

HOWARD COUNTY JUNIOR COLLEGE DISTRICT INVESTMENT POLICY

GUIDELINES

The Investment Officer(s) of Howard County Junior College District (District) shall invest funds not needed for current operations into investments conforming to all state statutes governing the investment of public funds. The Chief Financial Officer, the Chief Business Officer, and the Director of Financial Accounting are to act as investment officer(s) for all funds of the District.

OBJECTIVES

The objectives of the District's investment activities shall be in priority order.

1. **Safety** - Investments shall be made in a manner that ensures the preservation of the original investment. Safety of the principal shall be the primary goal of the investment activity.
2. **Liquidity** - Investments shall be made for intervals of time that enable all operational requirements to be met in a timely manner. Risk factors of any investment shall be considered when investing funds to meet the cash flow needs of the District.
3. **Marketability of the Investment** - Investments shall be made with consideration given to the marketability of the investment if the need arises to liquidate the investment before maturity.
4. **Diversification** - The District recognizes that investment risks can result from issuer defaults, market price changes or various technical complications leading to temporary illiquidity. Risk is controlled through portfolio diversification within a conservative investment strategy.
5. **Return on Investment** - Investments shall be made with the goal of attaining a competitive rate of return within the existing financial environment. Cash flow characteristics and risk constraints of the investment shall be considered when investing funds.

Funds must always be invested in accordance with the Public Funds Investment Act.

AUTHORIZED INVESTMENTS/LIMITATIONS

The District limits investments to money market accounts, overnight sweeps, interest bearing demand accounts, certificates of deposit, local government investment pools, obligations of, or guaranteed by governmental entities, as permitted by law, and fully collateralized repurchase agreements.

The maximum allowable stated maturity for any investment is two years. For pooled fund groups, the average dollar-weighted maturity shall not exceed one year.

All security transactions, including collateral for repurchase agreements, entered into by the District shall be conducted on a delivery-versus-payment (DVP) basis. Securities will be deposited with the District or held by a third party custodian selected and approved by the District's investment officer(s) and evidenced by safekeeping receipts.

Money Market Demand Accounts, Overnight Sweeps, Interest Bearing Demand Accounts and Certificates of Deposit

Money Market Demand Accounts, Overnight Sweeps, Interest Bearing Demand Accounts, and Certificates of Deposit shall be invested at a depository institution that has a main office or branch office in Texas; guaranteed or insured by the Federal Deposit Insurance Corporation or its successor; secured by obligations of, or guaranteed by governmental entities as permitted by law; or secured in any other manner and amount provided by law for deposits of the District.

Local Government Investment Pools

To be eligible to receive funds from and invest funds on behalf of the District, investment pools must furnish the investment officer(s) or authorized representative of the District an offering circular or other similar disclosure instrument containing the minimum required information and must be continuously rated no lower than AAA or AAA-m or at an equivalent rating by at least one nationally recognized rating service. Additionally, the investment pool must have an advisory board as prescribed by the act, and if the investment pool operates an Internet website, the required information must be posted on the website. The selection of the pool's investment vehicles must be approved by the District's board.

Obligations of, or Guaranteed by Governmental Entities

The following are authorized investments under this section:

- obligations, including letters of credit, of the United States or its agencies and instrumentalities.
- direct obligations of the state of Texas or its agencies and instrumentalities.
- collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States.
- other obligations, the principal and interest of which are unconditionally guaranteed or insured by, or backed by the full faith and credit of, this state or the United States or their respective agencies and instrumentalities, including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation or by the explicit full faith and credit of the United States.

Fully Collateralized Repurchase Agreements

Fully collateralized repurchase agreements that have a defined termination date, are secured by a combination of cash and obligations of the United States or its agencies and instrumentalities, securities being purchased or cash held are pledged to the District, held in the District's name, and deposited with the District or a third party selected and approved by the District, and placed through a primary government securities dealer, as defined by the Federal Reserve or a financial institution doing business in Texas. The term of any reverse security repurchase agreement may not exceed 90 days after the date the reverse security repurchase agreement is delivered. 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 mature not later than the expiration date stated in the reverse security repurchase agreement.

METHODS TO MONITOR THE MARKET PRICE OF INVESTMENTS

- Certificates of deposit are valued at face value. The surety bond and/or the market value of the collateral pledged to or securing the CDs shall be verified monthly via the monthly deposit/security statement from the bank or the third party custodian of these securities.
- Money market accounts, overnight sweeps, and interest bearing demand accounts shall be monitored by reviewing the monthly bank statements.
- Public investment pool funds shall be monitored monthly by checking the market value, by reviewing the monthly newsletter indicating the performance summary, and during the quarterly investment report review.
- Performance of other investments will be reviewed periodically to assure the District is receiving a competitive return on its investments.

