

OTHER REVENUES
INVESTMENTS

CDA
(LOCAL)

Policy

It is the policy of the District to invest public funds in a manner that ensures the safety of invested funds, maintains sufficient liquidity to provide for the daily needs of the District, and provides the highest investment return in accordance with cash flow needs.

Investment Authority

The Superintendent or other person designated by Board resolution shall serve as the investment officer 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 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 the U.S. government, its agencies and instrumentalities, and governmental entities as permitted by Government Code 2256.009, with a maximum stated maturity of three years.
2. Depository certificates of deposit and Texas Credit Union share certificates as permitted by Government Code 2256.010, with a maximum maturity of two years. Certificates of deposit must be FDIC-insured or collateralized and share certificates must be insured by the National Credit Union Share Insurance Fund.
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. No-load mutual funds, except for bond proceeds, and no-load money market mutual funds, as permitted by Government Code 2256.014.
7. AAA-rated money market mutual funds that strive to maintain a \$1 net asset value (NAV) as permitted by Government Code 2256.014.

OTHER REVENUES
INVESTMENTS

CDA
(LOCAL)

8. A1/P1 or equivalent commercial paper as permitted by Government Code 2256.013, with a maximum maturity of 180 days.
9. Texas public funds investment pools that strive to maintain a \$1 NAV as permitted by Government Code 2256.016.
10. FDIC-insured or collateralized interest-bearing accounts in any bank doing business in Texas.
11. Fully FDIC-insured brokered certificates of deposit issued by banks in the US with a maximum maturity of one year and delivered into the District's safekeeping agent.

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. The District may contract with a Securities and Exchange Commission (SEC)-registered investment adviser.

**Liquidity and
Maturity**

The total portfolio of the District shall have a maximum dollar weighted maturity of one year. 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, com-

mercial or investment banks, financial advisers, investment 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. The law requires that securities requiring a specific credit rating must be liquidated if the rating falls below the minimum rating. The investment officer shall monitor, on no less than a monthly basis, the credit rating of all authorized investments in portfolio for which the policy requires a credit rating. The rating should be based upon independent information from a nationally recognized rating agency. If any security falls below the minimum rating required by policy, it must be liquidated. The investment officer shall notify the chief financial officer of the loss of rating and liquidation options within two days for a decision on liquidation.

**Monitoring Brokered
CDs**

A merger or acquisition of brokered CDs into one bank reduces FDIC coverage. The investment officer shall monitor, on no less than a weekly basis, the status and ownership of all banks issuing brokered CD securities owned by the District based upon information from the [FDIC](#).¹ If any bank has been acquired or merged with another bank in which brokered CDs are owned by the District, the Investment Officer or Adviser shall immediately liquidate any brokered CD, which places the District above the FDIC insurance level.

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.

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.

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.

OTHER REVENUES
INVESTMENTS

CDA
(LOCAL)

Debt Service Funds	Investment strategies for debt service funds shall have as their primary objective sufficient investment liquidity to timely meet debt service payment obligations in accordance with provisions in the bond documents.
Capital Project Funds	Investment strategies for capital project funds shall have as their primary objective sufficient investment liquidity to timely meet capital project obligations.
Safekeeping and Custody	The District shall retain clearly marked receipts providing proof of the District's ownership on securities held in safekeeping. All purchased securities are to be settled delivery versus payment. The custodian must be an independent party. 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). A copy of this policy shall be sent to each broker/dealer and bank.</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. All transactions will be competitively bid.
Interest Rate Risk	<p>To reduce exposure to changes in interest rates that could adversely affect the value of investments, the District shall use final and weighted-average-maturity limits and diversification.</p> <p>The District 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 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.

OTHER REVENUES
INVESTMENTS

CDA
(LOCAL)

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

Competitive Bidding All security transactions will be made on documented competitive bid basis to assure the District is receiving the best available market rates.

When-issued US agency securities should be compared to other securities available in the secondary market to determine competitiveness.

Collateral

Time and Demand
Deposits Pledged
Collateral

All bank time and demand deposits shall be collateralized above the FDIC coverage by pledged collateral. In order to anticipate market changes and provide a level of security for all funds, the market value of collateral will be maintained and monitored by the pledging depository at 102 percent of principal and accrued interest on the deposits. Mortgage-backed collateral requires a 110 percent margin. The bank shall monitor and maintain the margins on a daily basis.

Collateral pledged to secure deposits shall be held by an independent financial institution outside the holding company of the depository. The collateral agreement with the depository shall be approved by resolution of the bank board or bank loan committee. The custodian or bank shall provide a monthly report of collateral directly to the District.

All collateral shall be subject to inspection and audit by the District or its independent auditors.

Collateral Owned
Under Repurchase
Agreements

All collateral owned by the District under a repurchase agreement shall be held by an independent third-party custodian and require a market value of 102 percent of the principal and accrued interest daily. Daily collateral reports are required.

Only the following securities are authorized as collateral for time and demand deposits or repurchase agreements:

1. FDIC insurance coverage;
2. Obligations of the United States, its agencies or instrumentalities, or evidence of indebtedness of the United States guaranteed as to principal and interest including MBS and CMO which pass the bank test;

OTHER REVENUES
INVESTMENTS

CDA
(LOCAL)

3. Obligations of any US state or of a county, city, or other political subdivision of any state having been rated as investment grade (investment rating no less than "A" or its equivalent) by two nationally recognized rating agencies;
4. Letter of Credit from the FHLB (pledged collateral only); and
5. Cash (repurchase agreements only).

Preference shall be give to pledged collateral securities.

Annual Review

The Board shall review and adopt by resolution this investment policy and investment strategies not less than annually. The adopting resolution shall include any changes made to either the investment policy or investment strategies.

Annual Audit

In conjunction with the annual financial audit, the District shall perform an internal compliance audit of management controls on investments and adherence to the District's established investment policies.

¹ <https://www.fdic.gov/>