfolio shall not exceed 365 days at the time of purchase. 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. Any investment authorized in this policy shall be suitable for operating funds. |
| AGENCY FUNDS | Investment strategies for agency 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 two years are authorized provided legal limits are not exceeded. |
| CAPITAL PROJECTS | Investment strategies for capital project funds shall have as their objective sufficient investment liquidity to timely meet capital pro- |

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ject obligations. Maturities longer than two years 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.

BROKERS / DEALERS

Prior to handling investments on behalf of the District, brokers/dealers 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).

SOLICITING BIDS FOR
CD'S

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.

MITIGATING RISK

The District shall attempt to minimize the risk that interest earnings and investment prices may fall due to changes in general interest rates by:

1. Structuring the portfolio so that investments mature to meet anticipated cash requirements; and
2. Staggering maturities to minimize the impact of market movements over time.

The District shall minimize the risk of principal and interest loss due to failure of the issuer or investment guarantor by:

1. Prequalifying financial institutions and issuers with which the District conducts business; and
2. Diversifying the investment portfolio by individual issuer.

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.
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.