Proposed Revision(s):

B4.6 Investment: The purpose of this Investment Policy is to provide Del Mar College with specific policy guidelines so that the risk to invested capital may be minimized while obtaining a reasonable market return. It is the policy of Del Mar College (the "College") that the administration of its funds and the investment of those funds shall be handled as its highest public trust. Investments shall be made in a manner which will provide the maximum security of principal invested through limitations and diversification while meeting the daily cash flow needs of the College and conforming to all applicable statutes governing the investment of public funds. It is the intent of the College to be in complete compliance with the Texas Public Funds Investment Act (Section 2256, Texas Government Code) and the Public Funds Collateral Act (Section 2257, Texas Government Code). The earnings from investment will be used in a manner that best serves the public trust and interests of the College.

B4.6.1 Investment Objectives: Investment of funds shall be governed by the following investment objectives, in order of priority, for each fund listed in Article II of this Policy.

B4.6.1.1 Preservation and Safety of Principal - to ensure that capital losses from default or erosion of market value are avoided;

B4.6.1.2 Liquidity – to ensure that funds are available to meet all obligations when due;

B4.6.1.3 Diversification – to minimize risk from any one sector, maturity, or issuer; and

B4.6.1.4 Yield – to attain a reasonable market yield.

B4.6.2 Cash Management: Effective cash management is recognized as essential to good fiscal management. Cash management is defined as the process of managing monies in order to ensure maximum cash availability. The College shall maintain a comprehensive cash management program, which includes collection of accounts receivable, prudent investment of its available cash, disbursement of payments in accordance with invoice terms, and the management of banking services.

B4.6.3 Investment Strategy:

B4.6.3.1 Operating Funds: The investment strategy of the College for operating funds will incorporate the equal objectives of safety, liquidity, and yield. Funds will be invested in accordance with the Investment Policy. The authorized securities for this portfolio will be of the highest credit quality. The portfolio securities, when not matched to a specific liability, will be structured to attain
reasonable market yield through a laddered structure designed to minimize volatility and market risk. The portfolio shall be diversified as to market sector and maturity to protect against market and credit risk. Diversification can be augmented by the use of a pool or money market mutual fund. The weighted average maturity of the operating fund portfolio will be no greater than six months. Because all of the funds are combined for investment purposes, the portfolio will address the varying needs of all funds in the portfolio, recognizing liquidity needs as well as the desire to extend slightly for incremental return on the core funds in the portfolio. No investment of operating funds shall have a stated maturity exceeding two (2) years from the date of purchase.

**B4.6.3.2 Reserve Funds:** The investment strategy of the College for reserve funds will incorporate the same objectives of safety, liquidity, diversification, and yield. Funds will be invested in accordance with the Investment Policy. However, although funds are combined for investment purposes, the portion of the portfolio designated as reserve funds may extend beyond maximum maturity limitations set for operating funds in recognition that these funds are not needed for liquidity purposes. The objective of yield will be secondary only to safety for investment of these funds. No investment of reserve funds shall have a stated maturity exceeding five (5) years from the date of purchase.

**B4.6.4 Scope:** This investment policy and investment strategies shall apply to all the financial assets and funds of Del Mar College. The College may combine its funds into one pooled investment fund for investment purposes for efficiency and maximum investment opportunity. These funds are defined in the College’s Annual Financial Report and include:

- **B4.6.4.1** the local maintenance fund,
- **B4.6.4.2** the plant funds,
- **B4.6.4.3** the debt service funds, including reserves and sinking funds, to the extent not required by law or existing contract to be kept segregated and managed separately,
- **B4.6.4.4** the tax bond interest and sinking fund,
- **B4.6.4.5** the agency funds, to the extent not required by law or existing contract to be kept segregated and managed separately, and
- **B4.6.4.6** any new fund created by Del Mar College, unless specifically exempted from this Policy by the Board of Regents or by law.

This Investment Policy shall apply to all transactions involving the financial assets and related activity for all the foregoing funds. However, this Policy does not apply to employee retirement and pension funds administered and/or sponsored by Del Mar College.

**B4.6.5 Standard of Care:** The standard of care to be used by investment officers shall be that of the "prudent person" and shall be applied in the context of managing the entire portfolio. Investments shall be made with judgment and care, under circumstances then
prevailing, which persons of prudence, discretion, and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived.

