

APPROPRIATIONS AND REVENUE SOURCES
INVESTMENTS

CAK
(LOCAL)

Objectives

The cash management and investment policy of the College District shall be to:

1. Ensure the safety of the College District's funds;
2. Maintain sufficient liquidity to provide adequate and timely working funds;
3. Attain a rate of return no less than the market average and consistent with safety and liquidity considerations;
4. Match the maturity of investment instruments to the daily cash flow requirements;
5. Diversify investments as to maturity, instruments, and financial institutions where permitted under state law;
6. Actively pursue portfolio management techniques; and
7. Avoid investment for speculation.

Authorized Investments

The College President or designee, who may be a contractor, shall serve as the investment officer of the College District and invest College District funds in legally authorized and adequately secured investments, including bond proceeds and pledged revenue to the extent allowed by law, in accordance with generally accepted accounting procedures. College District funds will be invested in the following:

1. Obligations of, or guaranteed by, governmental entities with an investment rating not less than A or its equivalent as permitted by Government Code 2256.009.
2. Certificates of deposit that are fully guaranteed or insured by the Federal Deposit Insurance Corporation (FDIC) to one or more depository institutions as permitted by Government Code 2256.010.
3. Repurchase agreements that are fully collateralized as permitted by Government Code 2256.011.
4. No-load mutual funds, except for bond proceeds, and no-load money market mutual funds as permitted by Government Code 2256.014.
5. Public funds investment pools as permitted by Government Code 2256.016.
6. Cash management and fixed income funds as permitted by Government Code 2256.020.

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7. Negotiable certificates of deposit as permitted by Government Code 2256.020.
8. Corporate bonds, debentures, or similar debt obligations as permitted by Government Code 2256.020.

Sellers of Investments

Prior to handling investments on behalf of the College District, a broker/dealer or a qualified representative of a business organization must submit required written documents in accordance with law.

Representatives of brokers/dealers shall be registered with the Texas State Securities Board and must have membership in the Securities Investor Protection Corporation (SIPC), and be in good standing with the Financial Industry Regulatory Authority (FINRA).

Certificates of Deposit

Bids for certificates of deposit may be solicited orally, in writing, electronically, or in any combination of those methods.

Liquidity and Diversity

To meet the investment objectives of the College District, the maturity of investments shall be targeted to coincide with the cash flow needs of the College District. Investments should not be longer than five years. Total investments should be staggered so that shorter-term investments will provide more liquidity. The investment portfolio shall be diversified to reduce the risk of loss of investment income from overconcentration of assets in a specific maturity, a specific issue, a specific size, or a specific class of securities.

Investment Strategy

In managing the College District's investments, the investment officer shall:

1. Generally, stay short term in liquid instruments to avoid market risk and to generate superior returns during periods of rising interest rates;
2. Invest the portfolio to the full term possible under cash budget requirements; and
3. Establish a liquidity base to provide for known short-term disbursement requirements and select remaining maturities based on investment return offered.

Monitoring Market Prices

The investment officer shall monitor the investment portfolio and shall keep the Board informed of significant changes in the market value of the College District's investment portfolio. Information sources may include financial/investment publications and electronic media, available software for tracking investments, depository banks, commercial or investment banks, financial advisers, and representatives/advisers of investment pools or money market

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funds. 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.

Funds / Strategies

Investment 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 College 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.

Operating and
Auxiliary Funds

The primary objectives for operating funds shall be preservation and safety of principal, liquidity, and maturity sufficient to meet anticipated cash flow requirements.

Endowment Funds

The primary objective for endowment funds shall be the generation of a dependable revenue stream from high-quality securities to provide funds for awards to students as provided in the donor's donation instructions.

Unexpended Plant
Funds

Investment strategies for unexpended plant funds shall have as their primary objective the generation of a dependable revenue stream to provide for routine maintenance of facilities with sufficient liquidity to allow for major repairs and rehabilitations as needed.

Safety

The investment officer is expected to display prudence in the selection of securities, as a way to minimize default risk. No individual transaction shall be undertaken that would jeopardize the total capital position of the overall portfolio.

Investment Management

In accordance with Government Code 2256.005(3), the quality and capability of investment management for College District funds shall be in accordance with the standard of care, investment training, and other requirements set forth in Government Code Chapter 2256.

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.

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

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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 College District shall perform a compliance audit of management controls on investments and adherence to the College District's established investment policies.