

Request for Proposal Notice

**for Depository Services by
Garland Independent School District
409 N. First Street
Garland, TX 75040**

Garland Independent School District is soliciting proposals from banks to serve as a depository to assist with the banking functions for funds of the district.

Introduction

In accordance with the Texas Education Code (TEC), Chapter 45, Subchapter G, School District Depositories, the Board of Trustees of the district will select a depository through soliciting proposals for a depository services contract for a term of two years beginning July 1, 2023 and ending June 30, 2025 or until a successor depository is selected, qualified, and agrees to a depository agreement based on either fees or compensating balances.

The district and the depository may agree to extend this contract for two additional two-year terms in accordance with the TEC, §45.205. This section requires that the contract and any extension of this contract coincide with the district's fiscal year. If the district changes its fiscal year, the term of the contract may be shortened or extended no more than one year by mutual agreement to coincide, provided that this contract remains in effect until its successor is selected and has been qualified. If the parties cannot agree, the district has the option to change the term of this contract.

The legal provisions providing for naming a depository of the district are set forth in the TEC, Subchapter G, School District Depositories, §§45.201 through 45.209. Investments by the district are governed by the Texas Government Code (TGC), Chapter 2256, Public Funds Investment. Securities pledged as collateral to secure district deposits are governed by the TGC, Chapter 2257, Collateral for Public Funds.

Bank Questions

There will not be a preproposal conference. Questions regarding this proposal request, or the services requested, will be accepted in written or email form only, at the address above or via email to Diane Fields @ dfields@garlandisd.net, on or before 5:00pm on September 17, 2022. Responses to all material questions submitted will be communicated in writing or by email to all known interested banks by 5:00 pm on September 20, 2022. All addenda will be issued as amendments to the Solicitations(s). All addenda will be posted by September 20, 2022 at 5:00pm, CDT. It is the supplier's responsibility to check the district's website (<http://www.garlandisd.net/connect/do-business/current-opportunities>) for addendums prior to submitting responses.

Proposal Submission

To be eligible for consideration under this request, the bank must submit three complete paper copies of each proposal by 4:30 pm CDT on September 26, 2022 to the address below. The district will not accept proposals received after that time. Late submissions to the district address will be returned unopened.

The proposal must be submitted in a sealed envelope or packet marked "Depository Services." An accompanying transmittal letter must be signed by a person authorized to bind the institution,

Request for Proposal Notice for Depository Service

state that the proposal is valid for 180 days from the submission date, and give full contact information regarding the proposal.

The proposals must be delivered by US mail, express mail, or in person to:

Garland ISD Purchasing
Attn: Mark Booker, Executive Director
MABooker@garlandisd.net
469-268-5362
409 N. First Street
Garland, TX 75040

All questions in the attached uniform proposal blank should be answered and provided to the district as the bank's proposal.

The bank must attach a cashier's check in the sum of \$25,000.00 payable to the district. If any portion of this contract is awarded to the bank, the check will be returned to the bank. If the bank fails to execute the contract in a reasonable time, the district will cash the check as liquidated damages. If the proposal is not accepted, the check will be returned to the bank immediately after contract award.

The district is also providing this proposal request electronically.

The bid documents can be accessed and downloaded online at:

<http://www.garlandisd.net/department/purchasing/currentbids.asp>

The fee schedule, Attachment A, is in Excel format. The bank must submit the proposal in both paper and electronic form.

Evaluation Process

The district will use the following criteria to evaluate the proposal and award the contract:

- 25 % - Cost of services (charges reflected in Attachment A)
- 25 % - Bank software capabilities
- 20 % - Ability of the bank to provide the necessary services and perform the duties as depository. Experience in providing depository services to similar accounts (strength of project team)
- 20 % - Collateralization capabilities
- 10 % - Branch office within district boundaries. Ability to provide occasional change orders, petty cash requests and additional cash needs as needed.

The district reserves the right to reject any or all proposals and to accept the proposal the district considers most advantageous. If any portion or provision of this proposal and any contract between the depository and district entered into is invalid, the remainder, at the option of the district, must remain in full force and effect and not be affected. Acceptance of a proposal will be based on the total package of services offered by the bank.

Legislative Change

Changes in the law that may be enacted by the Texas Legislature, in session, could alter the scope of requirements as stated in this document. The proposal should conform to all statutes in effect at the time of proposal opening.

Schedule for Selection Process

The district will make every effort to adhere to the following schedule:

| | |
|--------------|---|
| 08/26/2022 | Release of Request for Proposal (RFP) |
| 09/17/2022 | Deadline for questions concerning the RFP or services requested |
| 09/20/2022 | Responses given to any questions provided to all known interested banks |
| 09/26/2022 | Deadline for proposal submission |
| Nov-Dec 2022 | District Board award of contract |
| 07/01/2023 | Contract commencement |

Other Requirements

The following requirements must be met:

1. The bank selected as the depository will notify the district in writing within 10 days of any changes in federal or state regulations or laws that would affect the depository agreement.
2. The depository's records relating to the district's accounts must be open to review by the district, its independent auditors, and the Texas Education Agency.
3. The district reserves the right to pay for depository services by targeted balances or by fees.
4. The district reserves the right to exclude direct payroll deposit service from the depository contract if the bank does not offer direct payroll deposit service.

