

REVENUE SOURCES
INVESTMENTS

CBF
(LOCAL)

The ESC shall invest public funds in a manner that ensures the safety of invested funds, maintains sufficient liquidity to provide for the daily needs of the ESC, and provides the highest investment return.

Investment Authority

The person or persons designated by Board resolution shall serve as the investment officer(s) of the ESC. [See CBF(EXHIBIT)] In addition, the investment officer shall recommend appropriate legally authorized and adequately secured investments and shall invest ESC funds as directed by the Board, in accordance with the ESC's investment policy and generally accepted accounting procedures. All investment transactions, except investment pool funds and mutual funds, shall be executed on a delivery versus payment basis.

Investments shall be made with careful judgment and care, under then prevailing circumstances, which 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 as well as the probable income to be derived.

The standard of prudence to be used by the investment officer shall be the "prudent person" standard and shall be applied in the context of managing the overall portfolio. Investment officers acting in accordance with written procedures and policies, while exercising due diligence, shall be relieved of personal responsibility for an individual security's credit risk or market price changes, provided that deviations from expectations are reported in a timely fashion and appropriate action is taken to control adverse developments.

**Approved
Investment
Instruments**

The investment portfolio shall be designed with the objective of obtaining a rate of return through budgetary and economic cycles, commensurate with the investment risk constraints and cash flow needs. The ESC's investment strategy is passive, one in which the majority of securities shall be purchased and held to maturity. Additionally, cash inflows and outflows shall be monitored daily. Given this strategy, the basis used by the investment officer to determine whether market yields are being achieved shall be the 30-day U.S. Treasury Bill. The Board shall permit investment of ESC funds, including pledged revenue to the extent allowed by law, and shall limit its investments to:

1. Money market accounts;
2. Certificates of deposit;
3. U.S. government obligations; and
4. Investment pools, limited to TexPool and Lone Star.

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Safety	Investments of the ESC shall be selected in a manner that seeks to ensure the preservation of capital in the overall portfolio. To attain this objective, the portfolio must be diversified in such a way that potential losses on individual securities do not exceed the income generated from the remainder of the portfolio.
Investment Management	In accordance with Government Code 2256.005(b)(3), the quality and capability of investment management for ESC funds shall be in accordance with the standard of care, investment training, and other requirements set forth in Government Code Chapter 2256.
Liquidity and Maturity	<p>The ESC's investment portfolio shall remain sufficiently liquid to enable the ESC to meet all operating requirements that can be reasonably anticipated based upon cash flow projections, which are to be prepared on a weekly, monthly, and annual basis.</p> <p>In any event, for pooled fund groups, the maximum allowable stated maturity 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.</p>
Return	The ESC's investment portfolio shall be designed with the objective of attaining a rate of return throughout budgetary and economic cycles, commensurate with the ESC's investment risk constraints and the cash flow characteristics of 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.
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 ESC'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 monthly or 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.
Funds / Strategies	Investments of the following fund categories shall be consistent with this policy and in accordance with the strategy defined below.

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Operating Funds – Region 17	The investment strategy for all operating funds (including any commingled pools containing operating funds) including special revenue funds, proprietary funds, enterprise funds, and internal service funds shall have as its primary objectives: safety of principal, liquidity to meet cash flow requirements, and maximization of yield. The operating fund portfolio shall have a maximum dollar weighted maturity of 365 days.
Fiscal Agent Funds – Region 17 Technology / Information Network	The investment strategy for the network shall have as its primary objectives: safety of principal, liquidity to meet cash flow requirements, and maximization of yield. The network fund portfolio shall have a maximum dollar weighted maturity of 365 days.
Fiscal Agent Funds – MRIC	The investment strategy for the multi-regional insurance co-op (MRIC) shall have as its primary objectives: safety of principal, liquidity to meet cash flow requirements, and maximization of yield. The MRIC fund portfolio shall have a maximum dollar weighted maturity of 365 days.
Safekeeping and Custody	Certificates of deposits issued by the depository bank or other financial institutions to the ESC shall be given to the ESC in receipt form and shall be kept in the ESC's vault. Safekeeping for all other investments not specifically mentioned in this section shall be held by an independent third party with whom the ESC has a current custodial agreement. The ESC shall retain clearly marked receipts providing proof of the ESC's ownership, or the ESC may delegate to an investment pool the authority to hold legal title as custodian of investments purchased with ESC funds.
Sellers of Investments	<p>Prior to handling investments on behalf of the ESC, a broker/dealer or qualified representative of a business organization must submit required written documents in accordance with law. [See Sellers of Investments, CBF(LEGAL)]</p> <p>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).</p>
Soliciting Bids for CDs	In order to get the best return on its investments, the ESC may either invest funds in certificates of deposit at its depository bank, or it may solicit bids for certificates of deposits in writing, by telephone, electronically, or by a combination of these methods.
Interest Rate Risk	<p>To reduce exposure to changes in interest rates that could adversely affect the value of investments, the ESC shall use final and weighted average maturity limits and diversification.</p> <p>The ESC shall monitor interest rate risk using weighted average maturity and specific identification.</p>

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Internal Controls

The investment portfolio, as well as compliance with this policy, shall be reviewed annually by the Board and the ESC's external auditor in conjunction with the annual audit of the ESC's financial statements.