The College District shall invest all available funds in conformance with these legal and administrative guidelines.

Investment Authority

The executive vice president for finance and administration and the vice president for business services or other person(s) designated by Board resolution shall serve as the investment officer(s) of the College District and shall invest College District funds as directed by the Board and in accordance with the College District's written investment policy and generally accepted accounting procedures. All investment transactions except investment pool funds and mutual funds shall be settled on a delivery versus payment basis.

Approved Investment Instruments

From those investments authorized by law and described further in CAK(LEGAL) under Authorized Investments, the Board shall permit investment of College District funds in only the following investment types, consistent with the strategies and maturities defined in this policy:

1. Obligations of the United States or its agencies and instrumentalities, including the Federal Home Loan Bank, as permitted by Government Code 2256.009.
2. Direct obligations of the State of Texas and agencies thereof, as permitted by Government Code 2256.010.
3. Other obligations, the principal, and interest on which are unconditionally guaranteed or insured by the State of Texas or the United States or its agencies and instrumentalities, including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation (FDIC) or by the explicit full faith and credit of the United States, as permitted by Government Code 2256.009.
4. Obligations of states, agencies, counties, cities, districts, and other political subdivisions of any state having been rated as to investment quality by a nationally recognized investment rating firm and having received a rating of not less than "A" or its equivalent, as permitted by Government Code 2256.009.
5. Certificates of deposit and share certificates, and other financial institution deposits, as permitted by Government Code 2256.010.
6. Fully collateralized repurchase agreements permitted by Government Code 2256.011.
7. No-load money market mutual funds and no-load mutual funds as permitted by Government Code 2256.014.

8. Public funds investment pools as permitted by Government Code 2256.016.

Investments in collateralized mortgage obligations are strictly prohibited. In accordance with Texas state law, the following are not authorized investments:

1. Obligations whose payment represents the coupon payments on the outstanding principal balance of the underlying mortgage-backed security collateral and pay no interest;
2. Obligations whose payment represents the principal stream of cash flow from the underlying mortgage-backed security collateral and bears no interest;
3. Collateralized mortgage obligations that have a stated final maturity of greater than ten years; and
4. Collateralized mortgage obligations the interest rate of which is determined by an index that adjusts opposite to the changes in a market index.

Safety

The primary goal of the investment program is to ensure safety of principal, to maintain liquidity, and to maximize financial returns within current market conditions in accordance with this policy. Investments shall be made in a manner that ensures the preservation of capital in the overall portfolio, and offsets during a 12-month period any market price losses resulting from interest-rate fluctuations by income received from the balance of the portfolio. No individual investment transaction shall be undertaken that jeopardizes the total capital position of the overall portfolio.

The College District shall seek to control the risk of loss due to failure of an investment issuer by monitoring the ratings of portfolio positions to ensure compliance with the rating requirements imposed by the Public Funds Investment Act (PFIA). Not less than quarterly, the investment officer(s) shall obtain from a reliable source the current credit rating for each held investment that has a PFIA-required minimum rating. Should an issuer experience a single step downgrade of its credit rating by a nationally recognized credit rating agency within 90 days of the position's maturity, the investment officer(s) may approve holding the position to maturity. If the subject security matures beyond the 90-day period or if the credit rating downgrade exceeds a single step, it will be the College District's policy to convene an emergency meeting of the investment committee to determine whether liquidation of the position is warranted. This meeting should take place within 24 hours of notification or discovery of the credit downgrade.

The purchase of individual securities shall be executed by "delivery versus payment" (DVP). By so doing, College District funds shall not be released until the College District has received the securities purchased.

Investment Management

In accordance with Government Code 2256.005(b)(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.

An investment committee shall be established to determine investment guidelines, general strategies, approve brokers/dealers and independent training sources, and monitor performance. Members of the investment committee shall include the investment officer(s) and a representative of the external investment advisory firm. The committee shall meet quarterly to review performance, strategy, and procedures.

Liquidity and Maturity

Any internally created pool fund group of the College District shall have a maximum dollar weighted maturity of 180 days. The maximum allowable stated maturity of any other individual investment owned by the College District shall not exceed one year from the time of purchase. The Board may specifically authorize a longer maturity for a given investment, within legal limits.

The College District's investment portfolio shall have sufficient liquidity to meet anticipated cash flow requirements. Liquidity shall be achieved by investing in securities with active secondary markets and by maintaining minimum balances in financial institution deposits, eligible money market mutual funds (MMMFs), and local government investment pools (LGIPs).

An investment may be liquidated to meet unanticipated cash requirements, to re-deploy cash into other investments expected to outperform current holdings, or to otherwise adjust the portfolio.

Diversity

The investment portfolio shall 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.

Risk of principal loss in the portfolio as a whole shall be minimized by diversifying investment types according to the following limitations. As discussed below, these limitations shall not apply to bond proceeds.