District Rights

The district reserves the right to:

- waive any defect, irregularity, or informality in the proposal or proposal procedures;
- reject any and all proposals;
- accept any proposal or portion thereof most advantageous to the district;
- request additional information or require a meeting with bank representatives for clarification;
- cancel, revise, or reissue this request for proposal or any portions of it,
- negotiate any conditions;
- retain all other provisions even if any provision of the proposal is determined invalid;
- modify deadlines; and
- select any proposal considered to be in its best interest as determined by the district.

**Garland ISD
Attachment B
Account Structure**

The district presently maintains accounts as listed below. The district reserves the right to open additional accounts or to close accounts during the term of the depository contract.

| <u>Type of Account</u> | <u>Number of Accounts</u> | <u>Interest-Bearing/ Non-Interest-Bearing</u> |
|--|-------------------------------|---|
| General Operating (accounts indented below zero balance into General Operating) | 1 | NIB |
| Payroll | 1 | NIB |
| GISD Drawdown | 1 | NIB |
| Irrigation & Utility | 1 | NIB |
| Irrigation & Utility sub accounts (these accounts debit from the I & U master) | 88 | NIB |
| Accounts Payable | 1 | NIB |
| Athletics | 1 | NIB |
| Athletic Credit Cards (credit/debit from Athletics) | 1 | NIB |
| CCC Depository | 1 | NIB |
| CCC Credit cards (credit/debit from CCC depository) | 1 | NIB |
| Employee Clinic | | |
| Investment Clearing | 1 | NIB |
| Debt Service | 1 | NIB |
| Tax | 1 | NIB |
| Tax Credit Cards (credit/debit from Tax) | 1 | NIB |
| Student Nutrition Services | 1 | NIB |
| SNS Credit Cards (credit/debit from SNS) | 1 | NIB |
| Activity | 1 | NIB |
| Activity Credit Cards (credit/debit from Activity) | 1 | NIB |
| CCC Settlement | 1 | NIB |

**Garland ISD
Attachment B
Account Structure**

VOLUMES

| <u>Type of Account</u> | <u>Avg items</u> | <u>Avg Amt</u> |
|---|------------------|----------------|
| Property Taxes (per year) | | 262,000,000 |
| Deposits (daily smart safe, credit card deposits) | | |
| Amount vary per tax season | | |
| Payroll | | |
| Monthly | | |
| Checks | 100 | |
| Direct deposit payments/entries | 6,400 | |
| Monthly payroll | | \$30,000,000 |
| Bi-weekly | | |
| Checks | 50 | |
| Bi-weekly direct deposit (x's 2) pmts/entries | 1,400 | |
| Bi-weekly payroll (x's 2) | | \$ 1,600,000 |
| Accounts Payable | | |
| Monthly checks or payments | 500 | \$4,000,000 |
| ACH transmissions (4 per week) | 16 | |
| Food Service | | |
| Daily deposits | 70 | |
| Activity (deposits) | | |
| High School (8 schools) | 40 | |
| Middle School (12 schools) | 35 | |
| Elementary School (49 schools) | 80 | |

ACCOUNT STRUCTURE

| <u>Type of Account</u> | <u>Number of Accounts</u> | <u>Description of Accounts</u> |
|---------------------------|-------------------------------|--|
| General Operating | 1 | Master Account |
| Controlled Disbursement | 2 | Payroll, Accounts Payable (debits/credits through General Operating) |
| Zero balance | 5 | Drawdown, Irrigation & Utility, Athletics, CCC Depository, Employee Clinic (debits/credits through General Operating) |
| Positive Pay | 2 | Payroll, Accounts Payable |
| Student Nutrition Service | 1 | Depository Account - 70 ULIDS (unique location identifier) by campus |
| Activity | 1 | Depository Account - 70 ULIDS (unique Location identifier) by campus |
| CCC Settlement | 1 | Settlement for events at CCC |
| Tax Account | 1 | Receives all Tax payments |
| Debt Service Account | 1 | Debt Service Payment clearing |
| Investment Clearing | 1 | Used for investment purchase clearing |

Proposal Form

RPF 261-22

for Depository Services
by Garland Independent School District

Definitions and Instructions

In this document, the terms “you” and “your” refer to the depository bank, and “we,” “our,” and “us” refer to the district named above.

You must answer all questions in this form and provide it to us as your proposal.

We have the right to reject any proposal. If any part of this proposal or any contract entered into between you and us is invalid, the remainder, at our option, remains in force and is not affected. We have the right to use a sub-depository bank other than the primary bank and those deposits will be collateralized.

Bank Compensation

We may pay for your services by targeted balances or by fees and change the methodology when appropriate. Please detail any differences in related costs to us with either option.

Compensation Based on a Targeted Balance

We may choose to pay for your services by maintaining a targeted amount of our funds in the depository. We will maintain balances in the checking accounts to compensate you in full or in part for services provided. You must provide a monthly account analysis that reflects the earnings credited for these balances.

