

SOUTHWEST TEXAS JUNIOR COLLEGE
INVESTMENT POLICY

GENERAL

It is the policy of Southwest Texas Junior College to invest public funds in a manner which will provide the highest investment return with the maximum security and safety while meeting the daily cash flow requirements and conforming to all state and federal statutes governing the investment of public funds. The Board of Trustees will review the SWTJC Investment Policy and Investment Strategy not less than annually.

MANAGEMENT

Each member of the governing board and all investment officers shall attend at least one training session relating to the person's responsibilities under the Public Funds Investment Act (PFIA) Government Code, Chapter 2256) within six months after taking office or assuming duties. The Chief Financial Officer and the Controller are authorized to administer the investment program according to the strategy, standard of care and conditions prescribed in the policy. Each investment shall be approved by the President of the College.

STANDARD OF
CARE

Investments shall be made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of capital as well as income to be derived. Investment of funds shall be governed by the following investment objectives, in order of priority; preservation and safety of principal, liquidity, yield and diversification. The standard of prudence to be used by investment officers shall be the "Prudent Person" standard and shall be applied in the context of managing an overall portfolio and whether the investment was consistent with the written investment policy of the District.

Investment officers involved in the investment process who have a personal business relationship with an entity seeking to sell an investment to SWTJC shall file a statement disclosing that personal business interest. Any investment officer who is related within the second degree by affinity or consanguinity, as determined under Chapter 573, to an individual seeking to sell an investment to the SWTJC shall file a statement disclosing that relationship. A statement required under this subsection must be filed with the Texas Ethics Commission and the Board of Trustees of SWTJC.

INTERNAL CONTROL

In conjunction with the annual financial audit, the Board of Trustees will request a compliance audit of the management controls on investments and adherence to the College's established investment policies. The results of the compliance audit shall be reported to the State Auditor.

At each regularly scheduled meeting of the Board of Trustees, but not less than quarterly, a written report describing the investment status for all funds for the preceding reporting period will be prepared. The report must conform to the contents of the Public Funds Investment Act and must be prepared and signed by all investment officers.

AUTHORIZED INVESTMENTS

The College will pursue a conservative approach to investment activity. Although other investments are authorized by law, SWTJC may invest only in the following:

1. Certificates of deposit if issued by a state or a national bank domiciled in this state. Each certificate of deposit must be guaranteed or insured by the FDIC or its successor, or secured by obligations that are described by section 2256.009(a) of the Public Funds Investment Act.
2. Treasury bills, treasury notes, and treasury bonds of the United States and other direct obligations of the agencies of the United States.
3. State sponsored AAA-rated local government investment pools operated under the guidelines of the Texas Public Funds Investment Act.

SWTJC will diversify maturity dates and to the extent possible, match investments with anticipated cash flow requirements. Unless matched to a specific requirement, investment maturities will not exceed five (5) years at the time of purchase.

From time to time SWTJC has been endowed other investments which no longer comply with current investment policy. These investments will be liquidated when advantageous to the College.

AUTHORIZED

BROKER/DEALER In accordance with section 2256.005(k) of the PFIA, a written copy of the investment policy will be presented to any person seeking to sell investments to the College. The registered principal of the business organization seeking to sell authorized investment shall execute a written instrument substantially to the effect that the registered principal has:

1. Received and thoroughly reviewed the investment policy of the College; and
2. Acknowledge that the organization has implemented reasonable controls in an effort to preclude imprudent investment transactions.

The College may not buy any investments or securities from a person or firm who has not delivered an instrument in substantially the form provided above according to the PFIA.

TRANSACTIONS

All transactions will be executed on a delivery-versus-payment (DVP) basis.