Investment Type	% of Portfolio
Repurchase Agreements (excluding flexible repurchase agreements)	50%
Financial Institution Deposits	80%
U.S. Treasury Notes/Bonds/Bills	90%
U.S. Agencies	80%
Money Market Mutual Funds	80%
Local Government Investment Pools	80%
State or Municipal Obligations	25%

The College District shall diversify its investment portfolio so that reliance on any one issuer or broker/dealer shall not place an undue financial burden on the College District. Generally, the College District shall limit its repurchase agreement exposure with a single firm to no more than 15 percent of the value of the College District's overall portfolio (with the exception of bond-issue specific flexible repurchase agreements) and its state or municipal obligations with a single issuer to no more than five percent of the value of the College District's overall portfolio. To allow efficient and effective placement of proceeds from any bond sales, these limits may be exceeded for a maximum of five business days following the receipt of bond proceeds.

Proceeds of a single bond issue may be invested in a single security or investment if the investment committee determines that such an investment is necessary to comply with federal arbitrage restrictions or to facilitate arbitrage recordkeeping and calculation.

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 funds. Monitoring shall be done 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.

Collateralization

Consistent with the requirements of state law, the College District requires all banks, savings banks, and credit union deposits to be federally insured or collateralized with eligible obligations. Financial institutions serving as College District depositories shall be required to sign an agreement with the College District in compliance with federal regulations. The agreement shall require compliance with the PFIA and this investment policy, establish an independent custodian for all pledged collateral, define the eligible collateral and the College District's rights to the collateral in case of default, bankruptcy, or closing, and establish a perfected security interest in compliance with federal and state regulations. The agreement shall:

- Be in writing; and
- Be approved by resolution of the Board or the designated committee of the depository and a copy of the meeting minutes or resolution reference shall be delivered to the College District.

  The pledging of collateral shall be a contemporaneous and continuous part of the agreement.

Allowable Collateral

For financial institution deposits, the eligible types of collateralization of deposits are defined by the “Public Funds Collateral Act” (Chapter 2257, Texas Government Code). The eligibility of specific issues may at times be restricted or prohibited, at the sole discretion of the College District.

For repurchase agreements, collateral underlying the repurchase agreement is limited to cash and U.S. government and agency obligations, which are eligible for wire transfer (i.e., book entry) to the College District’s designated custodian through the Federal Reserve System.

Collateral Levels

Collateral is valued at current market plus interest accrued through the date of valuation.

For financial institution deposits, the market value of securities pledged as collateral for deposits shall at all times be equal to or greater than 102 percent of the par value of the deposit plus accrued interest, less the amount insured by the FDIC or the National Credit Union Share Insurance Fund or their successors. The depository shall be liable for monitoring and maintaining the collateral and collateral margins at all times. Letters of credit shall at all times be equal to the total value of the deposits less the applicable level of FDIC insurance. The letter of credit shall expire not less than two business days after the anticipated deposit withdrawal.

For repurchase agreements, the market value of collateral required to be pledged for repurchase agreements shall be a percentage of the par value of the agreement plus accrued interest and shall be maintained at the following levels:

Collateral Maturity	U.S. Treasury Securities	U.S. Government Agency
Cash	100%	100%
1 year or less	101%	101%
1 – 5 years	102%	102%
More than 5 years	103%	104%

Monitoring Collateral Adequacy

For financial institution deposits, the College District requires monthly reports with market values of pledged securities from all financial institutions with which the College District has collateralized deposits. The College District shall regularly monitor the adequacy of collateral.

For repurchase agreements, regular monitoring by the College District of all collateral underlying repurchase agreements shall be required. More frequent monitoring may be necessary during periods of market volatility.

Margin Calls

For financial institution deposits, if the securities pledged as collateral fall below 102 percent of the par value of the deposit, plus accrued interest less FDIC or National Credit Union Share Insurance, the institution shall be notified by the College District and shall be required to pledge additional securities no later than the end of the next succeeding business day.

For repurchase agreements, if the value of the collateral underlying a repurchase agreement falls below the margin maintenance levels specified above, the College District shall make a margin call and shall require additional securities to be pledged no later than the end of the next succeeding business day, unless the repurchase agreement is scheduled to mature within five business days and the amount is deemed to be immaterial.

Collateral Substitution

Collateralized deposits often require substitution of collateral. Any broker/dealer or financial institution requesting substitution must contact the investment officer(s) for approval and settlement. The substituted collateral's value will be calculated and substitution approved if its value is equal to or greater than the required value [see Collateral Levels]. The investment officer(s) shall give immediate notification of the decision to the custodian holding the collateral. Substitution is allowable for all transactions but should be limited, if possible, to minimize potential administrative problems and transfer expense. The investment officer(s) may limit substitution and assess appropriate fees if substitution becomes excessive or abusive.

Collateral Reductions

Should the collateral's market value exceed the required amount, any broker/dealer or financial institution may request approval from the investment officer(s) to reduce collateral. Collateral reductions may be permitted only if the College District's records indicate that the collateral's market value exceeds the required amount.