You may invest any excess collected balance daily as directed by us in an overnight investment that we approve, an interest-bearing account, or a money market mutual fund registered with the Securities and Exchange Commission (SEC) which strives to maintain a \$1 NAV. Please list below the overnight investment and any index upon which the rate will be based.

Please provide the rate history at your bank for the months beginning 07/21 and ending 06/22 for your Earnings Credit Rate (ECR), Interest Bearing Accounts, Money Market Accounts and Sweep accounts.

Please complete Attachment A (in excel) regarding unit pricing for the average volumes listed. Bank Service Codes and AFP codes are included for your reference.

If any of these rates is based on an index rate (such as the T-Bill auction rate), stipulate how you will use the index to calculate the rate.

Compensation Based on Fees

We may choose to pay for your services on a straight fee basis in which we will not maintain a targeted balance. You will assess fees, and we will pay them in accordance with your proposed fees as listed on Attachment A, Volumes for Pricing Transactions.

District Investments

We reserve the right to purchase, sell, and invest our funds and funds under our control, including bond funds, as authorized by the Texas Government Code, Chapter 2256, Public Funds Investment Act, and in compliance with our investment policy, a copy of which is attached as Attachment C. Our investment policies are also linked below.

<https://pol.tasb.org/Policy/Code/364?filter=CDA>

We may choose to invest in time deposits at the depository, but all investments including certificates of deposit are bid competitively at the time of purchase.

Collateral

Collateral Conditions

You must provide collateral equal to 102 percent of all our time and demand deposits plus accrued interest minus applicable Federal Deposit Insurance Corporation (FDIC) coverage. Collateral will be pledged to us and held in an independent safekeeping institution by a custodian or permitted institution as specified by the Texas Government Code, Chapter 2257, Public Funds Collateral Act. You will be liable for monitoring and maintaining the collateral and the required margin at all times and will provide an original safekeeping notice and a monthly report of the collateral including at least the security description, par amount, cusip, and market value.

You and we must execute a collateral agreement in accordance with the Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (FIRREA). Provide a sample collateral agreement as Attachment D, Sample Collateral Agreement.

We estimate our maximum anticipated collateral requirement to be \$40,000,000.00.

If voluntary collateral pooling is legislated during the period of this contract, you and we may consider it and agree to use it under this contract.

Eligible Collateral

We will accept only approved securities as specified by the TEC, §45.201, as pledged collateral, voluntary pooled collateral (if available) or a Federal Home Loan Bank Letter of Credit.

Please indicate what your bank would recommend as pledged collateral for the district.

Banking Services Fees

Based on the services we require from you, complete the proposed fee schedule, Attachment A. All fees which may be charged to supply the services must be included or will not be eligible under the contract. We and you reserve the right to mutually agree upon any change of contract terms or pricing during the contract extension periods.

Depository Information

Please answer the following questions about your depository bank.

1. State the full name and address of the depository and any parent holding company. List all branch locations within our boundary.
2. Provide the annual audited financial statement for the most current fiscal year. This may be in printed form, but we prefer an electronic link to the website. Members of your holding companies must include corporate annual financial statements and your individual call report for the most recent operating quarter. Audited financial statements are required each year of the contract.
3. State your rating from an independent depository rating agency or, if that rating is not available, the rating on your senior and subordinate debt. You must inform us of any change in this rating during the period of the contract within a reasonable period.

4. Contact Information

To ensure smooth communication and continuation of services, you must assign a specific account executive and a backup to our account to coordinate services and help solve any problem encountered.

- a. Designate a depository officer as a primary contact with us.

Name _____

Title _____

Telephone # _____

Fax # _____

Email _____

- b. Designate a depository representative as a backup contact with us.

Name _____

Title _____

Telephone # _____

Fax # _____

Email _____

- c. If the primary and backup contacts are not available, how do we contact someone in an emergency? After hours?
- d. Describe in detail how you handle problem resolution, customer service, day-to-day contact, and ongoing maintenance for governmental clients. Please be specific about exactly whom we will be calling and working with for the situations described above.
5. List references from at least three of your current, comparable governmental clients. Include the length of time under contract and a client contact, title, and telephone number.

6. Based on the services we require, please provide a proposed timeline for implementing the contract; include the timeline activities and direct responsibilities of both our district and your depository bank during implementation.
7. Provide a copy of all agreements (including those not directly referenced in this proposal) that will be required under the contract.
8. If we award the contract to you, you must review our then-current district investment policy and certify in writing to that review in accordance with the Public Funds Investment Act verifying that you have sufficient controls in place to avoid transactions not authorized by the policy. We have attached our investment policy to this proposal notice.
9. We may conduct a preaward interview on-site at your depository bank before awarding the contract. Please provide us with a contact name for arranging the preaward interview.
10. Are you offering any transition or retention incentive to us? If so, please describe it in detail

Banking Services

1. Consolidated Account Structure with Sweep Mechanism

We are interested in earning at then-current interest rates available at all times. We want the option to use an automated, daily sweep to a money market mutual fund or depository alternative account (if competitive) to reach our full investment goal. We will not accept a repurchase agreement or offshore investments as a sweep investment vehicle.

Our current account structure is listed as Attachment B, District's Current Account Structure. We do not guarantee that we will maintain the balances or structure at these same levels.