INVESTMENT STRATEGY

Each major fund type has varying cash flow requirements and liquidity needs. Specific strategies shall be implemented considering each fund's unique requirements. The objectives and strategy for each fund are as follows:

Current/Operating Funds – Investment strategies for current and operating funds have as their primary objective to assure that anticipated cash flows are matched with adequate investment liquidity, while preserving and protecting principal balances. Short term operating funds will be deposited in an interest bearing bank account or approved local government investment pool. Depending on cash flow requirements, current funds may be invested in short-term certificates of deposit in a ladder structure. A dollar-weighted average maturity of 365 days or less will be maintained and calculated by using the stated final maturity date of each investment.

Endowments – Investment strategies for endowment funds will have as the primary objective the ability to generate a dependable revenue stream to the appropriate fund while preserving and protecting principal balances. Endowment funds will be deposited in interest bearing bank accounts, with significant balances being invested in bank certificates of deposit using a ladder structure. A

dollar-weighted average maturity of three (3) years or less will be maintained and calculated by using the stated final maturity date of each investment.

Debt Service Funds – Investment strategies for debt service funds shall have as the primary objective the assurance of stability and liquidity adequate to cover the College’s debt service obligations. Funds will be invested in interest bearing bank accounts, an approved local government investment pool or short-term certificates of deposit in a ladder structure, or any combination herein. A dollar-weighted average maturity of 365 days or less will be maintained and calculated by using the stated final maturity date of each investment.

Debt Service Reserve Funds – Investment strategies for debt service reserve funds will have as their primary objective security of principal and the ability to generate a dependable revenue stream. A dollar-weighted average maturity of five (5) years or less will be maintained and calculated by using the stated final maturity date of each investment.

Bids for Certificate of Deposit may be submitted orally, in writing, electronically or any combination of these methods. Market prices for invested funds will be monitored by the investment committee on a monthly basis.

SAFEKEEPING

All bank deposits and investments of College funds shall be secured by pledged collateral equal to the amount of investment less FDIC coverage. Copies of original safekeeping receipts will be provided the College along with monthly reports showing the current market value of pledged securities. The Chief Financial Officer or the Controller will approve the release and/or replacement of pledged collateral.

All transactions will be executed on a delivery-versus-payment (DVP) basis. That is, funds shall not be wired or paid until verification has been made that the Trustee received the collateral. The collateral shall be held in the name of the College or held on behalf of the College.

NOTIFICATION

A written copy of the investment policy shall be presented to any person offering to engage in an investment transaction with SWTJC or to an investment management firm under contract with SWTJC to invest or manage the entity’s investment portfolio. The qualified representative of the business organization offering to engage in an investment transaction with SWTJC shall execute a

written instrument in a form acceptable to SWTJC and the business organization substantially to the effect that the business organization has:

- (1) Received and reviewed the investment policy of SWTJC; and
- (2) Acknowledged that the business organization has implemented reasonable procedures and controls in an effort to preclude investment transactions conducted between SWTJC and the organization that are not authorized by the SWTJC's investment policy, except to the extent that this authorization is dependent on an analysis of the makeup of SWTJC's entire portfolio or requires an interpretation of subjective investment standards.

An example of this instrument is attached as Exhibit A.

BROKER/DEALER/BANKER CERTIFICATION FORM
As required by Texas Government Code 2256.005(k)
for
SOUTHWEST TEXAS JUNIOR COLLEGE

The college acknowledges that the only means the firm has to preclude imprudent investment activities arising out of transactions between the firm and the College is to confirm that all provisions of the College's Investment Policy are followed in investment transactions conducted between the firm and the college, and the paragraphs below should be read accordingly.

I, as a qualified representative for the firm, do hereby certify that I have received and reviewed the Investment Policy of the College, to the extent required by the above reference legislation.

I acknowledge that this firm has implemented reasonable internal procedures and controls in an effort to preclude imprudent investments between this firm and the College arising from transactions between the College and the firm.

Name of the Firm

Address of the Firm

Telephone Number of the Firm

QUALIFIED REPRESENTATIVE

Signature

Date

Printed name

Title