

APPROPRIATIONS AND REVENUE SOURCES  
INVESTMENTS

CAK  
(LOCAL)

POLICY STATEMENT	<p>It is the policy of the College District that the administration of its funds and the investment of those funds shall be handled as its highest public trust. Investments shall be made in a manner that provides the maximum security of principal invested through limitations and diversification while meeting the daily cash flow needs of the College District and conforming to all applicable state statutes governing the investment of public funds. The receipt of a market rate of return shall be secondary to the requirements for safety and liquidity. It is the intent of the College District to be in complete compliance with College District policies and the Texas Public Funds Investment Act. The earnings from investments shall be used in a manner that best serves the public trust and interests of the College District.</p>
SCOPE	<p>This investment policy applies to all the financial assets and funds held by the College District. The College District commingles its funds into one pooled investment fund for investment purposes for efficiency and maximum investment opportunity. These funds are defined in the College District's Annual Financial Report.</p>
INVESTMENT STRATEGY	<p>Pursuant to the Public Funds Investment Act [see Texas Government Code 2256.005 (d)], CAK(REGULATION) enumerates the College District's investment strategy statement.</p>
INVESTMENT OBJECTIVES	<p>It is the policy of the College District that all funds shall be managed and invested with the following primary objectives, listed in order of their priority: safety, liquidity, diversification, and yield. These objectives encompass the following.</p>
LIQUIDITY	<p>The College District's investment portfolio shall remain sufficiently liquid to enable it to meet all operating requirements that might be reasonably anticipated.</p>
DIVERSIFICATION	<p>Diversification of the College District's portfolio shall include diversification by type of security, final maturity, and market sector and shall include the use of a number of brokers/dealers for diversification and market coverage. With the exception of U.S. Government securities, as authorized in this policy and authorized by local government investment pools, no more than 50 percent of the total investment portfolio shall be invested in any one security or with a single financial institution.</p> <p>Competitive quotations shall be used on each purchase, excepting and excluding those purchased directly from the U.S. Treasury.</p>
YIELD	<p>The College District's investment portfolio shall be invested with the objective of attaining a market rate of return throughout budgetary and economic cycles, taking into account the College District's risk constraints and the cash flow of the portfolio. "Market rate of</p>

APPROPRIATIONS AND REVENUE SOURCES  
INVESTMENTS

CAK  
(LOCAL)

return” is defined as the average yield of the current three-month U.S. Treasury Bill or the average return of an index that most closely matches the average maturity of the portfolio.

Effective cash management is recognized as essential to good fiscal management. Cash management is defined as the process of managing monies in order to ensure maximum cash availability. The College District shall maintain a comprehensive cash management program that includes collection of accounts receivable, prudent investment of its available cash, disbursement of payments in accordance with invoice terms, and the management of banking services.

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.

LEGAL LIMITATIONS,  
RESPONSIBILITIES,  
AND AUTHORITY

Direct specific investment parameters for the investment of public funds in Texas are found in the Public Funds Investment Act, Chapter 2256, Texas Government Code, (the “Act”). The Public Funds Collateral Act, Chapter 2257, Texas Government Code, specifies collateral requirements for all public funds deposits.

The Interlocal Cooperation Act, Chapter 791, Texas Government Code, authorizes local governments in Texas to participate in an investment pool established thereunder. That statute and reference to authorized investment in investment pools in the Act provide primary authority for use of investment pools by political subdivisions of the state of Texas.

DELEGATION OF  
INVESTMENT  
AUTHORITY

The College President and others acting on behalf of the Board shall serve as the investment officers and shall be responsible for investment management decisions and activities. The Board shall also be responsible for considering the quality and capability of staff, investment advisors, and consultants involved in investment management and procedures. All participants in the investment process shall seek to act responsibly as custodians of the public trust.

The investment officers shall be responsible for all transactions undertaken and shall establish a system of controls to regulate the activities of subordinate officials and staff.

No officer or designee may engage in an investment transaction except as provided under the terms of this policy and the procedures established by the investment officers and approved by the College President.