You must clearly describe your most cost-effective account structure (interest bearing accounts, zero balance accounts [ZBAs], or sweep, etc.).

- a. Fully describe the proposed account structure. Would a sweep be from a master account with ZBAs or directly swept from the individual accounts? Is interest distributed at the account level?
- b. State the average interest rate on the recommended alternative structure for the past 12 months.
- c. If an SEC-registered money market fund is used for the sweep proposal, provide the full name and a copy of the prospectus. It must strive to maintain a \$1 NAV.
- d. Interest earned on interest bearing accounts must **not** be charged as an expense on the account analysis. Confirm acceptance of this condition.

We may be required or may desire to open additional accounts, close accounts, or change account types during the contract period. If this occurs, the new accounts and services must be charged at the same contracted amount or, if unanticipated, at not more than published rates.

2. Automated Cash Management Information

We are interested in automated balance and detail information and online retention. Minimum automated services must include the following:

- prior-day summary and detail balance reporting on all accounts
 - intraday detail and summary balances (on local main and payroll accounts)
 - initiation and monitoring of stop payments
 - positive pay exception transactions
 - initiation and monitoring of internal and wire transfers
 - image access
 - controlled disbursement presentment totals [optional]
- a. Fully describe your online service. **List** the system capabilities (for example, balance reporting, wires, positive pay, stop payment, etc.).
 - b. What is your backup process to report balances and transactions in case the system is not available?
 - c. When is daily balance information available?
 - d. Submit samples of major screens available, or provide web link access to a demonstration module.
 - e. How is an individual security sign-on assigned, and who maintains the security module? How many levels of security are available?

3. Deposit Services

We require standard commercial deposit services for all accounts.

We expect all deposited checks to clear based on your current published availability schedule, but please note any options for expedited availability in your proposal. For all cleared deposits you receive by your established deadline, you must process them for same-day ledger credit. If you fail to credit our accounts in a timely fashion, you must pay interest to us at the then-current effective federal funds rate.

- a. What is your daily cutoff time to ensure same-day ledger credit?
- b. Describe how and when you send credit and debit advices to us.
- c. What type of deposit bags do you use or require? Are these available from you?
- d. In what city does item processing occur?

Remote Deposit

We are interested in using remote check deposit at a high-volume location during the contract period. These deposits include both consumer and commercial checks.

- e. What are your current capabilities in remote check deposit? Describe how checks are processed and cleared. Please state the cutoff time for same-day ledger credit.
- f. Give two comparable references with contact information.
- g. Do you produce a daily balancing report? Provide a sample.

- h. What scanner equipment is required to operate the system? Is this equipment available through your depository bank for purchase or lease? Please list the equipment required along with its cost.

4. Standard Disbursing Services

We are interested in standard disbursing services for designated accounts.

- a. Do you image all paid checks, deposit items and deposit slips?
- b. Are check and deposit images available online? When? Do you provide a monthly compact disc (CD)? If not, are reports downloadable?
- c. How long do you maintain check and deposit images online?
- d. Do you pay all our checks without charge upon presentation?

5. Positive Pay

We require positive pay services for designated accounts on which checks are written. The positive pay process should be fully automated and web based. We will transmit check information electronically to you on each check run and as we create checks manually.

- a. Describe the data transmission and transfer requirements for automated and manual checks.
- b. Is input available online for manual checks? If it is not available online, how do we transmit information on individual manual checks to you?
- c. How can we change or delete check records, if necessary?
- d. How do you notify us of a positive pay exception?
- e. When do you report exception information to us? When is the deadline for our exception elections? Are images of exceptions available?
- f. Are all checks, including those received by the tellers and vault, verified against the positive pay file before processing? How often do you update teller information?
- g. Do you offer payee positive pay?
- h. Please provide a copy of your file layout format.

6. Account Reconciliation

We anticipate using partial or full reconciliation services on all accounts in concert with positive pay, depending on cost effectiveness.

- a. Describe the partial and full reconciliation processes.
- b. With what format(s) does your system interface? What record formats are required? How do you send reconciled data to us? When?
- c. Please provide references of customers who use the Oracle ERP system?
- d. Specify all reporting alternatives.
- e. Are reports available online? How long are reports maintained online? Provide a sample copy of reports.

7. Funds Transfer and Wire Services

Incoming wire transfers must receive immediate same-day collected credit. Wire initiation should be available online. We require that wires be released the same business day if information is provided by the established deadline.

- a. Describe the process of online wire initiation. What backup process is available for the online process in case the system is unavailable?
- b. Is any paper transaction required for transfers or wires as follow-up?
- c. How and when will you notify us of incoming wires? Online? Email?
- d. Is future dating available for both repetitive and non-repetitive wires and transfers? How far in advance?
- e. What is the deadline for initiation:
 - by telephone?
 - online?
- f. Are templates and template storage available?

8. Optical Imaging

We desire optical images that are downloadable on all accounts.

- a. What items and reports are available online (checks, statements, deposit slips, deposited items, etc.)? How long are each available?
- b. What items are captured on the monthly CD, if provided?
- c. When do you make the monthly imaged reports available?
- d. When and for how long are statements and account analyses available online?

