

D. INVESTMENT

1. This policy shall be reviewed annually in accordance with provisions of the Public Funds Investment Act chapter 2256 as it now may be amended.
2. This policy is meant to be in compliance with such Act and any other law or statute specifically related to the “Investment of Public Funds,” under the control of this entity.
3. The Investing Officers for Texas Southmost College District shall be listed by position.
 - a. Any persons employed in the following positions are hereby appointed to act on behalf of this entity as “Investment Officer”:
 - i. Vice President for Partnership Affairs
 - ii. Assistant Vice President for Finance
 - iii. Director of Finance
 - iv. Anyone else the Board may appoint from time to time by official resolution.
4. The Investment Officers shall be required, within twelve (12) months of taking office, and once every two years, to attend at least one (1) training session related to the Officers’ responsibilities containing at least 10 hours of instruction.
5. The governing body will establish the qualification and capabilities of the Investment Officers which will be subject to change from time to time. The current qualifications and required capabilities are the required annual training in investment management and process.
6. The only other persons who are authorized to transact any investment business for the entity are those individuals who are instructed by the Investment Officers to facilitate the efficient handling of the investment portfolio. Any other person must be approved by the governing board of the entity.
7. This entity recognizes that the public has entrusted it with various monies to be used in the operation, debt service, special projects and various other activities necessary for successful operations.
8. The primary focus of this Investment Policy is on “Safety” of principal. In addition, because of the nature of the sources and uses of monies this entity recognizes that it is similarly important to maintain “Liquidity” in all of its funds to ensure that monies are available when and as needed. Investment decisions will be made with a focus on creating a reasonable “Yield” on the monies invested. Once the first three requirements of the policy are considered, attention will naturally be focused on “Diversification” in order to maintain a level of protection against risk.
9. Definitions:
 - a. Dollar weighted average maturity: The average maturity of the fund, giving weight to the dollar amounts by maturity ie., \$100,000 for 30 days, and \$400,000 for 180 days, creates an average weighted maturity of 150 days.
 - b. Final maturity: The day in which all principal and interest are due on a security.
 - c. Training in investment management and process: Training in the basic types of allowable investments authorized by Texas Southmost College District, the mechanics of buying and redeeming a security, basic accounting for any securities purchased, or any training conducted by the state to meet this requirement. Training must include investment controls, security, strategy risks, market risks and compliance with the PFIA.
 - d. Funds: Are those monies necessary for Texas Southmost College District to conduct its day to day operations, receive and disburse money, money received from and to

pay for bonded indebtedness, and any other account established by the Texas Southmost College District.

10. This Policy is written and arranged using the main components of the Public Funds Investment Act (PFIA) as a guideline:

- I. Listing of authorized investments
- II. Definition of Standard Care
- III. Strategy for each of the funds under District control
- IV. Dealing with Brokers and Third Parties
- V. Reporting Requirements

I. LISTING OF AUTHORIZED INVESTMENTS

The following investments have been reviewed and approved as authorized investments:

- A. Obligations of the United States, or its Agencies and Instrumentalities;
 1. Authorized to 100% of the entire Investment portfolio
 2. Maturities specifically related to the investment strategy by fund
 3. Individual investment maturities shall not exceed two (2) years
- B. Direct Obligations of the State of Texas, or its Agencies and Instrumentalities;
 1. Authorized to no more than 25% of the entire portfolio
 2. No individual maturity greater than two (2) years per investment
 3. The securities should be rated by two national rating agencies, AAA or the like
 4. Since this investment is also exposed to credit risk, there will be an analysis of the credit quality concerns before any investments are made, and annually thereafter
 5. If it is determined that the chances of receiving payments due to deterioration of the credit quality, the governing body will be appraised immediately and the investment considered for sale
- C. Certificates of deposit
 1. Authorized to 100% of the entire portfolio
 2. Issued by Banks domiciled in the State of Texas
 3. Insured by the Federal Deposit Insurance Corporation (FDIC) Bank Insurance Fund (BIF)
 4. Excess collateralized by authorized collateral per Public Funds Collateral Act (Chpt. 2257)
 5. The final maturity of any one investment not to exceed two (2) years
- D. Bank Interest Bearing Checking Accounts
 1. Authorized to 100% of entire portfolio
 2. Insured by the FDIC (BIF)
 3. Excess collateralized by authorized collateral per Public Funds Collateral Act (Chpt. 2257)
- E. Money Market Funds
 1. Maximum dollars allowed to be invested shall be 80% of the monthly average fund balance (excluding bond proceeds and reserves and other funds held for debt service)