**B4.6.6 Designation of Investment Officers:** The Vice President of Business and Finance, Director of Cash Management, and the Director of Fiscal Services acting on behalf of the Board of Regents shall be designated as an internal Investment Committee. The Vice President of Business and Finance and the Director of Cash Management shall be designated by resolution as the Investment Officers of the College and are responsible for investment management decisions and activities. The Board is also responsible for considering the quality and capability of staff, investment advisors, and consultants involved in investment management and procedures. All participants in the investment process shall seek to act responsibly as custodians of the public trust. An outside investment advisor may be appointed to assist the Investment Officers in the management of College funds, and may be granted limited investment discretion within the guidelines of this Investment Policy.

**B4.6.7 Term:** Investment authority granted to the Investment Officers is effective until rescinded by the Board.

**B4.6.8 Investment Procedures:** The College shall establish written administrative procedures for the operation of the investment program consistent with this Investment Policy. The investment officer acting within these procedures shall not be held personally liable for specific investment transactions conducted that are consistent with this Investment Policy.

**B4.6.9 Disclosure of Personal Business:** An investment officer who has a business relationship with an entity seeking to sell an investment to the College shall file a written statement with the Board of Regents disclosing that personal business relationship or interest prior to conducting business with that entity. An investment officer who is related, either directly or indirectly through marriage, to an individual seeking to sell an investment to the College shall be required to file with the Texas Ethics Commission, as well as providing the above described disclosure to the Board of Regents prior to conducting business with that individual. Officers and employees involved in the investment of funds shall refrain from personal business activity that could conflict with proper execution of the investment program or that could impair their ability to make impartial investment decisions. Employees and Investment Officers shall disclose to the Board any material financial interests in financial institutions that conduct business with the College, and any personal financial/investment positions that could be related to the performance of this portfolio.

**B4.6.10 Training:** Investment Officers shall attend at least ten (10) hours of training as defined by the Public Funds Investment Act within twelve (12) months of assuming duties. Training will include education in investment controls; security, market, and strategy risks; diversification; and compliance with the Public Funds Investment Act. Training programs will be approved by the Board. Investment Officers shall attend a minimum of ten (10) hours of similar investment training every two years.

**B4.6.11 Limitation of Liability:** The Investment Officer and those with delegated investment authority under this Policy, when acting in accordance with the written procedures and this Policy and in accord with the Prudent Person Rule, shall be relieved
of personal responsibility and liability in the management of the portfolio, provided that deviations from expectations for a specific security's credit risk or market price change or portfolio shifts are reported in a timely manner and that appropriate action is taken to control adverse market effects.

**B4.6.12 Authorized Investments:** Acceptable investments under this policy shall be limited to the instruments listed below in accordance with and as defined by the Public Funds Investment Act as amended. The investments are to be chosen in a manner that promotes diversity or market sector and maturity. The choice of high-grade government investments and high-grade money market instruments is designed to assure the marketability of those investments should liquidity needs arise. No security shall have a stated final maturity exceeding two (2) years except those designated from reserve funds which will not exceed five (5) years to maturity. Some investment types listed in this Article may be further restricted.

**B4.6.12.1** Obligations of the United States Government, its agencies and instrumentalities, are authorized investments under this Policy if:

- the stated maturity does not exceed two (2) years from date of purchase for operating and five (5) years for reserve funds, and
- excluding collateralized mortgage obligations (CMOs).

**B4.6.12.2** A certificate of deposit is an authorized investment under this Policy if the certificate is issued by a bank doing business in Texas, and is:

- fully guaranteed or insured by the Federal Deposit Insurance Corporation or its successor, or
- fully secured by obligations of the US Government representing 102% of the book value of the certificate of deposit with accumulated accrued interest.

**B4.6.12.3** Fully collateralized repurchase agreements are authorized investments under this Policy if the repurchase agreement:

- has a defined maturity not to exceed 180 days, excluding flex repurchase agreements used specifically for bond funds and matched to the anticipated expenditure plan for those funds,
- is secured by obligations of the US Government,
- is collateralized at a minimum of 102% of the total book value of the repurchase agreement including accrued interest accumulated on the repurchase agreement and held in a depository approved by the Board,
- is transacted under an executed [PSA Securities Industry and Financial Markets Association (SIFMA) Master Repurchase Agreement between the College and the counter-party, and](https://www.sifma.org/)


is transacted with a primary government securities dealer as defined by the Federal Reserve or a financial institution doing business in Texas.