9. Automated Clearinghouse (ACH) Services

We require ACH transactions for payable and receivable transactions. We require a pre-notification (pre-note) on all new transactions.

- a. Describe the transmission alternatives for individual ACH transactions. Can we initiate individual ACH transactions online?
- b. What filters and blocks are available on our accounts for ACH transactions?
- c. Are ACH addenda shown in their entirety online and in reports?
- d. What is your policy on pre-notification? Is the pre-note charged as a standard ACH transaction?
- e. What is the deadline for transmission (hour and day) for a payroll to credit employee accounts on a particular day?
- f. Is ACH positive pay available?
- g. Does ACH debit the account on day of initiation or settlement?

10. Safekeeping Services

We may require you or another eligible offeror to provide book-entry safekeeping services for any securities we own. We will make all our investments and transmit instructions for clearing and safekeeping to you in writing or electronically.

All securities must be cleared on a **delivery versus payment (DVP)** basis. Ownership must be documented by original clearing confirmations, and safekeeping of receipts must be provided within one business day of the transaction. Funds for investments must be drawn from our designated demand deposit account. All principal and interest payments, coupon payments, and maturities must receive automated same-day collected credit on our designated account without requiring any additional action by us.

If you use a correspondent bank for safekeeping our securities, the transactions must be handled through your systems and must not require additional interaction by us with the correspondent bank. No delay in transactions, wires, or flow of funds is acceptable under a correspondent relationship.

- a. Are you a member of either the Federal Reserve or a Federal Home Loan Bank? If not, name the correspondent depository you would use for clearing and safekeeping. Describe any safekeeping arrangement proposed with a correspondent depository including processing requirements by us.
- b. Are security transactions available online for either originating or monitoring?
- c. What is the deadline for settlement instructions on a cash (same-day) settlement? Would we incur any charge for late instructions?

We may choose to purchase time deposits from you, but all time deposits will be competitively bid at the time of purchase.

11. Collateral Requirements

You must meet all the requirements, including those beyond the Public Funds Collateral Act, as stated below. The proposal must state that you agree to the following terms and conditions:

- All collateral pledged to us must be held by a custodian or permitted institution as specified by the Texas Government Code, Chapter 2257, Public Funds Collateral Act.
- We, you, and the safekeeping bank must execute a triparty safekeeping agreement for custody of pledged securities in full compliance with the FIRREA requiring a depository resolution. (Or completion of Circular 7 if a Federal Reserve bank is acting as custodian. Even if a Federal Reserve bank is used, you and we must still execute a depository agreement.)
- All time and demand deposits above FDIC coverage must be collateralized at a minimum of 102 percent of principal plus accrued interest at all times (110 percent on mortgage-backed securities).
- You are contractually liable for continuously monitoring and maintaining collateral at our required margin levels.
- The custodian must provide evidence of pledged collateral by sending original safekeeping receipts or a report directly to us within one business day of receipt.
- We must receive a monthly report of collateral pledged including description, par, market value, and cusip, at a minimum.
- We must grant substitution rights if you obtain our prior approval and if substituting securities are received before previously pledged securities are removed from safekeeping.

Authorized collateral includes only approved securities as specified by the Texas Government Code, Chapter 2257, Public Funds Collateral Act and noted above.

- a. Do you propose any collateral charges? If so, under what conditions are they charged, and how is the charge applied?
- b. What is your deadline for requesting collateral in excess of existing requirements?

12.Account Analysis

You should provide monthly account analysis reports for each account and on a consolidated account basis.

- a. When is the account analysis available each month?
- b. Is the account analysis available online? Is it imaged on electronic media monthly?
- c. Are paper statements also sent to us? If so, when?
- d. How long will it take you to correct any billing errors on the account analysis?

13.Monthly Statements

You must provide monthly account statements on all accounts with complete supporting documentation.

- a. State when monthly statements will be available each month online and on paper.
- b. Is the monthly statement available online? If so, when and for how long? Are the statements imaged and/or put on electronic media monthly?
- c. If imaged, are paper statements also sent to us? If so, when?

14.Overdrafts

- a. Are all accounts aggregated for overdraft calculation purposes?
- b. State the rate basis for intraday and interday overdrafts.
- c. What is the policy for daylight overdrafts?

15.Stop Payments

We desire an automated stop payment process.

- a. What are the time period options available for stop payments?
- b. What are the options for extended stop payment periods? How are they extended?
- c. What is the cutoff hour for same-day action on stop payments?
- d. Can we initiate stop payment orders online? If so, do you require any paper follow-up document?
- e. What information on current and expiring stop payments is available online?

16.Customer Service

- a. Do you offer customer services in languages other than English?
- b. What languages are offered?

17.Service Enhancements

Based on the information you provide in the proposal and your knowledge of the public sector, please describe any services or technological enhancements, not previously mentioned, that we should consider to manage our treasury operations more effectively.

Optional Services

1. Nonsufficient Funds (NSF) Checks Re-presented as ACH (Re-presented Check [RCK] Entry)

We may want the option of the second presentment to be made by ACH to targeted dates for maximum collection potential.

