

OTHER REVENUES
INVESTMENTS

CDA
(LOCAL)

Purpose

The policy of the District is to invest public funds in a manner that will provide the highest reasonable market return with the maximum security while meeting the daily cash flow demands of the District and conforming to all state law and local requirements governing the investment of public funds.

Scope

This investment policy covers all financial assets under the direct authority of the District. These funds include the operating funds, debt service funds, and capital project funds. The policy does not cover student activity funds or funds used for other school-related clubs and associations [see CFD].

Investment Officers

The Superintendent or other persons designated by Board resolution shall serve as the investment officers of the District and shall be responsible for the investment of District funds consistent with the District's investment policy. Each person designated shall receive the training required for investment officers under the Public Funds Investment Act. [See CDA(LEGAL)]

**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 in only the following investment types, consistent with the strategies and maturities defined in this policy:

1. Obligations of the United States or the state of Texas or their agencies and instrumentalities and political subdivisions, not to exceed two years to stated maturity, including collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States as permitted by Government Code 2256.009, but excluding mortgage-backed securities listed in Government Code 2256.009(b).
2. Two types of mutual funds as defined by Government Code 2256.014: money market mutual funds and no-load mutual funds.
3. Other obligations, the principal and interest of which are unconditionally guaranteed or insured by or backed by the full faith and credit of the state of Texas or the United States or their respective agencies and instrumentalities, not to exceed two years to stated maturity.
4. Fully collateralized certificates of deposit as defined by Government Code 2256.01 with a stated maturity not to exceed one year.
5. Fully collateralized repurchase agreements permitted by Government Code 2256.011 not to exceed 90 days unless

matched in a flex repurchase agreement to a set expenditure schedule for bond funds.

6. Banker's acceptances as permitted by Government Code 2256.012 not to exceed 270 days to maturity.
7. Commercial paper as permitted by Government Code 2256.013 not to exceed 270 days to stated maturity.
8. Public funds investment pools as permitted by Government Code 2256.016–2256.019.

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.

**Liquidity and
Maturity**

Any internally created pool fund group of the District shall have a maximum dollar weighted maturity of 180 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.

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.

**Methods of
Monitoring Market
Price**

The methods and sources to be used to monitor the price of investments that have been acquired with public funds shall be the following:

1. Primary brokers/dealers.
2. Regional brokers/dealers.
3. From the approved broker/dealer list.

4. Austin area banks.
5. Computer pricing software.

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.

**Investment Strategy
Statements**

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.

1. Operating funds (general, special revenue, internal service, and trust and agency funds): Investment strategies for operating funds and pooled funds containing operating funds shall have as the primary objectives preservation and safety of principal, investment liquidity, and maturity sufficient to meet anticipated cash flow requirements.

The secondary objective shall be to create a diversified portfolio structure that will experience minimal volatility during economic cycles. This may be accomplished by purchasing high-quality, short-term to medium-term securities that will complement each other in a laddered or liability-matching portfolio structure. The maximum weighted-average-maturity of the funds shall be one year.

2. Debt service funds: Investment strategies for debt service funds shall have as the primary objective the assurance of investment liquidity adequate to cover the debt service obligation on the required payment date. This may be accomplished by purchasing high-quality, short-term to medium-term securities that may be used to target each successive payment date. The use of a liability-matching portfolio structure shall help to accomplish this goal. Each successive debt service payment date shall be fully funded before longer securities are purchased. The maximum maturity for any security in this fund shall be limited to two years.

3. Capital project funds: Investment strategies for bond proceeds shall have as the primary objective the ability to generate a dependable revenue stream from securities with a low degree of volatility and be able to meet the liquidity requirements of the capital project. Except as may be required by the bond ordinance specific to an individual issue, securities shall be of high-quality, with short-term to medium-term maturities. Projected cash flow needs shall be matched with investment liquidity. The use of a laddered or liability-matching portfolio structure shall help to accomplish this goal. All expected liabilities shall be matched and the maturity of any investment shall not extend past the last expected expenditure scheduled date.

**Selection of
Authorized Brokers**

Prior to transacting any business with the District, brokers, dealers, banks, pools, or a qualified representative of a business organization 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 be in good standing with the Financial Industry Regulatory Authority (FINRA).

Board Approval

Based on an annual evaluation, all business organizations that want to conduct business with the District shall be reviewed and their names submitted for Board approval.

Approval shall be based on the following criteria:

1. The number of transactions competitively won.
2. Prompt and accurate confirmation of transactions.
3. Efficient delivery of securities.
4. Accurate market information.
5. Account servicing.

Before doing business with the District, investment pools and discretionary investment managers shall provide written certification that the District's policy has been reviewed and all transactions with the District shall follow that policy. All other providers, including brokers and dealers, shall provide written acknowledgment of receipt of policy. [See CDA(LEGAL)]

**Soliciting Bids for
Investments**

In order to get the best return on its investments, the District may solicit bids for investments in writing, by telephone, or electronically, or by a combination of these methods.

Market quotations shall be accepted as needed by District investment officers to monitor market conditions and for investment decisions.

Interest Rate Risk

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.

The District shall monitor interest rate risk using weighted average maturity and specific identification.

Collateral

Collateral shall be required on all time and demand deposits and repurchase agreements. The level of collateral shall be at least equal to 110 percent of the aggregate market value of the deposit or investment, including accrued interest, less any amount insured by the Federal Deposit Insurance Corporation (FDIC) or its successor. Evidence of the pledged collateral shall be documented by original safekeeping receipts showing a pledge to or ownership by the District. All transactions shall take place under an executed tri-party custodial agreement or a BMA master repurchase agreement with the terms for the pledged collateral clearly referenced in the agreement. Collateral shall be reviewed monthly for time and demand deposits and daily for repurchase agreements to ensure that the market value of the securities pledged equals or exceeds the related deposit or investment balance. Liability for monitoring collateral market value and maintaining margins shall fall to the District's counterparty.

Collateral requirements shall be in accordance with, and limited to, that which is approved in Government Code Chapters 2256–2257 and Education Code 45.201.

Safekeeping

All assets, including cash, collateral, and securities of the District shall be held by an independent third party approved by the District. The District shall retain clearly marked original safekeeping receipts providing proof of the District's ownership or pledging. The District may delegate to an investment pool or mutual fund the authority to hold legal title as custodian of investments purchased with District funds.

All investment transactions, except investment pool funds and mutual funds, shall be conducted on a delivery vs. payment (DVP) basis.

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.
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.

Reporting

The investment officers shall prepare and submit to the Board at least quarterly a written report of investment transactions for all funds covered by this policy for the preceding period in accordance with the Public Funds Investment Act. The investment report shall contain all information required by Government Code 2256.023 and shall also include the yield on the portfolio and a benchmark analysis.

Annual Review

The Board shall review this investment policy and investment strategies not less than annually and shall document its review in writing, which shall include whether any changes were made to either the investment policy or investment strategies.

Annual Audit

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