CISCO COLLEGE

Investment Policy
(Reviewed October 12, 2015)

I. PURPOSE AND OBJECTIVES

This investment policy is intended to provide guidelines for the investment officer and other College employees empowered to deposit, withdraw, invest, transfer, or manage in any other manner the funds of Cisco College. The overall investment objectives of the College are, in order of priority:

- preservation of capital and protection of principal,
- maintenance of sufficient liquidity,
- yield,
- diversification to avoid unreasonable risks, and
- maintain public trust from prudent investment activities

Cisco College’s funds shall be managed in accordance with the following standard of care:

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 probable income to be derived.

II. OPERATIONAL GUIDELINES

A. Investment Responsibilities

The investment officer is designated to be the Dean of Business Services, and is given the responsibility for the investment and all other authority over the College’s funds. In the absence of or at the direction of the Dean of Business Services, the President and/or the Accountant may deposit, withdraw, invest, transfer, or manage in any other manner the funds of the College. Authority granted by this policy is effective until rescinded by the College or until termination of employment.
An investment officer who has a personal business relationship with an entity seeking to sell an investment to the College shall file a statement disclosing the relationship. The statement must be filed with the Texas Ethics Committee and the Cisco College governing board. The same requirements shall be met for an investment officer who is related in the second degree by marriage (affinity) or blood (consanguinity) to an individual seeking to sell an investment to the College.

When deciding whether an investment officer’s actions were prudent, the determination should be based upon total investment portfolio, rather than an individual investment in the portfolio. However, an investment transaction not consistent with the written investment policy would not be considered prudent.

B. Internal Procedures

The investment officer shall attend at least one training session relating to their responsibilities for investments within six months after assuming duties. Each member of the College governing board shall attend, during the member’s first two years of service as a member of a governing board, at least one training program under Texas law. [Education Code 61.084] The Texas Higher Education Coordinating Board shall certify this training. It will include education in investment controls, security risks, strategy risks, market risks, and compliance with the law.

Further, the investment officer shall attend a training session not less than once in a two-year period from any independent source approved by the governing body or its designee. Also, the investment officer shall prepare a report on the Public Funds Investment Act and deliver it to the governing body not later than the 180th day after the last day of each regular session of the legislature.

The College’s governing board shall review its investment policy at least annually.

A printed copy of the investment policy shall be presented to any person or business organization seeking to sell an investment to the College. The registered principal of the organization seeking to sell the investment shall execute a written document, which states the principal has received and thoroughly reviewed the College’s investment policy. The document shall acknowledge that the business organization has implemented reasonable procedures and controls in an effort to preclude imprudent investment activities between the College and the business organization. The investment officer may not buy any securities from a person or business organization who has not delivered such document to the College.

The College shall perform or cause to be performed a compliance audit of management controls on its investments and of adherence to the established investment policy at least annually. This may be done in conjunction with the College’s annual financial audit.
C. Management Reports

The College’s investment officer shall prepare or cause to be prepared and submit, not less than quarterly, a written report of the investment transactions for all funds to the governing board.

At a minimum, the submitted report shall:

a) describe in detail the investment position of the College on the date of the report;

b) include a signed compliance statement proclaiming adherence to the investment policy, the investment strategy, and the applicable provisions of the Public Funds Investment Act;

c) state the book value and market value of each investment that has a maturity date;

d) state the fund or pooled group fund for which each investment was acquired, and;

e) include the beginning market value for the reporting period, the changes to market value for the reporting period, and the ending market value for the reporting period for each investment that has a maturity value.

III. INVESTMENT STRATEGY

As a part of the investment policy, an investment strategy for each accounting fund of the College shall be developed. The investment strategy for each particular fund shall be set forth by listing, in order of importance, investment objectives, which will also show the level of acceptable risk. The investment objectives are as follows:

A. Preservation and safety of principal;

B. Liquidity;

C. Marketability of the investment (ability to liquidate before maturity);

D. Yield;

E. Diversification of the investment portfolio.

In all matters concerning investment strategy, the investment officer should display an understanding of the suitability of the investment as it pertains to the financial requirements of each particular accounting fund of the College. Each accounting fund is listed below with its corresponding investment objectives:

- Local Fund - A, B, C, D, E
- Appropriation Fund - A, B, C, D, E
- Bond Revenue Fund - A, B, C, D, E
- Bond Interest & Sinking Fund - A, B, C, D, E
- Grants & Aid Fund - A, B, C, D, E
- Endowment Fund - A, D, C, B, E
IV. AUTHORIZED INVESTMENTS

Cisco College’s investment authority is derived from the Public Funds Investment Act (the Act). There are numerous types of investments authorized by the Act. The College’s investment officer should, however, remain keenly aware of his own level of expertise in any and all investment decisions. However, the maximum stated maturity of any individual investment should be no longer than 10 years, and the maximum dollar-weighted average maturity of any pooled fund should be no longer than 1 year. The investments set out below are deemed to be appropriate for Cisco College.

Government Securities
The College may invest in obligations of, or guaranteed by, governmental agencies and instrumentalities. However, the following investments are specifically prohibited: 1) obligations whose payment represents the coupon payments on the outstanding principal balance of the underlying mortgage-backed security collateral and pays no principal; 2) obligations whose payment represents the principal stream of cash flow from the underlying mortgaged-backed security collateral and bears no interest; 3) collateralized mortgage obligations that have a stated final maturity date of greater than 10 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.

Certificates of Deposit
College funds may be invested in certificates of deposit if they are issued by a state or national bank domiciled in the State of Texas or a savings and loan association domiciled in the State of Texas and guaranteed by the Federal Deposit Insurance Corporation or its successor. Collateral for the certificates of deposit must be in investments authorized by the Public Funds Investment Act and approved by the College.

Money Market Mutual Funds
The College may invest in a no-load money market mutual fund if it is registered with the Securities and Exchange Commission, has an average weighted maturity of less than two years, and is invested exclusively in obligations approved by the Public Funds Investment Act. The money market mutual fund must also be continuously rated as to investment quality by at least one nationally recognized investment rating firm of not less than AAA or its equivalent. It must also conform to the requirements of the Public Funds Investment Act.
Funds Investment Act relating to the eligibility of investment pools to receive and invest funds of investing entities.

The College is specifically prohibited from: 1) investing in the aggregate more than 80 percent of its monthly average fund balance, excluding bond proceeds and reserves and other funds held for debt service, in money market mutual funds; 2) investing any portion of bond proceeds, reserves, and funds held for debt service in a money market mutual fund that has a dollar-weighted average stated maturity of 91 days or more, and does not include in its investment objectives the maintenance of a stable net asset value of $1 for each share, and; 3) investing in any one mutual fund in an amount that exceeds 10 percent of the total assets of the mutual fund.

**Investment Pools**

The College may invest its funds in eligible investment pools if the governing board specifically authorizes transfers of funds to the particular pool. In order to be an eligible investment pool, the investment pool must meet the qualifications set forth in the Public Funds Investment Act for investment pools.

**V. AUTHORIZED BROKERS**

The governing body of Cisco College shall, at least annually, review, revise, and adopt a list of qualified brokers that are authorized to engage in investment transactions with the College. As of the date of this amended policy, the qualified brokers are:

First Financial Bank, Abilene, Texas
First Southwest Company
Local Government Investment Cooperative (LOGIC)
Lone Star Investment Pool (First Public, LLC)
Texas Short Term Asset Reserve Program (TexSTAR)
Raymond James Financial Services, Inc.
Ameriprise Advisor Services, Inc.
Prosperity Bank, Cisco, TX