- a. Are you currently using ACH for collection of NSF checks? How long have you been providing this service? Provide two comparable references with contact information.
- b. How are the NSF and the later ACH transactions matched and reconciled? Does your system cross-reference the two transactions in any way?
- c. Is the NSF information, image, or occurrence available online? When and how? For how long is it available online?
- d. Can we specify any target pay day(s)?

2. Merchant Services.

We currently accept Visa, MasterCard and debit card payments on a few campus sites. There is minimal usage of these machines located at the high schools, with greater usage online for stadiums, the Curtis Culwell Event center, natatorium and the tax office. While merchant services for these machines are not currently part of the depository proposal, please attach any information regarding your bank's recommendation for these services in the future. The service should include daily capture, transmission, and authorization of payments at point of sale and on the web. The service must include reporting by location.

- a. Do you currently offer merchant card processing services? How long has this service been available? What interface format(s) does your system supply?
- b. How many institutions and end customers do you have?
- c. Describe the fee components of a merchant card processing relationship. Provide a list of all the fees to us. State the association fees, the discount rates, and your fee per transaction.
- d. Do you have software that allows online payments to us through your portal?
- e. Describe the reporting functions and data availability.
- f. Describe billing options.
- g. Describe the authorization method or process used. How are incorrect authorizations reversed?
- h. Describe your debit card processing capabilities. Do you distinguish between debit and credit cards on your bank identification number (BIN)? Can you program a debit card to the lowest cost network?
- i. Describe your transmission process. Describe the monitoring and notification process if transmissions fail.
- j. Is data imaging available online? What is available online? When? For how long?
- k. Describe the dispute resolution process.
- l. Describe your security measures for Internet transactions and unauthorized use.

3. Payroll Cards or Debit Cards

We are not currently using stored-value cards (payroll cards or debit cards) as a payroll option for employees. Please submit a recommendation regarding stored-value card for our future consideration. Cardholders should be able to use the cards as debit cards for purchases at point of sale as well as for cash withdrawals at financial institutions and automated teller machines.

The purchasing ability of the cards must be limited to the stored value of the card. We may choose not to pay for access fees for the employees issued the stored-value cards.

We will be responsible for any marketing of the program and have total discretion on the distribution of the cards. We will enroll the employees. You must provide cardholders with all processing and transaction information and reports. We expect the following services from you, at a minimum:

- embossing, encoding, and distributing standard cards as directed by us
 - providing paper and electronic statements to cardholders
 - administering accounts, including maintenance of accounts, application of funds, authorization of transactions, and related tracking
 - customer service functions
- a. Do you currently provide this service? If so, how long has it been available?
 - b. How many institutions and end customers use the service? Provide three comparable references for the service.
 - c. Which program (authorization marks) does your program use? (Visa, MasterCard, etc.)
 - d. Describe the enrollment process. Is enrollment batched and web-based?
 - e. Describe the manner by which funds will be made available to the cardholders.
 - f. What are the inactivity levels for the program? Do these generate additional fees? Describe any other potential fees.
 - g. Are all funding transmissions by standard ACH? Describe the data transmission requirements and deadlines.

4. Purchasing Cards

We are currently under an existing contract for our purchasing card program. Please submit a recommendation for our future consideration regarding your depository's purchasing card module. For your information, current annual purchasing spend is approximately 9 million. Last year's purchasing card spend totaled approximately 5 million. We have 665 cards currently assigned to employees. Cards are assigned to our employees for defined use.

- a. What card platforms do you support (MasterCard, Visa)? Do you use a third-party processor?
- b. What, if any, information is available online? When? Describe data download and integration capabilities. Describe reporting capabilities.
- c. What client support is available? How is it provided?
- d. Describe the diverse parameters and restrictions available for the card control. How many access levels are available?
- e. Discuss settlement and corporate liability terms. Include information on your support for the program and your experience, settlement terms on payment, security procedures, and license requirements. How will we receive billing?
- f. Describe how cards are issued, deleted, or replaced. How do you handle lost or stolen cards?
- g. Provide three comparable references for the service.

Schedules and Attachments

We provide the following:

- copy of our audited financial statements
<https://garlandisd.net/about/financial-information/traditional-finances>
<https://garlandisd.net/about/financial-information>
- Attachment A, Volumes for Pricing Transactions (filled in with volumes)
- Attachment B, District's Current Account Structure
- Attachment C, District Investment Policy
<https://pol.tasb.org/Policy/Code/364?filter=CDA>

You must include the following information with the proposal:

- copy of your audited financial statements *[or link to website]*
- corporate audited financial statements and the individual depository's call report (for members of your holding companies) *[or link to website]*
- Uniform Bank Performance Report reference
- Attachment A, Volumes for Pricing Transactions (filled in with rates)
- Sample Account Analysis Statement
- Attachment D, Sample Collateral Agreement
- any service agreements (including those not directly referenced in this proposal) that must be executed under the contract (if applicable)
- screen shots of major pages within your automated cash management system, or online web demo access (if available)
- sample daily balancing report for remote deposit (if applicable)
- sample account reconciliation reports (if applicable)

Optional Acknowledgments

You confirm that you will not charge interest earned on the account analysis.