**B4.6.12.4** Reverse repurchase agreements are authorized investments under this Policy if the funds received under the reverse:
- are used to acquire additional authorized investments, and
- the maturity of the acquired securities is no longer than the term of the reverse.

**B4.6.12.5** Commercial paper is an authorized investment under this Policy if:
- it is rated A-1/P-1 or the equivalent by at least two nationally recognized rating agencies, and
- does not exceed 180 days to stated maturity.

**B4.6.12.6** Bankers acceptances are authorized investments under this Policy as defined by the Public Funds Investment Act and may not exceed 180 days to stated maturity.

**B4.6.12.7** Money Market Mutual Funds are authorized investments under this Policy if the fund:
- is regulated by the US Securities and Exchange Commission (SEC),
- is a fund that includes in its investment objectives the maintenance of a stable net asset value of $1 for each share,
- is invested exclusively in the obligations approved in this Policy, and
- is rated in the highest credit rating category by a nationally recognized rating agency Moody’s of AAAm or AAAm-P by Standard & Poor’s.

**B4.6.12.8** No load mutual funds are authorized investments under this Policy if the mutual fund:
- is regulated by the US Securities and Exchange Commission (SEC),
- has an average weighted maturity of less than two (2) years,
- is invested exclusively in the obligations approved in this Policy, and
- is rated in the highest credit rating category by a nationally recognized rating agency Moody’s of Aaa or AAA by Standard & Poor’s.
Texas Local Government Investment Pools are authorized under this Policy if the pool:

- strives to maintain a stable net asset value of $1, and
- is rated AAA by a nationally recognized rating agency, and
- complies in all manner with the Public Fund Investment Act as amended.

Cash Management and Fixed Income Funds sponsored by organizations exempt from Federal income tax under Section 501(f) of the Internal Revenue Code.

Negotiable Certificates of Deposit are authorized as investments under this Policy if the issuing bank has a short term rating of at least A1/P1 or the equivalent by two (2) nationally recognized rating agencies.

Corporate bonds and debentures are authorized investments under this Policy if:

- the corporation has one of the two highest long term credit ratings of two nationally recognized credit rating agencies, and
- maturities do not extend beyond two (2) years for operating funds or five (5) years for reserve funds.

If additional types of securities are approved for investment by public funds by state statute, they will not be eligible for investment by the College until this Policy has been amended and the amended version adopted by the Board of Regents.

Unauthorized Investments: The following mortgage-backed securities are not authorized for purchase by the College:

- Principal Only Strips (POs),
- Interest Only Strips (POs),
- Inverse Floating Rate mortgage backed securities (Inverses), or
- Collateralized mortgage backed obligations with stated maturities greater than ten (10) years.

Competitive Bidding: All securities, including certificates of deposit, will be purchased or sold after three (3) offers/bids are taken to verify that the College is receiving fair market value/price for the investment.

Delivery versus Payment: All security transactions, including collateral for repurchase agreements shall be conducted on a delivery versus payment (DVP) basis.

Diversification: The College’s objective is to diversify the investment instruments within its portfolio to avoid incurring the unreasonable risks inherent in over-
investing in specific instruments, individual financial institutions, or maturities. Asset allocation in the portfolio should, however, be flexible and capable of adjusting to the outlook for the economy and the securities markets.

The College may invest to the following maximum limits (percent of total portfolio):

<table>
<thead>
<tr>
<th>Asset Type</th>
<th>Limit</th>
</tr>
</thead>
<tbody>
<tr>
<td>US Government Obligations</td>
<td>80%</td>
</tr>
<tr>
<td>US Agencies and Instrumentalities</td>
<td>75%</td>
</tr>
<tr>
<td>Repurchase Agreements</td>
<td>100%</td>
</tr>
<tr>
<td>Certificates of Deposit</td>
<td>20%</td>
</tr>
<tr>
<td>Commercial Paper</td>
<td>25%</td>
</tr>
<tr>
<td>Bankers Acceptances</td>
<td>20%</td>
</tr>
<tr>
<td>Money Market Mutual Funds</td>
<td>50%</td>
</tr>
<tr>
<td>% of Fund Ownership</td>
<td>10%</td>
</tr>
<tr>
<td>Mutual Funds</td>
<td>10%</td>
</tr>
<tr>
<td>% of Fund Ownership</td>
<td>10%</td>
</tr>
<tr>
<td>Investment Pools</td>
<td>100%</td>
</tr>
<tr>
<td>% Ownership by Issuer</td>
<td>5%</td>
</tr>
<tr>
<td>Corporate Obligations</td>
<td>25%</td>
</tr>
</tbody>
</table>

