

OFFICERS AND OFFICIALS
DUTIES AND REQUIREMENTS OF DEPOSITORY

BDAE
(LOCAL)

Selecting a Depository	The Superintendent or designee shall have authority to determine the method of selecting a depository in accordance with BDAE(LEGAL).
Allowable Collateral	Eligible securities for collateralization of deposits are those defined as “eligible securities” by the Public Funds Collateral Act.
Monitoring Collateral Adequacy	The District shall require monthly reports with market values of pledged securities from all financial institutions with which the District has collateralized deposits. The investment officers shall monitor adequacy of collateralization levels to verify market values and total collateral positions.
Release of Pledged Securities	The investment officer or designee shall approve in writing the release or substitution of any securities pledged to the District that are being held by any organization.
Collateral Required	Deposits of the District in any duly selected depository bank shall be secured by securities wholly owned by that depository bank that are pledged to the District.
Applicable and Controlling Law	<p>This collateral policy is drawn with the intent to fully comply with Government Code, Chapter 2257, “Collateral for Public Funds.”</p> <p>In the event that any provision of this written policy document is held to conflict with that law, the intent of the Board is that the law shall be followed, and the policy shall be utilized without regard to that portion of this policy found to be in conflict with the law.</p> <p>In all matters related to collateral securities pledged to the District, it is the intent of the Board that this policy is the same as the law cited above unless the law allows the Board to adopt in this policy restrictions on matters covered by the law and such restrictions are selected and/or made by the Board in this written collateral policy document.</p>
Securities Eligible for Pledge Under This Policy	<p>“Eligible security” means:</p> <ol style="list-style-type: none">1. A surety bond, or2. An investment security in which a public entity may invest under Government Code, Chapter 2256, Subchapter A.
Amount of Collateral	<p>The value of the eligible securities pledged to the District shall not be less than:</p> <ol style="list-style-type: none">1. The total amount of all accounts and/or other deposits of the District in the depository bank;2. An amount increased by the any accrued interest;

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3. An amount reduced to the extent that the United States or an instrumentality of the United States insures the deposit.

**Value of Instruments
Being Pledged**

The value of a surety bond is its face value.

The value of an investment security is its market value.

**Substitution or
Release of Pledged
Investment Security**

The depository bank may, from time to time, desire to substitute a specific security that has not been pledged to the District. The process of substitution shall include the following steps and actions:

1. The depository bank shall notify the District's investment officer of its desire to substitute one security as a pledge for another and provide the investment officer all information necessary for the investment officer and the Board to make an informed judgment about allowing the substitution.
2. The investment officer shall inform the Superintendent of the request and shall aid the Superintendent in evaluating the request and preparing an appropriate presentation of the facts and circumstances of the request for the Board.
3. The Board shall, after review of the facts and circumstances and after hearing the recommendation of the District administration, approve or disapprove the request for substitution.

The depository bank may, from time to time, desire to have a specific security that has been pledged to the District released from pledge without being replaced.

The following shall apply:

1. The depository bank shall notify the District's investment officer of its desire to substitute one security as a pledge for another and provide the investment officer all the information necessary for the officer and the Board to make an informed judgment about allowing release of the security without replacement.
2. The investment officer shall inform the Superintendent of the request and shall aid the Superintendent in evaluating the request and preparing an appropriate presentation of the facts and circumstances of the request for the Board.
3. The Board shall, after review of the facts and circumstances and after hearing the recommendation of the District administration, approve or disapprove the request for release of a security from pledge to the District without replacement.

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**Custodian of
Securities Pledged
to the District**

A depository bank of the District shall deposit with a custodian all investment securities pledged to the District to secure the District's accounts and/or deposits with the depository bank.

The custodian shall be approved by the Board.

The custodial institutions must be:

1. A Federal Reserve Bank or a branch of a Federal Reserve Bank;
2. The Texas Treasury Safekeeping Trust Company; or
3. A state or national bank that:
 - a. Has its main office or a branch office in this state;
 - b. Has a capital stock and permanent surplus of \$5 million or more;
 - c. Is independent from the District's depository bank as to control by ownership of the custodial institution, as to control of management of the custodial institution, and as to any, and all, considerations of the safety and protection of the securities pledged to the District and held by the custodial institution; and
 - d. Is judged to have resources and experience suitable for the safekeeping of the District's pledged securities.

**Receipts for the
Securities Pledged
to the District**

Upon deposit in the custodial institution of securities pledged and segregated in an account maintained by the custodial institution for the exclusive benefit of the District, the custodial institution shall issue receipts for such pledged securities that the custodian holds investment securities owned by the depository bank that are segregated and held as pledges for the exclusive benefit of the District.

Such receipts shall, as a minimum, identify the name of the security held, the CUSIP number of the security held, and the amount (number of units of the bonds and the "face amount of the bonds") of the security held as pledge to the District.

The receipts shall operate to protect the District and shall prevent the use of the pledged security for any other purpose or transaction by the depository bank until a release of the security has been signed by an official of the District authorized to sign for such release after approval of the release by the Board.

**Approval of the
Present Custodian of
Pledged Securities**

The Frost National Bank, San Antonio, Texas, is the present custodian holding securities pledged to secure the accounts and/or de-

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posits in the District's depository bank. This policy specifically approves the Frost National Bank as custodian for the District's pledged securities.

**Time Period Covered
by This Document**

This collateral policy document is hereby adopted for the first two fiscal years reflected in the document title.

It is the intention of the Board to review the District's collateral policy document annually. However, if exact annual review does not occur, the Board intends to provide by this wording in this document, the continued application of this document to the collateralizing and investment activities in a succeeding fiscal year until the approximate annual review can be accomplished by the Board.

Therefore, continued use and reliance on this document by the Superintendent and the investment officer is authorized by the Board and is not considered by the Board to be contrary to law, Board policy, knowledge, or expectation.