If awarded the contract, you must review our then-current district investment policy and certify in writing to that review in accordance with the Public Funds Investment Act verifying that you have sufficient controls in place to avoid transactions not authorized by the policy.

You accept the investment options and/or collateral conditions as specified in our investment policy.

By submitting this proposal, you acknowledge that you agree with and accept all specifications in the proposal except as you expressly qualified in the proposal.

Bank: _____

Address: _____

City, State, Zip: _____

Phone Number: _____

Fax Number: _____

Email Address: _____

Typed Name: _____

Date: _____

Garland ISD RFP 261-22

Additional Information

The Garland Independent School District serves the cities of Garland, Rowlett and Sachse. GISD is the second largest district in Dallas county, and is the fifteenth largest district in Texas. More than 308,000 people reside within the district's 93 square-mile service area. Student enrollment is 53,256 students across 69 campuses. GISD has approximately 7,440 employees. Our operating budget for 2022-2023 is \$564,000,000.

The Financial Integrity Rating System of Texas (FIRST) has consistently recognized GISD with its Superior Achievement rating, the organization's highest honor recognizing quality financial management and reporting. For more than 20 consecutive years, GISD has received Certificates of Achievement for excellence in financial reporting. The district holds the highest credit rating of Aaa from Moody's Investors Service, AA+ from Fitch and the second-highest mark of AA from Standard and Poor's.

Credit Card usage information

As indicated in the documentation for the Proposal Notice, the district has credit card capabilities for each of the high schools, Athletics, Curtis Culwell Events Center, Natatorium, Employee Clinic, Student Nutrition Services and the Tax Account. Please see the information listed below for further information on those accounts.

Tax payments by credit card: Patrons are directed to make tax payments via the website www.texaspayments.com/057909. The Tax office has three terminals linked to certified payments. The district has no merchant service account for those terminals.

Student Nutrition Services (SNS) payments by credit card: Patrons are directed to the School Cafe system through a link on the district website (<https://www.schoolcafe.com/garland>). SNS has no merchant terminals in the schools.

Curtis Culwell Center (events center): Patrons can link to particular events from the district website, which will direct them to: <https://tickets.curtisculwellcenter.com/p/tickets>. Additionally, there are 6 computers with card swipe capabilities and two terminals for credit card payment on site.

All High schools (in accounting clerk's offices), Employee Clinic and The Natatorium: Credit cards can be presented in these locations. A combined total of terminals for these locations is eleven. Usage, ticket size and volumes are sporadic and varied on these terminals. Parents are also able to make payments for various student expenses electronically using our Skyward system.

Athletics: Patrons are directed to make payments via the website www.garlandisd.tix.com. We have two athletic stadiums. There are six terminals per stadium.

Armored Car Contract

We have 80 locations serviced through our current provider, Garda Cash Logistics. All locations receive at least one pickup per week. The district has many vault orders (placed online through the current depository's website) throughout the course of the school year. Please confirm that Garda Cash logistics would have the ability to deliver deposits to your banking center's vault processing area.

Financial Applications

The district uses Oracle for all of its financial applications. Please provide a listing of any other local governments that you currently provide bank depository services to that are also Oracle users.

Branch Bank usage

Throughout the school year, the district has petty cash checks that are delivered to the branch bank for fulfillment for the schools. On a weekly basis, the checks processed average 3-4. We process these through the teller line in the branch lobby and wait while they are being processed. Please indicate how your bank will handle petty cash checks.

Each day the district's couriers take 3-4 change order requests from the schools to the branch and wait for them to process the orders. These are exchanges of cash (example: a \$20 bill for two rolls of quarters). The couriers present the orders inside the branch in the teller lines and wait while the orders are filled. Please indicate if this process is acceptable to your bank.

Certificate of Secretary/Signature Cards

Annually the district executes a Certificate of Secretary document that designates who is authorized to transact day to day business operations for the district (Currently, the Executive Director of Finance and the Cash Manager). In the past, this has enabled us to sign a master signature card that covers all district accounts. Please indicate if this would be acceptable to your organization.

Additionally, every year when the board elects new officers, we change the facsimile signatures on our Payroll and Accounts Payable checks. With our current depository, we have had a process by which we provide test checks to ensure correct placement of the micr line and signatures. Please indicate your procedure for this type of change and the timeline necessary to accomplish the task.

CERTIFICATIONS

1.1. CERTIFICATION AFFIRMATIONS

By signing this Request for Proposal, the signed proposer affirms and certifies that its company, corporation, firm, partnership or individual's response to this proposal is in all respects compliant with all provisions in this section.

1.1.1. ANTI-COLLUSION AND FRAUD

Proposer affirms that its company, corporation, firm, partnership or individuals response to this proposal is in all respects bona fide, fair and was not made with collusion or fraud with any person, joint venture, partnership, corporation or other legal entity engaged in this type of business prior to the official opening of this proposal.