Funds / Strategies

Investments 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 Operating Reserve Funds

Investment strategies for operating/operating reserve funds have as their primary objective to ensure that anticipated cash flows are matched with adequate investment liquidity. The secondary objective is to create a portfolio structure that will experience minimal volatility during economic cycles. This may be accomplished by purchasing quality, short-to-medium term investments that will complement each other in a laddered or barbell maturity structure. The dollar weighted average maturity limit shall be 548 days or less and will be calculated using the stated final maturity dates of each investment. Investments may not be purchased that have a final stated maturity date that exceeds five years.

Debt Service Reserve Funds

Investment strategies for debt service reserve funds shall have as the primary objective the ability to generate a dependable revenue stream to the appropriate debt service fund from investments with a low degree of volatility. Except as may be required by the bond ordinance specific to an individual issue, investments should be of high quality, with short-to-intermediate term maturities. Volatility shall be further controlled through the purchase of securities carrying the highest coupon available, within the desired maturity and quality range, without paying a premium, if possible. Investments may not be purchased that have a maturity date beyond five years or the maximum maturity allowed by the bond ordinance specific to the individual issuance, whichever is less.

Debt Service Funds

Investment strategies for debt service funds shall have as the primary objective the assurance of investment liquidity adequate to cover the debt service obligation on the required payment date. Investments purchased shall not have a stated final maturity date that exceeds the unfunded debt service payment date.

Bond Construction or Special Purpose Funds

Investment strategies for debt service reserve funds shall have as the primary objective the ability to generate a dependable revenue stream to the appropriate debt service fund from investments with a low degree of volatility. Except as may be required by the bond ordinance specific to an individual issue, investments shall be of high quality, with short-to-intermediate term maturities. Volatility shall be further controlled through the purchase of securities carrying the highest coupon available, within the desired maturity and quality range, without paying a premium, if possible. Investments may not be purchased that have a maturity date beyond five years or the maximum maturity allowed by the bond ordinance specific to the individual issuance, whichever is less.

Safekeeping and Custody

The College District shall retain clearly marked receipts providing proof of the College District's ownership. The College District may delegate, however, to an investment pool the authority to hold legal title as custodian of investments purchased with College District funds by the investment pool.

Safekeeping Agreement

The College District shall contract with a third-party financial institution for the safekeeping and custody of securities either owned by the College District as a part of its investment portfolio or held as collateral to secure certificates of deposits, share certificates, or repurchase agreements.

Custody of Financial Institution Deposits Collateral

All collateral securing financial institution deposits shall be held by an independent, third-party financial institution approved by the College District, a Federal Home Loan Bank, or the Federal Reserve Bank.

In the case of brokered certificates of deposit, the College District may appoint a third-party financial institution or a clearing broker/dealer registered with the Securities and Exchange Commission (SEC) and operating pursuant to SEC Rule 1533-3 (17 C.F.R. Section 240.15c3.3) as custodian for the College District with respect to the certificates of deposit issued for the account of the College District.

Safekeeping or Repurchasing Agreement Collateral

The securities that serve as collateral for repurchase agreements with brokers/dealers shall be delivered to an independent, third-party financial institution approved by the College District.

Brokers / Dealers

Securities shall only be purchased from those institutions included on the College District's list of brokers/dealers as approved by the investment committee. This list of approved brokers/dealers shall be reviewed at least annually by the College District's investment committee.

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).

Competitive Bidding

The College District shall require competitive bidding for all individual certificate of deposit and security purchases except for those transactions with financial institution deposits, MMMFs, and LGIPs, which are deemed to be made at prevailing market rates, and for government securities purchased at issue through a dealer at auction price. Rather than relying solely on yield, investment in financial institution deposits, MMMFs, and LGIPs shall be based on criteria determined by the investment committee, including adherence to SEC guidelines for MMMFs when appropriate. Bids/offers may be solicited either orally, in writing, electronically, or in any combination of those methods.

At least three bidders shall be contacted in all transactions involving individual securities, excluding the purchase of new issue offerings. Competitive bidding for security swaps shall be required. Bids may be solicited in any manner provided by law. For those situations where it may be impractical or unreasonable to receive three bids for a transaction due to a rapidly changing market environment or to secondary market availability, documentation of a competitive market survey of comparable securities or an explanation of the specific circumstance must be included with the transaction quote/bid sheet. All bids received shall be documented and filed for auditing purposes.

Soliciting Bids for CDs

In order to get the best return on its investments, the College 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 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.

Internal Controls

A system of internal controls shall be established and documented in writing and must include specific procedures designating who has authority to withdraw funds. Also, they shall be designed to protect against losses of public funds arising from fraud, employee error, misrepresentation by third parties, unanticipated changes in financial markets, or imprudent actions by employees and officers of the College District. Controls deemed most important shall include:

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.

These controls shall be reviewed by the College District's independent auditing firm.

Portfolio Report

In addition to the quarterly report required by law and signed by the College District's investment officer, a comprehensive report on the investment program and activity shall be presented annually to the Board.

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.