2. No single investment in any one mutual fund which exceeds 10% of the total assets of the mutual fund
3. Average dollar weighted maturity of all funds should be ninety (90) days or less
4. The money market fund must have, as an investment objective, the maintenance of a stable net asset value of \$1 for each share
5. The fund shall be a no-load fund
6. The money market mutual fund shall be regulated by the Securities and Exchange Commission

F. Mutual Funds

1. Maximum dollars allowed to be invested shall be 15% of the monthly average fund balance
2. No single investment in any one mutual fund which exceeds 10% of the total assets of the mutual fund
3. Average weighted maturity of less than two (2) years
4. Continuously rated as to investment quality by at least one nationally recognized investment rating firm AAA or better
5. Conforms to the requirements set out in Sec. 2256.016 b and c relating to eligibility
6. Must be a no load fund

G. Investment Pools

1. Authorized to 100% of the entire portfolio
2. The pool must comply with Sec. 2256.016 in its entirety (see attached)

H. Repurchase Agreement for Bond Proceeds-Restricted

- (a) A fully collateralized repurchase agreement is an authorized investment if the repurchase agreement:
 - (1) has a defined termination date;
 - (2) is secured by obligations described by Section 2256.009(a)(1) of the Government Code;
 - (3) requires the securities being purchased by the District to be pledged to the District, held in the District's name, and deposited at the time the investment is made with the District or with a third party selected and approved by the District; and
 - (4) is placed through a primary government securities dealer, as defined by the Federal Reserve, or a financial institution doing business in this state.
- (b) Money received by the District under the terms of a reverse security repurchase agreement shall be used to acquire additional authorized investments, but the term of the authorized investments acquired must not mature later than the expiration date stated in the reverse security repurchase agreement. Government Code 2256.011

II. Standard Care

The District recognizes that the securities are a dynamic moving target. As such, the District has approved, by acceptance of this policy, the following doctrine of standard of care to be used with all its investments. Investments shall be made with judgment and care, under prevailing circumstances, that a person of prudence, discretion, and

intelligence would exercise in the management of the person's own affairs, not for speculation, but for investment, considering the probable safety of capital and the income to be derived. As such, the entity will apply the following general guidelines with each and every investment:

1. Emphasis will be placed on safety of principal
2. Emphasis will be given to the liquidity of the investment
3. Emphasis will be placed on the return of the investment

In order to maintain these standards of care, the Investment Officer(s) is responsible for taking into consideration:

1. The entire portfolio, meaning that the standards should be applied to the entire portfolio and the safety, liquidity, and yields should be considered on the whole portfolio
2. Each particular investment shall comply and be consistent with this written policy
3. The maximum allowable stated maturity of any individual investment owned by the District will be two (2) years

III. Strategy for each of the Funds under District Control

- A. Each of the entity's funds will be grouped into one of the following categories for use with this policy.
 1. General Fund
 2. Loan Fund
 3. Auxiliary Fund
 4. Plant Fund
 5. Agency Fund
- B. Each of the categories mentioned above will have a strategy written for that fund which is part of this investment policy. This strategy will comply with the general terms of the policy in that safety, liquidity, and yield are to be addressed. In addition, each strategy will include an analysis and an explanation of the objectives of that particular strategy. The Investment Officer will follow the investment strategy when making authorized investments for the fund.
- C. Since strategies for each particular fund may change from time to time depending on the position in which the entity finds itself, those approved and adopted strategies are part of this policy and carried under SCHEDULE A, which is made part of this policy.