PROCEDURES TO MONITOR RATING CHANGES

Investments requiring a minimum rating shall be monitored monthly or more frequently if deemed necessary. Investments not meeting the minimum rating shall be liquidated as soon as reasonably possible and invested in investments authorized by this policy.

NOTIFICATION

A written copy of the investment policy shall be presented to any person seeking to sell an authorized investment to the District. The qualified principal of the business organization seeking to sell an authorized investment shall execute a written instrument substantially to the effect that the registered principal has:

- received and thoroughly reviewed the investment policy of the District; and
- acknowledged that the business organization has implemented reasonable procedures and controls in an effort to preclude investment transactions conducted between the District and the organization that are not authorized by the District's investment policy, except to the extent that this authorization is dependent on an analysis of the makeup of the District's entire portfolio or requires an interpretation of subjective investment standards.

STANDARD OF CARE

Investments shall be made with judgment and care that a person of prudence and intelligence would exercise in the management of the person's own investments. Investments shall be made not for speculation, but for investment, considering the safety of capital and the rate of return.

STRATEGIES

Current Funds (Unrestricted and Restricted)

Current Funds, both unrestricted and restricted, shall be invested primarily in instruments which offer high liquidity and maturities which reflect a rate of return most favorable to meet cash flow needs. The investments shall consist primarily of fully collateralized money market funds, overnight sweeps, interest bearing demand accounts, certificates of deposit, or local government investment pools. The aforementioned guidelines are an integral part of this policy.

Endowment Funds

Endowment funds shall be invested in fully collateralized money market funds, overnight sweeps, interest bearing demand accounts, certificates of deposit or local government investment pools. Maturity dates, if applicable, shall be coordinated with semester scholarship requirements if necessary. The aforementioned guidelines are an integral part of this policy.

Long Term Debt Service Funds

Funds for the retirement of long term debt shall be invested in instruments which provide a favorable rate of return with maturities corresponding to the anticipated disbursement dates. The investments shall consist primarily of fully collateralized money market funds, overnight sweeps, interest bearing demand accounts, certificates of deposit or local government investment pools. The aforementioned guidelines are an integral part of this policy.

Unexpended Plant Funds

Unexpended plant funds, including bond proceeds and construction funds, shall be invested in instruments which provide a favorable rate of return with maturities corresponding to the anticipated disbursement dates. The aforementioned guidelines are an integral part of this policy.

APPROVED COLLATERAL

Consistent with the requirements of the Public Funds Collateral Act, it is the policy of the District to require full collateralization of all District investments and funds. In order to anticipate market changes and provide a level of security for all funds, the collateralization level shall be sufficient to cover the market value of principal and accrued interest on the deposits or investments less any amount insured by the FDIC or FSLIC. Securities pledged as collateral shall be held by an independent third party with whom the District has a current custodial agreement. The Investment Officer(s) of the District are responsible for entering into collateralization agreements with third party custodians in compliance with this policy. The agreements are

to specify the collateral approved by this policy, including provisions relating to possession of the collateral, the substitution or release of investment securities, ownership, and the method of valuation. Upon the pledge of a security, the custodian shall furnish or cause to be furnished an original and valid safekeeping receipt, trust receipt or notification issued by the bank holding the approved pledged security pursuant to the collateralization agreement. Collateral shall be reviewed at least monthly to assure that the market value is adequate to cover the market value of principal and accrued interest. If FDIC or FSLIC coverage is sufficient to cover deposits, collateral agreements are not required by this policy.

COLLATERAL DEFINED

The District shall accept only the following as collateral:

- FDIC and FSLIC insurance coverage.
- Any collateral as allowed by state statute with no restrictions on the types or values, including but not limited to:
 - Obligations, including letters of credit and collateralized mortgage obligations, of the United States or its agencies and instrumentalities such as US Agency Mortgage-Backed Securities such as Fannie Mae and/or Ginnie Mae and Treasury Notes of the United States.
 - Obligations, the principal and interest on which, are unconditionally guaranteed or insured by the State of Texas.
 - A bond of the state of Texas or of a county, city or other political subdivision of the state of Texas having been rated as investment grade (investment rating no less than “A” or its equivalent) by a nationally recognized rating agency with a remaining maturity of ten (10) years or less.
 - A Surety Bond written by an approved provider authorized to do business in the state of Texas with a credit rating of AA or better.

SUBJECT TO AUDIT

All collateral shall be subject to inspection and audit by the District’s Investment Officer(s) and the District’s independent auditors.

APPROVED INVESTMENT OFFICER TRAINING

The Investment Officer(s) shall attend a minimum of 5 hours of instruction relating to investment responsibilities and the Public Funds Investment Act not less than once each state fiscal biennium. Investment training shall be provided by an independent source such as a professional organization or an institute of higher learning.

Reaffirmed 8/28/2017