**WICKSON CREEK SUD**

**INVESTMENT POLICY**

**POLICY:**

It is the policy of the Wickson Creek Special Utility District (WCSUD) to invest public funds in a manner which will provide the highest investment return with the maximum security while meeting the daily cash flow demands of the entity and conforming to all state / province and local statues governing the investment of public funds.

**SCOPE:**

This investment policy applies to all financial assets of the WCSUD. These funds are accounted for in the WCSUD’s **Comprehensive Annual Financial Report** and include:

**Funds:**

1. General Fund
2. Special Revenue Funds
3. Capital Project Funds
4. Debt Obligation Funds-Reserve and Interest & Sinking Funds

**PRUDENCE:**

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.

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

**OBJECTIVE:**

The primary objectives, in priority order, of the WCSUD’s investment activities shall be:

Safety: Safety of principal is the foremost objective of the investment program. Investments of the WCSUD shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. To attain this objective diversification is required in order that potential losses on individual securities do not exceed the income generated from the remainder of the portfolio.

Liquidity: The WCSUD’s investment portfolio will remain sufficiently liquid to enable the WCSUD to meet all operation requirements which might be reasonable anticipated.

Return of Investment: The WCSUD’s investment portfolio shall be designed with the objective of attaining a rate of return throughout budgetary and economic cycles, commensurate with the WCUSD’s investment risk constraints and the cash flow characteristics of the portfolio.

**Delegation of Authority:**

Authority to manage the WCSUD’s investment programs derived from the following: trading resolution code citations, ordinance, and statutes. Management responsibility for the investment program is hereby delegated to the appointed Investment Officer, Kent B Watson, and Assistant Investment Officer Karen Theiss, who shall be responsible for all transactions undertaken and shall establish a system of controls to regulate the activities of subordinate officials. Investment Officer Kent Watson and Assistant Investment Officer Karen Theiss will fulfill all training requirements necessary to comply with The Texas Public Funds Investment Act.

**Ethics and Conflicts of Interest:**

Officers and employees involved in the investment process shall refrain from personal business activity that could conflict with proper execution on the investment program, or which could impair their ability to make impartial investment decisions. Employees and investment officials shall disclose to the General Manager/Investment Officer any material financial interests in financial institutions that conduct business within their jurisdiction, and they shall further disclose any large personal financial/investment positions that could be related to the performance of the WCSUD.

Authorized Financial Dealers and Institutions: The Treasurer will maintain a list of financial institutions authorized to provide investment services. In addition, a list will also be maintained of approved security broker/dealers selected by credit worthiness who are authorized to provide investment services in the State of Texas. These may include **“primary”** dealers or regional dealers that qualify under **Securities and Exchange Commission rule 15C3-1** (uniform net capital rule). No public deposit shall be made except in a qualified public depository as established by state/province laws. All financial institutions and broker/dealers who desire to become qualified bidders for investment transactions must supply the treasurer with the following: audited financial statements, proof of National Association of Security Dealers certification, trading resolution, proof of state/province registrations, completed broker/dealer questionnaire, certification of having read entity’s investment policy and depositary contracts.

An annual review of the financial condition and registrations of qualified bidders will be conducted by the Treasurer.

A current audited financial statement is required to be on file for each financial institution and broker/dealer in which the WCSUD invests.

**Authorized & Suitable Investments:**

The WCSUD is empowered by statute to invest in the following types of securities:

1. **Master Repurchase Agreement:**

If repurchase agreements are legal or authorized, a Master Repurchase Agreement must be signed with the bank or dealer.

1. **Investment Pools/Mutual Funds:**

If governmental sponsored pools and/or mutual funds are included in Authorized Investments, a section on investigation and due diligence must be included.

A thorough investigation of the pool/fund is required prior to investing, and on a

continual basis. There shall be a questionnaire developed which will answer the following general questions:

A description of eligible investment securities, and written statement of investment policy and objectives.

A description of interest calculations and how it is distributed, and how gains and losses are treated.

A description of how the securities are safeguarded (including the settlement processes), and how often the securities are priced and the program audited.

A description of who may invest in the program, and how often, what size deposit and withdrawals are allowed.

A schedule for receiving statements and portfolio listings.

Are reserves, retained earnings, etc. utilized by the pool/fund?

A fee schedule, and when and how is it assessed.

Is the pool/fund eligible for bond proceeds and/or will it accept such proceeds?

1. **Certificates of Deposit:**

The District is authorized to invest its funds in certificates of deposit or other interest bearing accounts of any bank or savings and loan association domiciled in the State of Texas. All certificates of deposit must be fully insured or collateralized. Certificates of deposit should mature one to twenty-four months after purchase with maturity dates falling one to two months apart.

**Collateralization:**

Collateralization will be required on two types of investments, certificates of deposit and repurchase (and reverse) agreements. In order to anticipate market changes and provide a level of security for all funds, the collateralization level will be (102%) of market value of principal and accrued interest.

Then entity chooses to limit collateral to the following:

Collateral will always be held by an independent third party with who the entity has a current custodial agreement. A clearly marked evidence of ownership (safekeeping receipt) must be supplied to the entity and retained.

Safekeeping and Custody:

All security transactions, including collateral for repurchase agreements, entered into by the WCSUD shall be conducted on a deliver-versus-payment (DVP) basis. Securities will be held by a third party custodian designated by the Treasurer and evidenced by safekeeping receipts.

Diversification:

The WCSUD will diversify its investments by security type and institution. With the exception of U.S. Treasury securities and authorized pools, no more than 50% of the WCSUD’s total investment portfolio will be invested in a single security type or with a single financial institution.

**Maximum Maturities:**

To the extent possible, the WCSUD will attempt to match its investment with anticipated cash flow requirements. Unless matched to a specific cash flow, the WCSUD will not directly invest in securities maturing more than (2) years from the date of purchase. However, the WCSUD may collateralize its repurchase agreements using longer dated investments not to exceed (5) years to maturity.

Reserve funds may be invested in securities exceeding (2) years if the maturity of such investments is made to coincide as nearly as practicable with the expected use of the funds.

**Internal Control:**

The Treasurer shall establish an annual process of independent review by an external auditor. This review will provide internal control by assuring compliance with policies and procedures.

**Performance Standards:**

The investment portfolio shall be designed with the objective of obtaining a rate of return throughout budgetary and economic cycles, commensurate with the investment risk constraints and the cash flow needs.

Market Yield (Benchmark): The entity’s investment strategy is (passive or active). Given this strategy, the basis used by the Treasurer to determine whether market yields are being achieved shall be the six-month U.S. Treasury Bill and the average Fed Funds rate.

The Treasurer shall provide the WCSUD Board of Directors quarterly investment reports, which provide a clear picture of the status of the current investment portfolio. The management report should include comments on the fixed income markets and economic conditions, discussions regarding restriction on percentage of investment by categories, possible changes in the portfolio structure cong forward and thoughts on investment strategies.

Schedules in the quarterly report should include the following:

* A listing of individual securities held at the end of the reporting period by authorized investment category.
* Average life and final maturity of all investments listed.
* Coupon, discount or earnings rate.
* Par value, Amortized Book Value and Market Value. Percentage of the Portfolio represented by each investment category.
* Percentage of the Portfolio represented by each investment category.

**Investment Policy Adoption:**

WCSUD investment policy shall be adopted by resolution of the WCSUD’s legislative authority. The policy shall be reviewed annually by the WCSUD Board of Directors and any modifications made thereto must be approved by the Board of Directors.