

APPROPRIATIONS AND REVENUE SOURCES
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This policy for the investment of funds of the College District is adopted by the Board pursuant to Section 116.112 of the Texas Local Government Code, Chapter 2256 of the Texas Government Code, and Chapter 2257 of the Texas Government Code. This policy will be reviewed and adopted at least annually, in accordance with Section 2256.005(e) of the Texas Government Code. The Board shall adopt a resolution stating that it has reviewed the investment policy and investment strategies.

Article I Definitions

“Authorized Investment” — the types of investments authorized for the investment of College District funds, listed in Article IV hereof.

“Board” — the College District Board.

“FDIC” — the Federal Deposit Insurance Corporation.

“Funds” — all funds and accounts containing cash, investments, or other financial assets belonging to the College District, the investment of which is governed by the Public Funds Investment Act.

“Investment Officer” — Qualified College District employee who will be designated as the College District’s investment officer by the Board; such person is responsible for the investment of College District funds. Another qualified College District employee will be designated as the alternate investment officer with responsibility to act as the College District’s investment officer in the absence of the investment officer.

“Investment Policy” — the policy for the investment of the funds of the College District.

“Public Funds Collateral Act” — Chapter 2257 of the Texas Government Code.

“Public Funds Investment Act” — Chapter 2256 of the Texas Government Code (the PFIA).

**Article II Investment
Policy**

Section 2.1 Applicability. This investment policy applies to all funds. [See Sections 3.1 through 3.6]

Section 2.2 Purpose. The Board desires to adopt this investment policy to comply with the PFIA and to set forth the general policies governing investment of funds, the specific investment strategies applicable to each particular fund, the guidelines for investment of the funds, including the types of investments authorized for the funds, and the investment management policies of the College District.

Section 2.3 Investment Policy. The primary concern of the investment officer in the investment of the funds shall be the

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preservation and safety of the principal. To the extent that the principal is protected, the secondary concern of the investment officer in investing the funds shall be the liquidity of the College District's investments. Finally, to the extent that principal is protected and there is liquidity, the investment officer shall invest the funds to optimize the rate of return in accordance with this investment policy. The investment of all the funds shall be undertaken in accordance with the provisions of this investment policy.

Section 2.4 Standard of Care. The investment officer shall invest College District funds with the 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 the principal and probable income to be derived.

In determining whether an investment officer has exercised prudence with respect to an investment decision, the determination shall be made taking into consideration:

1. The investment of all funds, or funds under the College District's control, over which the investment officer had responsibility rather than a consideration as to the prudence of a single investment; and
2. Whether the investment decision was consistent with the written approved investment policy of the College District.

Section 2.5 Investment Diversification. Investments shall be diversified by security type. The investments shall also be diversified as to maturity as described in the investment strategies in Article III.

Section 2.6 Investment Yield. To the extent that the principal is protected and there is liquidity of the investments, the funds shall be invested to optimize the rate of return, taking into consideration the strength of any financial institution selling investments to the College District, and complying with all applicable laws, rules, or regulations and any bond resolutions or orders adopted from time to time by the Board requiring yield restrictions.

Section 2.7 Investment Maturities. The funds shall be invested to mature to meet the College District's cash requirements, but when cash requirements are met, the funds shall be invested in accordance with the investment strategies developed for individual funds, as described in Article III.

Section 2.8 Investment Income. Investment income earned by the Unexpended Plant Fund, Tax-Exempt Debt Funds, Debt Service

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Funds, Debt Service Reserve Funds, and Endowment Funds will be retained by those particular funds. Investment income earned by the Scholarship Funds and Restricted Funds will be retained in an undesignated scholarship fund that may be designated for specific use in specific amounts as determined by the College President or designated representative. Investment income earned by other College District funds, except Agency Funds, will be retained by the General Operating Fund as general revenue. Investment income earned by Agency Funds will be retained as General Operating Fund general revenue only on Agency Funds with fund balances not exceeding \$10,000; all interest earned on Agency Funds with fund balances above \$10,000 will be retained by that particular fund.

Section 2.9 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.