IV. Dealing with Brokers and Third Parties

Any person or organization who is in the legitimate position where they, in fact, are going to sell the entity an authorized investment, or act as an authorized agent of the District, shall be given a copy of this policy. This entity shall require that the principal of the particular organization seeking to sell authorized investments execute a written instrument that confirms that the person or organization has:

1. Received and reviewed thoroughly the investment policy of the entity.
2. Acknowledged that the firm has implemented reasonable procedures and controls in an effort to preclude imprudent investment activities.
3. Filed a statement disclosing any personal business relationship or familial relationship with any Investment Officer.

4. Agreed that all securities will be purchased on a delivery vs. payment settlement method so that no security will be purchased without good delivery of the security.
5. Provided a professional resume and job history with a listing of the organization's principal partners or agents.
Any Investment Officer who has a personal business relationship, or a familial relationship with an individual of the organization seeking to sell an investment to the entity, shall file a statement disclosing that relationship. A statement must be filed with the Texas Ethics Commission and the governing body of this entity. The Investment Officer of Texas Southmost College District may not buy securities from a person who has not delivered to TSC an instrument which covers all of the above.

V. Reporting Requirements

In order to properly service this portfolio, and provide the Board with information to determine the success of the entity's investment portfolio, reporting will be required on all investments to the Board no less than quarterly.

A. This information, at minimum, shall:

1. Contain a detail of the investment position as of the date of the report.
2. Be prepared jointly by all of the Investment Officers.
3. Be signed by each Officer.
4. Contain a summary statement on each pooled fund group with:
 - a. beginning market value for the reporting period;
 - b. additions and changes to the market value during the period;
 - c. ending market value for the period
5. State book value, market value, beginning and end of the reporting period by investment.
6. State maturity date on each investment.
7. List this information by pool.
8. Contain a statement that the investments made by the entity are in accordance with the stated strategies and approved policy, and relevant provisions of the law.

SCHEDULE A: INVESTMENTS STRATEGIES BY FUND

The following investment strategies are the guidelines to investments of the funds of this entity. All investments, when aggregated together, must be within the diversification parameters listed with the authorized investments. From time to time, on a temporary basis, the actual investments within one fund or another may vary slightly from its underlying strategy. However, these aberrations should only be temporary and corrected easily. Diversification, very often, is impacted by the yield on various types of authorized investments. Although diversification is part of the decision criteria used by the Investment Officer, more heavily considered are: yield, safety of principal, and maturity of the particular investment. As a result, diversity of the investment portfolio may not be significantly accomplished.

1. General Fund

The operating funds are necessary for the operations of the day to day activities of the District and, as such, need to be available when needed. Excess balances in the

General Fund will be invested in highly liquid securities which can be sold and cash delivered immediately. The suitable investments to meet this high level of liquidity are considered to be those investments authorized under this policy, with maturities of less than two weeks. Marketability of the short term investments will be high priority in the event the security must be sold before maturity and as such, only those investments which can be sold immediately will be considered for this fund.

2. Loan Fund

These funds are necessary to provide for students, faculty and staff on an as needed basis. Investments authorized under this policy will have maturities of less than one (1) week. The fund will be maintained in an interest bearing checking account.

3. Auxiliary Fund

The Auxiliary Funds are not as time sensitive as some of the other funds. Consequently, the funds investments may be pushed further in time and thus realizing a higher Return on Investment (yield). The suitable investments for this fund will be longer term investments as authorized under this policy. The fund will keep at least 20% of its monies in investments of maturities of two weeks or less in order to provide for and maintain liquidity for those unplanned or immediate expenditures. The remaining percentage of the monies in this fund may be invested in authorized investments not exceeding two (2) years.

4. Plant Fund

The nature of the funds in this account, allow for longer term investments. The fund will maintain an interest bearing checking account to act as a collection vehicle for monies transferred into and out of the fund. However, the strategy for this fund will be to invest the available balances in maturities up to two (2) years and not less than 60 days. Investments suitable for this fund will be those authorized by this policy. The marketability of the investments will be more volatile in this fund due to the longer term investment horizon, the impact of this volatility will be partially mitigated by maintaining at least 20% of the invested funds in maturities of one hundred twenty (120) days or less.

5. Agency Fund

The nature of these funds is identical to No. 2 above, and strategy is the same.

Authority: Texas Education Code, Sec. 23.61 et seq.; and SUJCD Board of Trustees

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