



BOARD OF SCHOOL TRUSTEES

KELLER INDEPENDENT SCHOOL DISTRICT

9B. Action

Date: January 29, 2009

SUBJECT: APPROVAL OF CONTINUED PARTICIPATION IN LOGIC, TEXPOOL, AND TEXSTAR INVESTMENT POOLS

BOARD GOAL: All systems in the Keller Independent School District will be effective, efficient and accountable in support of the district's mission.

FISCAL NOTE: All funds represent income from investment returns.

Background Information:

- Each year the Board of Trustees approves the participation in various investment pools.
- The investment pools afford the district the ability to invest its funds in liquid accounts at competitive market rates.
- As of February the District is now taking advantage of the higher rates at LOGIC. The policy change made in February allows the District to invest in Pools with modest amounts of commercial paper.
- Keller ISD currently has funds on deposit with the following investment pools:
 - Local Government Investment Cooperative (LOGIC)
 - Texas Local Government Investment Pool (TexPool)
 - Texas Short Term Asset Reserve Program (TexSTAR)

Administrative Considerations:

- The Logic pool is the dominate pool because of the use of commercial paper in their portfolio that has out performed the other two pools.
- The use of all three pools is necessary for the diversification of investment needs.
- All three pools are designated public funds investment pools and are only available to public entities.
- All pools are rated the highest rating of AAAM by Standards and Poors.
- The District's investments and Pool accounts are not involved in the sub-prime mortgage market.
- The current Weighted Average to Maturity (WAM) of the investments in the pools are as follows:
 - TexPool 36 days
 - TexSTAR 49 days
 - LOGIC 43 days

The WAM is the average time it takes for securities in a portfolio to mature, weighted in proportion to the dollar amount that is invested in the portfolio. Weighted average maturity measures the sensitivity of fixed-income portfolios to interest rate changes. Portfolios with longer WAMs are more sensitive to changes in interest rates because the longer an investment is held, the greater the opportunity for interest rates to move up or down and affect the performance of the investments in the portfolio. If interest rates move up, the value of an investment decreases because there are investments in the market that now pay more interest and therefore are more attractive.

- Current amounts in the investments in the pools are:
 - TexPool \$ 6,056,776.02
 - TexSTAR \$ 2,156,771.72
 - LOGIC \$121,342,420.49

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The administration recommends that the Board of School Trustees approve the continued District participation in LOGIC, TexPool and TexSTAR investment pools.

Respectfully submitted,

Kent V. Morrison III
Chief Financial Officer