B4.6.17 Collateral and Safekeeping: All safekeeping arrangements shall be designated by the Investment Officer and an agreement of the terms executed in writing. The third party custodian, independent of the counter-party, shall be required to issue original safekeeping receipts listing each specific security by rate, description, maturity, cusip number, and other pertinent information. Each safekeeping receipt will be clearly marked that the security is held for the College or pledged to the College. All securities pledged to the College for certificates of deposit or demand deposits shall be held by an independent third party bank. The safekeeping bank may not be within the same holding company as the bank from which the securities are pledged.

All securities owned by the College will be safe-kept by the College’s depository.

B4.6.18 Broker/Dealers: The College shall maintain a list of financial institutions and brokers which are authorized to provide it investment services. The Board will review the list of authorized broker/dealers annually.

Securities broker/dealers not affiliated with a bank shall be required to be classified as reporting dealers affiliated with the New York Federal Reserve as primary dealers, and shall meet certain other criteria as determined by the Investment Officers. The following criteria must be met by those firms on the list:

B4.6.18.1 provision of an audited financial statement for the most recent period,
B4.6.18.2 Proof of certification by the Financial Institutions Regulatory Authority (FINRA) National Association of Securities Dealers (NASD),

B4.6.18.3 Proof of current registration with the State Securities Commission, and

B4.6.18.4 Completion of an internal College broker questionnaire.

Brokers affiliated with the bank acting as custodian for the College’s securities must settle all securities into the College’s approved depository or an independent third-party institution custodian approved by the College to maintain an arm’s length transaction for delivery versus payment provisions.

Every dealer and counterparty with whom the College transacts business will be provided a copy of this Investment Policy to assure that they are familiar with the goals and objectives of the investment program. The broker/dealer firm will be required to return a written certification form acceptable to the College certifying that the policy has been received and reviewed and that procedures are in place to preclude transactions not authorized by this Policy.

B4.6.19 Internal Management Reports: Each quarter, the designated Investment Officers shall jointly prepare and submit signed, written reports of all investments, in compliance with Section 2256.023 of the Public Funds Investment Act and the Texas Education Code Section 51.0032. These reports shall be submitted to the Board of Regents and the President and contain sufficient information to permit an informed outside reader to evaluate the performance of the investment program.

B4.6.20 Pricing: The market price used for reporting of market values will be obtained from an independent source such as the Wall Street Journal or an investment advisor or a broker not involved with the sale of the particular security.

B4.6.21 Benchmark: The benchmark for investments shall be equal to the average yield on the current six (6) month US Treasury Bill for the comparable period for comparison to the established weighted average maturity of six (6) months. When comparing the performance of the College’s portfolio, all fees and expenses involved with the management of the portfolio shall be included in the computation of the portfolio’s yield.

B4.6.22 Distribution of Interest: Investment income consists of interest earned on investments, net amortization earnings, interest earned on checking account balances, and realized gains resulting from sales of securities. Investment income will be allocated to the fund for which the interest was earned on an allocation basis as directed by the Board.

B4.6.23 Internal Controls: The Investment Officers shall establish a system of internal controls and procedures for the operation of the investment program which are consistent with this Investment Policy and documented in writing. Such controls shall be designed to prevent losses of public funds arising from fraud, employee error, or misrepresentations by third parties. These controls shall be reviewed annually by Del Mar College’s independent auditor. No officer or designee may engage in an investment transaction except as provided under the terms of this Policy and the procedures here established.
B4.6.24 Cash Flow Analysis: Cash flow forecasting is designed to protect and sustain cash flow requirements of the College. The Investment Officer will maintain a cash flow forecasting process designed to monitor and forecast cash positions for investment purposes. Cash flow will include the historical researching and monitoring of specific cash flow items, payables, and receivables as well as overall cash position and patterns.

B4.6.25 Investment Policy Adoption: The College’s Investment Policy shall be adopted by the Board of Regents. The Policy and its strategies shall be reviewed and adopted on an annual basis by the Board. A written resolution approving this review and detailing any changes to the Policy as a result of the review will be passed and recorded.