**Article III Investment
Strategies**

Section 3.1 Current Funds. The investment objectives of the Current Funds (General Operating Fund, Auxiliary Enterprises Funds, Scholarship Funds, and Federal/State/Local Grant Funds) are: (1) preserving the safety of the principal; (2) ensuring that money is available as needed to pay the College District's monthly outflows, as estimated by the annual budget; and (3) to the extent principal is protected and there is adequate liquidity, optimizing the yield on investments permitted by law.

The investment officer shall invest money of the Current Funds in any authorized investment. For any operating and other reserves, investments will mature no later than two years after the date of purchase, unless the Board authorizes an investment with a longer maturity. ~~At no time will investments of one year or more constitute more than 25 percent of the Current Funds portfolio.~~

Section 3.2 Unexpended Plant Fund. The investment objectives of the Unexpended Plant Fund are: (1) preserving the safety of the principal; (2) ensuring that money is available as needed to meet the construction and facilities maintenance needs of the College District; and (3) to the extent principal is protected and there is adequate liquidity, optimizing the yield on investments as permitted by law.

The investment officer shall invest money of the Unexpended Plant Fund in any authorized investment, provided that investments will mature no later than the date the money will be needed to pay for

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construction projects and facilities maintenance. For other money, investments will mature no later than two years after the date of purchase, unless the Board authorizes an investment with a longer maturity. ~~At no time will investments with maturities of one year or more constitute more than 25 percent of the Unexpended Plant Fund portfolio.~~

Section 3.3 Debt Service Funds. The investment objectives of the Debt Service Funds are: (1) preserving the safety of the principal; (2) ensuring that money is available as needed to meet the debt service needs of the College District; and (3) to the extent that principal is protected and there is adequate liquidity, optimizing the yield on investments as permitted by law.

The investment officer shall invest money in the Debt Service Funds in any authorized investment and in accordance with any covenants made regarding the investment of these funds as provided in any applicable bond order or resolution, provided that the investment shall mature no later than the date a debt service payment is due. Investments purchased shall not have a stated maturity date that exceeds the next unfunded debt service payment unless otherwise authorized by the Board. ~~At no time will investments with maturities of one year or more constitute more than 25 percent of the Debt Service Fund portfolio.~~

Section 3.4 Debt Service Reserve Funds. The investment objectives of the Debt Service Reserve Funds are: (1) preserving the safety of the principal; (2) ensuring that money is available as needed to meet the debt service needs of the College District; and (3) to the extent that principal is protected and there is adequate liquidity, optimizing the yield on investments as permitted by law.

The investment officer shall invest money in the Debt Service Reserve Funds in any authorized investment, and in accordance with any covenants made regarding the investment of these funds as provided in any applicable bond order or resolution, provided that, for money needed for debt service payments, the investment shall mature no later than the date the debt service payment is due. For money not needed for debt service payments, the stated maturity date of the investment shall be no greater than five years after purchase, unless otherwise authorized by the Board. At no time will investments with maturities of five years or more constitute more than 80 percent of the portfolio.

Section 3.5 Endowment and Similar Funds. The investment objectives of the endowment and similar funds are: (1) preserving the safety of the principal; (2) ensuring that the principal is protected according to the terms specified by the donor; and (3) to the extent that the principal is protected, optimizing the yield on

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investments according to the terms specified by the donor or this investment policy.

The investment officer shall invest money of the endowment funds in any authorized investment and in accordance with the terms specified by the donor or this investment policy. Investments shall mature as specified by the donor, no later than 10 years after purchase, unless otherwise authorized by the Board.

Section 3.6 Agency Funds. The investment objectives of the Agency Funds are: (1) preserving the safety of the principal; (2) ensuring that money is available as needed; and (3) to the extent that the principal is protected and there is adequate liquidity, optimizing the yield on investments permitted by law.

The investment officer shall invest the money of the Agency Funds in any authorized investment, provided that investments will mature no later than the date the money will be needed by any account holder. For other money, investments will mature no later than two years after the date of purchase, unless the Board authorizes an investment with a longer maturity. ~~At no time will investments with maturities of one year or more constitute more than 25 percent of the Agency Fund portfolio.~~

**Article IV Investment
Guidelines**

Section 4.1 Purpose. The purpose of this Article IV is to set forth the types of authorized investments in which the funds may be invested and the manner in which certain investments may be made.