APPROPRIATIONS AND REVENUE SOURCES  
INVESTMENTS

CAK  
(LOCAL)

AUTHORIZED RESOLUTION	A trading resolution shall be established with this investment policy, authorizing the investment officer(s) or agent to engage in investment transactions on behalf of the College District. The trading resolution shall be used to establish brokerage and banking accounts in the performance of this policy. The persons authorized by the trading resolution to transact business for the College District are also authorized to approve wire transfers used in the process of investing.
PRUDENCE	The standard of prudence to be used in the investment function shall be the “prudent person” standard and shall be applied in the context of managing the overall portfolio. This standard states:  “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 their capital as well as the expected income to be derived.”
LIMITATION OF PERSONAL LIABILITY	The College President, investment officers, and those delegated investment authority under this policy, when acting in accordance with the written procedures and all applicable policies and in accordance with the Prudent Person Rule, shall be relieved of personal responsibility and liability in the management of the College District’s portfolio provided that deviations from expectations for a specific security’s credit risk or market price change or portfolio shifts are reported in a timely manner and that appropriate action is taken to control adverse market effects.
INTERNAL CONTROLS CASH FLOW FORECASTING	Cash flow forecasting is designed to protect and sustain the College District’s cash flow requirements. Supplemental to the financial and budgetary systems, the College District’s investment officers shall maintain a cash flow forecasting process designed to monitor and forecast cash positions for investment purposes. Cash flow shall include the historical researching and monitoring of specific cash flow items, payables and receivables, and overall cash position and patterns.
AUTHORIZED INVESTMENTS	Acceptable investments under this policy shall be limited to the instruments listed below. The investments are to be chosen in a manner that promotes diversity of market sector and final maturity. The choice of high-grade government investments and high-grade money market instruments is designed to ensure the marketability of those investments should liquidity needs arise. Authorized investments include:

APPROPRIATIONS AND REVENUE SOURCES  
INVESTMENTS

CAK  
(LOCAL)

1. Obligations of the U.S. Government, its agencies and instrumentalities, and government sponsoring enterprises, not to exceed two years to stated and final maturity.
2. Fully insured or collateralized certificates of deposit from a bank that has its main office or a branch office in the state of Texas or a state or federal credit union domiciled in the state of Texas and under the terms of a written depository agreement with that bank, not to exceed one year to the stated and final maturity.
3. Repurchase agreements and reverse purchase agreements as defined by the Texas Public Funds Investment Act provided an executed Master Repurchase Agreement is on file with the College District and the counter-party bank or primary dealer. The agreement must have a defined termination date. Reverse agreements shall not exceed 90 days to stated and final maturity.
4. Eligible Local Government Investment Pools as defined by the Texas Public Funds Investment Act. The pool's investment philosophy and strategy must be consistent with this policy and shall maintain a stable net asset value of one dollar.
5. Investment-grade obligations (defined as the top three grades by at least two nationally recognized rating services) of state, provincial, and local governments and public authorities.
6. Commercial paper rated A-1/P-1 or the equivalent by at least two nationally recognized rating agencies not to exceed 270 days to the stated and final maturity.
7. No-load, SEC-registered, and regulated money market funds, only after receipt of the prospectus for the fund and after specific approval by the Board. The fund must have a dollar-weighted average portfolio, not to exceed 90 days to the stated and final maturity. The fund's investment philosophy and strategy must be consistent with this policy and shall maintain a stable net asset value of one dollar.

If additional types of securities are approved for investment of public funds by state statute, they shall not be eligible for investment until this policy has been amended and the amended version has been approved by the Board.

DELIVERY VERSUS  
PAYMENT

All security transactions, including collateral for repurchase agreements, entered into by the College District, shall be conducted on a delivery versus payment (DVP) basis.

APPROPRIATIONS AND REVENUE SOURCES  
INVESTMENTS

CAK  
(LOCAL)

AUTHORIZED  
FINANCIAL DEALERS  
AND INSTITUTIONS

All investments made by the College District shall be made through the College District's banking services bank (trading desk), a primary dealer, or a secondary dealer.

