

APPROPRIATIONS AND REVENUE SOURCES
INVESTMENTS

CAK
(LOCAL)

INTRODUCTION

The purpose of this document is to set forth specific investment policy and strategy guidelines for the College District, in order to achieve the goals of safety, liquidity, yield, and public trust for all investment activity. The Board shall review its investment policy annually. This policy serves to satisfy the statutory requirement of the Public Funds Investment Act, Texas Government Code Section 2256, to define, adopt, and review a formal investment strategy and policy.

DIVERSITY

The investments shall be diversified by security type and maturity. 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.

INVESTMENT
STRATEGY

Buy and sell decisions shall be primarily influenced by cash flow in each of the respective funds. The fundamental investment strategy of the College District shall be to buy an investment and hold it until its maturity. However, because of changes in market conditions and changes in anticipated cash flow, there may be instances where decisions shall need to be made to liquidate the investment prior to its maturity.

The investment officer is given the responsibility for putting into place an investment portfolio, which serves the College District's financial requirements and also attempts to protect the College District against market condition changes. It is the intent of this document to give the investment officer the latitude to purchase investments within the scope outlined.

When the investment officer makes decisions in regard to purchasing securities for the portfolio, the officer must interpret the interest rate cycle and may choose to make relatively long-term purchases for the purpose of "locking in" a favorable interest rate or choose to make shorter term purchases if they anticipate interest rates to be more favorable in the future. The market value of each investment in the College District's portfolio will be calculated not less than quarterly, on the following basis.

TIME ACCOUNTS
AND SWEEP
ACCOUNTS

The market value of these short-term investments shall be the face amount of the account.

INVESTMENT
POOLS

Monthly statements are received from the investment pools, which show the amount on deposit and the market value of the pool as a percentage of the book value. The market value of the investment pools shall be the product of these two figures.

TREASURY NOTES

The market value of Treasury Notes shall be calculated as the product of the face value of the note and the bid price for that note

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- CAPITAL PROJECTS** Investment strategies for capital project funds shall have as their objective sufficient investment liquidity to timely meet capital project obligations. If the College District has funds from bond proceeds, they shall be invested in accordance with provisions in the bond documents. Maturities longer than one year are authorized provided legal limits are not exceeded.
- OBJECTIVES** The objectives and priorities of the investment policy of the College District are as follows:
1. To comply with the laws of the state of Texas as defined in Government Code 10 (Chapter 2256); known as the "Public Funds Investment Act."
 2. To provide for the safety of principal of all College District funds.
 3. To provide sufficient funds to meet the cash needs of the continuing operations of the College District.
 4. To earn the highest possible rates of return on investments consistent with this policy.
 5. To allow for diversification in the types, issues, and maturities of investments so as to avoid incurring unreasonable and avoidable risks.
 6. To maintain the highest professional and ethical standards as custodians of the public trust.
 7. To invest with well established and financially secure institutions approved to do business with the College District.
- RESPONSIBILITY AND CONTROL** The vice president for business services is designated as investment officer of the College District and is responsible for investment decisions and activities. The vice president for business services shall establish and maintain written procedures for the operation of the investment program, consistent with this investment policy. The vice president for business services shall attend at least ten hours of training relating to these duties every two years, beginning on the first day of the College District's fiscal year. Training must be from an independent source and not the College District.
- DELEGATION AUTHORITY** If the vice president for business services is incapacitated or otherwise unavailable, the College President may designate in writing an interim investment officer.
- INTEREST RATE RISK** To reduce exposure to changes in interest rates that could adversely affect the value of investments, the College District shall use final and weighted-average-maturity limits and diversification.

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ETHICS AND
CONFLICT OF
INTEREST

Officers and employees involved in the investment process shall refrain from personal business activity that could conflict with the proper execution and management of the investment program or that could impair the ability to make impartial decisions. Employees and investment officials shall disclose any material interests in financial institutions with which they conduct business. They shall further disclose any personal financial/investment positions that could be related to the performance of the investment portfolio. Employees and officers shall refrain from undertaking personal investment transactions with the same individual with whom business is conducted on behalf of their entity. An investment officer who has a personal business relationship with any entity seeking to sell an investment to the College District, or who is related in the second degree by marriage (affinity) or blood relations (consanguinity) to an individual seeking to sell an investment to the College District, is required to file a statement disclosing the relationship with the Texas Ethics Commission and the Board.

TRAINING

Training of appropriate Board members, the President, and the vice president for business services shall occur on an annual basis as provided by the Coordinating Board.

SAFEKEEPING AND
CUSTODY

The investment officer shall invest College District funds with any or all of the following institutions or groups consistent with federal and state law and the current bank depository contract:

AUTHORIZED
FINANCIAL DEALERS
AND INSTITUTIONS

1. Depository bank;
2. Another state or national bank with a main or branch office in Texas that is insured by the FDIC;
3. Savings and loan associations with main or branch offices in Texas that are insured by the FSLIC;
4. Public funds investment pools; or
5. Government securities brokers and dealers.

The College District shall maintain a list of authorized brokers/dealers and financial institutions that are approved for investment purposes. It shall be the policy of the College District to place investments with and purchase securities only from authorized institutions and firms. A list of institutions that are approved to do business with the College District shall be reviewed annually. Brokers/dealers must be in good standing with the Financial Industry Regulatory Authority (FINRA). Representatives of brokers/dealers shall be registered with the Texas State Securities Board.

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ments must meet the requirement of the Public Funds Investment Act. They must be obtained through a bid process conducted by the College District's financial advisor. For this limited purpose, the successful bidder is added to the list of authorized dealers and institutions.

COLLATERALIZATION

In accordance with state law, full collateralization shall be required on certificates of deposit and open time deposits from banks and savings and loan associations.

REPORTS

For each quarter of its fiscal year, the College District shall provide to the Board a report on its investment activities as required by the Public Funds Investment Act.

RATING CHANGES

At the end of each quarter of its fiscal year, the College District shall monitor the current rating of each U.S. government agency obligation, commercial paper, and investment pool in its portfolio.