Section 4.2 Authorized and Prohibited Investments. The investment officer is authorized to invest funds, including bond proceeds and pledged revenue to the extent allowed by law, in the following types of investments:

1. Obligations of, or guaranteed by, governmental entities. The funds may be invested in:
 - a. Obligations, including letters of credit, of the United States or its agencies and instrumentalities, including the Federal Home Loan Banks;
 - b. Direct obligations of this state or its agencies and instrumentalities;
 - c. 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

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by the FDIC or by the explicit full faith and credit of the United States; and

- d. Obligations of states, agencies, counties, cities, and other political subdivisions of this state rated as to investment quality by a nationally recognized investment rating firm not less than A or its equivalent.
2. Financial Institution Deposits. The funds may be invested in certificates of deposit and other forms of deposit issued by a financial institution with its main or branch office in Texas. Principal and accrued interest shall not exceed federal insurance limits and/or the collateral pledged as security for the College District's investments as set forth in Section 4.3.
3. Repurchase Agreements. The funds may be invested in fully collateralized repurchase agreements to the extent authorized by the PFIA.
4. No-load Money Market Mutual Funds. The funds may be invested in no-load money market mutual funds to the extent authorized by the PFIA and with a stated net share objective of \$1.0000.
5. Investment Pools. The funds may be invested in investment pools to the extent authorized by the PFIA and this investment policy. Only investment pools approved by the Board shall be used.
6. Cash management and fixed income funds as permitted by the PFIA.

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 pays no principal;
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 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.

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Section 4.3 Security of Funds/Collateral Policy. Consistent with the requirements of state law, the College District requires all financial institution 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:

1. In writing;
2. Executed by the depository and the College District contemporaneously with the acquisition of the asset;
3. 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; and
4. Part of the depository's "official record" continuously since its execution.

All financial institution deposits shall be secured by federal insurance and/or by collateral pledged. The market value of securities pledged as collateral for deposits shall at all times be equal to or greater than 105 percent of the total deposit plus accrued interest, less the applicable level of federal insurance. Letters of credit pledged shall at all times be equal to or greater than 100 percent of the total deposits plus anticipated interest income, less the applicable level of federal insurance. A deposit-specific letter of credit shall expire not less than two business days after the anticipated deposit withdrawal.

For financial institution deposits, the eligible types of collateral 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.

All pledged securities securing financial institution deposits shall be placed with an independent third-party financial institution for safekeeping, with pledge receipts issued to the College District.

The College District requires monthly reports with market values of pledged securities for all financial institutions with which the College District has collateralized deposits. The financial institution shall be responsible and liable for monitoring and maintaining the

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collateral and collateral margins on a daily basis and for reporting these activities monthly. The College District shall regularly monitor the adequacy of collateral.

Section 4.4 Authorized Brokers/Dealers. A list will be maintained by the investment officer of brokers/dealers authorized to sell securities to the College District. The list will be reviewed and approved by the Board, at least annually.

The authorized broker/dealer list includes: FHN Financial, Hilltop Securities, Mischler Financial, SAMCO Capital Markets, Pershing Advisor Solutions: Cresta Advisors, and Wells Fargo Securities.

Representatives of brokers/dealers and representatives with distributors of investment pools 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). Distributors of investment pools shall also be registered in good standing with the Municipal Securities Rulemaking Board (MSRB).

Section 4.5 Electronic Wire Transfers. Electronic means may be used to transfer or invest all funds.

Section 4.6 Delivery Versus Payment. All investments will be executed by delivery versus payment (DVP) to ensure that investments purchased are deposited in the College District's financial institution prior to the release of money in payment therefore.

Section 4.7 Loss of Required Rating. The investment officer shall monitor rating changes in investments and shall keep the Board informed of rating changes in the College District's investments. Information sources may include credit rating agency reports, financial/investment publications, and electronic media.

An investment under Section 4.2 that requires a minimum rating does not qualify as an authorized investment during the period that the investment does not have the minimum rating. The investment officer shall take all prudent measures that are consistent with this investment policy to liquidate any investment that does not have a minimum rating.

In accordance with Government Code 2256.005(b), the investment officer shall develop a procedure to monitor changes in investment ratings.

Section 4.8 Monitoring Market Prices. The investment officer shall monitor the investment portfolio and shall keep the Board informed of significant declines in the market value of the College District's

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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 monthly or more often as economic conditions warrant by using appropriate reports, indices, or benchmarks for the type of investment.