The College District shall maintain a list of financial institutions authorized to provide investment services. Banks shall continuously provide their most recent "Consolidated Report of Condition" (call report).

Securities brokers/dealers not affiliated with a bank may be required to be classified as reporting dealers affiliated with the New York Reserve as primary dealers and meet certain other criteria as determined by the investment officers. A list of authorized dealers shall be established and maintained by the College District. The following criteria must be met by the firms on the list:

1. Provision of an audited financial statement for the most recent fiscal year and interim period;
2. Proof of certification by the National Association of Securities Dealers (NASD);
3. Proof of current registration with the State Securities Commission; and
4. Completion of a College District questionnaire.

Every dealer with whom the College District transacts business shall be provided a copy of this investment policy to ensure that they are familiar with the goals and objectives of the investment program. The brokers/dealers shall be required to return a copy of the certification form signed by a qualified representative (senior compliance officer) certifying that the policy has been received and reviewed.

As investments are made, the College District's investment officers shall solicit from the authorized list of dealers. An attempt shall be made to utilize as many names on the list as possible.

DIVERSIFICATION AND  
MATURITY  
LIMITATIONS

It is the policy of the College District to diversify its investment portfolio. Invested funds shall be diversified to minimize risk or loss resulting from overconcentration of assets in a specific maturity, specific issuer, or specific class of securities. Diversification strategies shall be established and periodically reviewed.

SAFEKEEPING AND  
COLLATERALIZATION

The laws of the state of Texas and prudent treasury management require that all purchased securities be bought on a DVP basis and be held in safekeeping by either the College District, an independent third-party financial institution, or the College District's designated depository.

APPROPRIATIONS AND REVENUE SOURCES  
INVESTMENTS

CAK  
(LOCAL)

All safekeeping arrangements shall be designated by the investment officers and an agreement of the terms executed in writing. The third-party custodian shall be required to issue safekeeping receipts to the College District listing each specific security, rate, description, maturity, CUSIP number, and other pertinent information as required by the College District's external auditors. Each safekeeping receipt shall be clearly marked that the security is held for the College District or pledged to the College District.

All securities pledged to the College District for certificates of deposit or demand deposits shall be held by an independent third-party bank domiciled in Texas with assets of \$100 million, net worth \$10 million, and ten years in business. The safekeeping bank may not be within the same holding company as the bank from which the securities are pledged.

Collateralization shall be required on two types of investments:

1. Certificates of deposits over the FDIC insurance coverage of \$250,000; and
2. Repurchase agreements.

In order to anticipate market changes and provide a level of additional security for all funds, the collateralization level required shall be 102 percent of the market value of the principal and accrued interest.

PERFORMANCE  
EVALUATION AND  
REPORTING

The investment officer(s) shall submit quarterly reports to the Board containing sufficient information to permit an informed outside reader to evaluate the performance of the investment program. At a minimum, this report shall contain:

1. Beginning and ending market value of the portfolio by market sector and total portfolio;
2. Beginning and ending carrying (book) value of the portfolio by market sector and total portfolio;
3. Transactions that change market and book value;
4. Detail reporting on each asset (book, market, and maturity dates at a minimum);
5. Overall current yield of the portfolio;
6. Overall weighted average maturity of the portfolio; and
7. Maximum maturities in the portfolio.

The report shall be prepared jointly by all involved in the investment activity and signed by the investment officers.

APPROPRIATIONS AND REVENUE SOURCES  
INVESTMENTS

CAK  
(LOCAL)

DEPOSITORIES

The College District shall designate one banking institution through a competitive process as its central banking services provider. This institution shall be used for normal banking services, including disbursements, deposits, lockbox, controlled disbursement, and safekeeping of securities. Other banking institutions from which the College District may purchase certificates of deposit shall also be designated after they provide their latest audited financial statements to the College District and are approved by the Board.

INVESTMENT POLICY  
ADOPTION BY THE  
BOARD

The College District's investment policy shall be reviewed annually by the College President, the investment officer, and the Board. Annual approval of the policy shall include changes made therein.