



Administrative Regulations

South San Antonio Independent School District

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Annually, the Board shall review the district’s investment policy and investment strategies and approve a written resolution. The review should include whether any changes were made to either the investment policy or investment strategies.

In addition, during 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.

The investment strategy shall be a passive one, in that most securities shall be purchased and held to maturity. Additionally, cash inflows and outflows shall be monitored daily. Given this strategy, the basis used by the investment officer(s) to determine whether market yields are being achieved shall be the 91-day U.S. Treasury Bill.

Investment Authority

The Superintendent or designee shall serve as the Investment Officer of the district and invest district funds as directed by the Board and in accordance with the district’s investment policy and generally accepted accounting practices. The Investment Officer will invest public funds in a manner that ensures the safety of invested funds, maintains sufficient liquidity to provide for the daily cash flow demands of the entity, provides the highest investment return, and conforms to all state and local statutes governing the investment of public funds.

All investment transactions except investment pool funds and mutual funds shall be settled on a delivery versus payment basis.

The District may choose to appoint, subject to Board approval, an investment adviser registered with the Securities and Exchange Commission (SEC) to assist the District's financial staff in the management of the District's funds. The adviser must also be registered with the Texas State Securities Board as an investment adviser. To be eligible for consideration, the adviser shall demonstrate knowledge of and experience in the management of public funds. An appointed adviser shall act within the guidelines of this investment policy and shall not transact business on behalf of the District without obtaining prior written authorization from the District investment officer.

From those investments authorized by law and described further in CDA(LEGAL) under Authorized Investments, the Board shall permit investment of District funds, including bond proceeds and pledged



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revenue to the extent allowed by law, in only the following investment types, consistent with the strategies and maturities defined in this policy:

1. Obligations of, or guaranteed by, governmental entities as permitted by Government Code 2256.009.
2. Certificates of deposit and share certificates as permitted by Government Code 2256.010.
3. Fully collateralized repurchase agreements permitted by Government Code 2256.011.
4. A securities lending program as permitted by Government Code 2256.0115.
5. Banker's acceptances as permitted by Government Code 2256.012.
6. Commercial paper as permitted by Government Code 2256.013.
7. No-load mutual funds, except for bond proceeds, and no-load money market mutual funds, as permitted by Government Code 2256.014.
8. A guaranteed investment contract as an investment vehicle for bond proceeds, provided it meets the criteria and eligibility requirements established by Government Code 2256.015.
9. Public funds investment pools as permitted by Government Code 2256.016.

Objectives

The primary objectives of the District's investment activities, in order of priority, shall be as follows:

1. **Safety of Principal** - Investments be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. To attain this objective, diversification shall be required in order that potential losses on individual securities do not exceed the income generated from the remainder of the portfolio.
2. **Liquidity and Maturity** - Any internally created pool fund group of the District shall have a maximum dollar weighted maturity of 730 days. The maximum allowable stated maturity of any other individual investment owned by the District shall not exceed three years from the time of purchase. The Board may specifically authorize a longer maturity for a given investment, within legal limits.
3. **Return on Investments** - The District's investment portfolio shall have sufficient liquidity to meet anticipated cash flow requirements. The portfolio shall be designed with the objective of attaining a maximum rate of return throughout budgetary and economic cycles, commensurate with the District's investment risk constraints and the cash flow characteristics of the portfolio.
4. **Diversity** - The investment portfolio should 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.
5. **Monitoring Market Prices and Rating Changes** - The investment officer should monitor the investment portfolio and keep the Board informed of significant changes in the market value of the District's investment portfolio. Information sources may include financial/investment publications and electronic media, available software for tracking investments, depository banks, commercial or



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investment banks, financial advisers, and representatives/advisers of investment pools or money market 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. In addition, 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.

6. **Safekeeping and Custody** - Retain clearly marked receipts providing proof of the District's ownership; however, the District may delegate to an investment pool the authority to hold legal title as custodian of investments purchased with District funds by the investment pool.

Collateral and Insurance

District investment officer(s) shall ensure that all District funds are fully collateralized or insured consistent with federal and state laws and the current bank depository contract in one or more of the following manners:

1. FDIC insurance coverage;
2. Obligations of the United States or its agencies and instrumentalities.

Collateralization shall be required on two types of investments, certificates of deposit and repurchase (and reverse) agreements.

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

The District chooses to limit collateral to only those allowed under Chapter 2257 (Public Funds Collateral Act).

Sellers of Investments

Prior to handling investments on behalf of the District, a broker/dealer 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 have membership in the Securities Investor Protection Corporation (SIPC) and be in good standing with the Financial Industry Regulatory Authority (FINRA).

Authorized Financial Dealers and Institutions

The investment officer(s) shall maintain a list of the financial institutions authorized to provide investment services. In addition, a list shall be maintained of approved security broker/dealers selected by credit worthiness who are authorized to provide investment services in the state of Texas. These may include



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"primary" dealers or regional duties that qualify under Securities & Exchange Commission Rule 15C3-1 (uniform net capital rule). No public deposit shall be made except in a qualified public depository as established by state laws.

All financial institutions and broker/dealers who desire to become qualified bidders for investment transactions must supply the District investment officer(s) with the following:

1. Audited financial statements.
2. Proof of National Association of Security Dealers certification.
3. Completed broker/dealer questionnaire.
4. Proof of state of Texas registration.
5. Trading resolution.
6. Certification of having read the District's investment policy.

An annual review of the financial condition and registrations of qualified bidders shall be conducted by the District investment officer(s).

A current audited financial statement shall be required to be on file for each financial institution and broker/dealer in which the District invests.

Soliciting Bids for CD's

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

Interest Rate Risk

To reduce exposure to changes in interest rates that could adversely affect the value of investments, the District should use final and weighted-average-maturity limits and diversification and monitor interest rate risk using weighted average maturity and specific identification.

Internal Controls

Internal controls shall be reviewed by the independent auditors yearly and should include the following:

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.