Section 4.9 Safekeeping Agreement. The College District shall contract with a financial institution for the safekeeping of securities owned by the College District as part of its investment portfolio.

**Article V Investment
Management**

Section 5.1 Designation of Investment Officer. The Board hereby designates the vice president of finance and administration of the College District to serve as the investment officer for the College District. The director of accounting of the College District shall act as an alternate investment officer in the absence of the vice president of finance and administration. The investment officer has the authority to deposit, withdraw, invest, transfer, and manage the funds in accordance with this investment policy and applicable law.

Section 5.2 Investment Training. An investment officer shall accumulate not less than five hours of instruction within the first six months after taking office or assuming duties and five hours every two years based on the state fiscal biennium. The investment officer shall report on any changes in the PFIA to the Board no later than the 180th day after the last day of each regular session of the legislature.

To establish qualified and capable investment management, the investment training shall include instruction relating to investment controls, security risks, strategy risks, market risks, diversification of investment portfolio, and compliance with the PFIA.

The investment training shall be provided by the following approved training sources: the Texas Higher Education Coordinating Board, the Government Finance Officers Association of Texas, the Government Treasurers' Organization of Texas, the Texas Association of Community College Business Officers, the Councils of Government, or the University of North Texas Center for Public Management.

Section 5.3 Compliance Audit. The College District, in conjunction with its annual financial audit, shall perform a compliance audit of management controls on investments and adherence to this investment policy.

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If the College District invests in other than money market mutual funds, investment pools or accounts offered by its depository bank in the form of certificates of deposit, or money market accounts or similar accounts, the reports prepared by the investment officers must be formally reviewed at least annually by an independent auditor, and the result of the review shall be reported to the Board by the auditor.

Section 5.4 Internal Management Reports. At the end of each quarter of the fiscal year, the investment officer shall prepare and submit to the Board a written and signed report of investment transactions and portfolio values for all funds as required by the PFIA. Weighted average yield to maturity shall be the investment performance standard.

Section 5.5 Conflicts of Interest. In the event that the investment officer has a personal business relationship with an entity seeking to sell an investment to the College District, the investment officer shall file a statement with the Board and the Texas Ethics Commission disclosing that personal business relationship prior to purchasing such investment. An investment officer who is related within the second degree by affinity or consanguinity, as determined under Chapter 573 of the Texas Government Code, to an individual seeking to sell an investment to the College District shall file a statement with the Board and the Texas Ethics Commission disclosing that relationship.

Section 5.6 Investment Policy Certification. The investment officer shall provide a copy of this investment policy to any business organization (defined as an investment pool or discretionary investment management firm) offering to engage in an investment transaction with the College District. The qualified representative of the business organization shall execute a written instrument to the effect that the business organization has received and thoroughly reviewed the investment policy of the College District and acknowledged that the organization has implemented reasonable procedures and controls in an effort to preclude imprudent investment activities arising out of the investment transactions conducted between the College District and the organization as outlined in the PFIA. The investment officer shall not buy any securities from a business organization that has not delivered the appropriate instrument.

Section 5.7 Existing Investments. The College District is not required to liquidate investments that were authorized investments at the time of the purchase.

Section 5.8 Competitive Environment. The College District shall strive for a competitive environment on all individual security

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purchases and sales, financial institution time deposits and transaction accounts, money market mutual funds, and local government investment pool selections.

Section 5.9 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 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.

Article VI
Miscellaneous

Section 6.1 Open Meeting. The Board officially finds, determines, and declares that this investment policy was reviewed, carefully considered, and adopted at a regular meeting of the Board beginning at 6:00 p.m. on July 30, ~~2025~~ 2026, and that a sufficient written notice of the date, hour, place, and subject of this meeting was posted at a place readily accessible and convenient to the public within the College District and on a bulletin board located at a place convenient to the public in the Webb County Courthouse for the time required by law preceding this meeting, as required by the Open Meetings Act, and the meeting was open to the public as required by law at all times during which this investment policy was discussed, considered, and acted upon. The Board further ratifies, approves, and confirms such written notice and the contents and posting thereof.

Section 6.2 Effective Date. This investment policy shall be effective as of July 30, ~~2025~~ 2026.