

RESOLUTION
OF THE BOARD OF TRUSTEES
GALVESTON INDEPENDENT SCHOOL DISTRICT

WHEREAS, the governing body of Galveston Independent School District is required annually to review its investment policy and strategies; and

WHEREAS, said review was conducted at a Regular Meeting held on September 18, 2019.

NOW, THEREFORE, BE IT RESOLVED that the Board of Trustees of the Galveston Independent School District hereby re-adopts its investment policy and strategies as outlined in CDA (LEGAL) and CDA (LOCAL), without change.

BE IT FURTHER RESOLVED that until further amended, modified, or changed, the following entities are authorized to engage in investment transactions with the District:

1. Prosperity Bank
2. Moody National Bank
3. Texas CLASS Investment Pool
4. TexasTERM Investment Pool
5. TexPool Investment Pool

BE IT FURTHER RESOLVED that the Assistant Superintendent for Business & Operations of the Galveston Independent School District shall serve as the designated 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;

IN WITNESS WHEREOF, the undersigned have executed this Resolution at a meeting held on the 18th day of September, 2019.

Anthony Brown, President
Galveston ISD Board of Trustees

Monica Wagner, Secretary
Galveston ISD Board of Trustees



**Annual Report of Investment Activity
For The Fiscal Year Ended August 31, 2019**

Introduction

The Public Funds Investment Act (Government Code Chapter 2256) contains specific provisions in the areas of investment practices, management reports and establishment of appropriate policies. Board Policy CDA (LEGAL) and CDA (LOCAL) govern the manner in which Galveston ISD must manage its investments. These policies have been furnished to the Board for review.

These policies outline approved investment instruments, safety of the investment program, maximizing financial returns within current market conditions, liquidity and maturity, diversity, oversight of the investment portfolio, internal controls, reporting, and training of district investment officers.

The main goal of any school district's investment program is to ensure its safety and to maximize its financial returns within current conditions in accordance with board policies. The district's investment strategies are essential to meeting this main goal. The order and priority of these strategies are:

1. Understanding the suitability of the investment—judgment in choosing appropriate investments to meet board and administrative investment policies and strategies and unique conditions and resources of the school district;
2. Safety of Principal—striving to assure that principal and interest will be preserved at maturity;
3. Liquidity—ability to convert the investment into cash whenever the funds are needed;
4. Marketability—the ability to sell the asset for cash, with minimal delay and loss of principal;
5. Diversification—spreading investments over several institutions, instruments, or maturity dates;
6. Yield—income or return on investment.

Depository

Prosperity Bank

The District's cash and temporary investment balances and transactions for the twelve-month period ended August 31, 2019 reflect the investment objectives and guidelines expressed in the District's Investment Policy and relevant provisions of Chapter 2256 of the Government Code. The District has historically kept all excess funds deposited in interest bearing accounts and in investment pools. The District's funds are required to be deposited and invested under the terms of a depository contract pursuant to the School Depository Act. For the fiscal year ended August 31, 2019, the District's depository bank was Prosperity Bank, under contract for the 2015-2017 biennium as approved by the Board of Trustees and the Texas Education Agency.

Prior to the September 1, 2019 extension of the contract with Prosperity Bank, the District solicited requests for proposals for depository services, and a two-year contract was awarded to Moody National bank, for the period September 1, 2019, through August 31, 2021.

Moody National Bank

During the 2018-19 fiscal year, minimal deposits were maintained with Moody National Bank. However, as of August 31, 2019, all account balances had been reduced to \$0.

Pledged Securities

Prosperity Bank

The Federal Home Loan Bank (FHLB) holds, in the District's name, pledged securities in an amount sufficient to protect District funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only as to the dollar amount of Federal Deposit Insurance Corporation (FDIC) insurance. At August 31, 2019 the District's bank deposits held by Prosperity Bank for all funds were \$7,536,586 with pledged collateral in the amount of \$51,134,159 (market value). The District's cash balances were properly collateralized or insured at all times during the period.

Moody National Bank

The Federal Reserve Bank (FRB) of Boston holds, in the District's name, pledged securities in an amount sufficient to protect District funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only as to the dollar amount of Federal Deposit Insurance Corporation (FDIC) insurance. At August 31, 2019 the District's bank deposits held by Moody National Bank for all funds was \$0. The District's cash balances were properly collateralized or insured at all times during the period.

Investments

Investment Pools

At August 31, 2019 the district was investing in the Texas Class and Texas TERM local government investment pools, with deposits of \$47,096,420 and \$2,423,831, respectively.

Line of Credit

In August of 2018, the district negotiated a line of credit loan with Hometown Bank, NA. Moody Bank, Texas First Bank, and Frost Bank (the consortium) participated in the loan. The line-of-credit is for \$2,000,000, and had an origination fee of \$2,000. As of this report date, no funds have been drawn down, and with the exception of legal fees incurred by the consortium, no fees have been paid.

This loan was intended to serves as a short term cash flow instrument and provide the district with a crisis management cash plan.

Recommended Changes

No changes are recommended to Board Policy CDA (Local).

The following are recommended as entities authorized to engage in investment transactions with the district:

- Prosperity Bank
- Moody National Bank
- Texas Class Investment Pool
- TexPool Investment Pool

School Year	Galveston ISD Investments (annual ranges)					Comparative Investments (current)		
	Prosperity Bank ¹	Moody National Bank ²	Texas Term 9-Month	Texas Term Daily Pool	Texas Class Pool	13 Week US Treasury Bill	26 Week US Treasury Bill	TexPool
2014-15	.35%	.35%			.10%	.00025%	.0010%	.05%
2015-16	.35%	.35%			.51%	.2192%	.3701%	.34%
2016-17	.35%	.35%			.96%	.70%	.82%	.65%
2017-18	.35%	.35%			2.25%	2.14%	2.30%	1.92%
2018-19	.35% to 2.49%	.35%	2.96%	2.03% to 2.42%	2.24% to 2.65%	2.00%	1.95%	2.16%

Performance of Investment Portfolio

¹Prosperity bank changed rates throughout the year

Investment Strategy by Fund

Maintenance and Operation Fund, Debt Service Fund, Child Nutrition Fund, and Construction Fund Strategy

All legal, authorized investments should closely match projected cash needs during the year. Investments should not exceed one year in final stated maturity. Only investments authorized by Board Policy CDA (LOCAL) will be purchased. Investments should be purchased with the intent of holding until maturity. The District will utilize the District's Bank Depository Contract as the preferred depository of funds so long as the yield on deposited funds remains advantageous to the District, all factors considered. For diversification and yield, utilization of investment pools will be considered. Preservation and safety of principle remains at all times the most important factor. Diversification of the investment portfolio will be considered whenever an investment vehicle is considered, with diversification of the portfolio of more importance than yield, but subordinate to safety and liquidity.

Student Activity/Agency Funds

All legal authorized investments should closely match projected cash needs during the year. Investments should not exceed one year in final, stated maturity. Only investments authorized by Board Policy CDA (LEGAL) and CDA (LOCAL) will be purchased.

To the best of my knowledge this report discloses all material aspects of the Galveston ISD investment and cash management strategies for the period ended August 31, 2019.

A handwritten signature in blue ink, appearing to read "Tim B", with a stylized flourish extending to the right.

Tim Barger
Assistant Superintendent for Business & Operations
Designated Investment Officer, Galveston Independent School District