1.1.2. DEBARMENT AND SUSPENSION (Executive Orders 12549 and 12689)

A contract award (see 2 CFR 180.220) must not be made to parties listed on the government wide Excluded Parties List System in the System for Award Management (SAM), in accordance with the OMB guidelines at 2 CFR 180 that implement Executive Orders 12549 (3 CFR Part 1986 Comp., p. 189) and 12689 (3 CFR Part 1989 Comp., p. 235), "Debarment and Suspension." The Excluded Parties List System in SAM contains the names of parties debarred, suspended, or otherwise excluded by agencies, as well as parties declared ineligible under statutory or regulatory authority other than Executive Order 12549. Proposer certifies that the individual and/or firm on whose behalf this proposal is submitted is not listed on the Federal Government's excluded parties list (SAM).

1.1.3. BYRD ANTI-LOBBYING REQUIREMENTS

Proposer certifies no Federal appropriated funds have been paid or will be paid by or on behalf of the undersigned, to any person for influencing or attempting to influence an officer or employee of any agency, a Member of Congress, an officer or employee of congress, or an employee of a Member of Congress in connection with the awarding of a Federal contract, the making of a Federal grant, the making of a Federal loan, the entering into a cooperative agreement, and the extension, continuation, renewal, amendment, or modification of a Federal contract, grant, loan, or cooperative agreement imposed by section 1352, Title 31, U.S. Code.

If any funds other than Federal appropriated funds have been paid or will be paid to any person for influencing or attempting to influence an officer or employee of any agency, a Member of Congress, an officer or employee of congress, or an employee of a Member of Congress in connection with this Federal grant or cooperative agreement, the proposer shall complete and submit Standard Form-LLL, "Disclosure of Lobbying Activities," in accordance with its instructions <https://www.whitehouse.gov/sites/default/files/omb/grants/sfillin.pdf>

1.1.4. FOREIGN TERRORIST ORGANIZATION LIST

Pursuant to Texas Government Code Chapter 2252, Company certifies that it is not a company identified on the on a list prepared and maintained pursuant to

Texas Government Code § 806.051, 807.051, or 2252.153 ("Foreign Terrorist Organization List"). In the event that Company is added to a Foreign Terrorist Organization List at any time during this Agreement, Company shall promptly provide notice to School. Garland ISD may terminate this Agreement immediately upon receipt and verification of information, by any means, that Company has been added to a Foreign Terrorist Organization List.

1.1.5. BOYCOTT ISRAEL

Pursuant to Texas Government Code Chapter 2270, Company certifies that it does not boycott (as defined in Texas Government Code Chapter 808) Israel and will not boycott Israel during the term of this Agreement with the Garland ISD.

1.1.6. PROHIBITED TRANSACTION

Pursuant to Texas Government Code Chapter 2272, the District is prohibited from contracting with any abortion provider or an affiliate of an abortion provider whereby the provider or affiliate receives something of value derived from state or local tax revenue. Any contract entered into by the District is void if the prospective vendor has such a prohibited affiliation or contractual relationship. By submitting a proposal in response to the request for proposal, you are certifying to the District that you do not have such an affiliation or contractual relationship.

1.1.8 FIREARM INDUSTRY

Pursuant to Texas Government Code Chapter 2274.002 (SB 19), a governmental entity may not enter into a contract with a company for the purchase of goods or services unless the contract contains a written verification from the company that it: does not have a practice, policy, guidance, or directive that discriminates against a firearm entity or firearm trade association; and will not discriminate during the term of the contract against a firearm entity or firearm trade association. This provision is only applicable to a company with at least 10 full-time employees and a contract value of \$100,000 or greater. Executing this agreement is considered written verification that your company is in compliance with the law.

1.1.9 ENERGY COMPANIES

Pursuant to Texas Government Code Chapter 2274.002 (SB13), a governmental entity may not enter into a contract with a company for the purchase of good or services unless the contract contains a written verification from the company that it: does not boycott energy companies and will not boycott energy companies during the term of the contract. This provision is only applicable to a company with at least 10 full-time employees and a contract value of \$100,000 or greater. Executing this agreement is considered written verification that your company is in compliance with the law.

Garland ISD - Attachment A

| <u>Product Line and Description</u> | <u>Bank Service Code</u> | <u>AFP Service Code</u> | <u>Unit Price</u> | <u>August '21 July '22 Avg Volume</u> | <u>Service Charge</u> | <u>Balance Equivalent</u> |
|-------------------------------------|----------------------------------|---------------------------------|-----------------------|---|---------------------------|-------------------------------|
| <u>Account Services</u> | | | | | | |
| Account Maintenance | 01005 | 010000 | | 108 | - | |
| Cash Concentration Maint Master | 07856 | 010020 | | 4 | - | |
| Cash Concentration Maint Sub | 07857 | 010021 | | 100 | - | |
| Debit posted - electronic | 07641 | 010100 | | 800 | - | |
| Credit posted - electronic | 07640 | 010101 | | 650 | - | |
| Statement Cycles | 01010 | 010307 | | 108 | - | |
| Online Audit confirmations | 01756 | 010630 | | 2 | - | |
| Post no checks maintenance | 03499 | 01500ZZ | | 100 | - | |
| Subtotal | | | | | - | |
| <u>Banking Center Services</u> | | | | | | |
| Branch credits posted | 01306 | 100000 | | 3 | - | |
| Teller Line Cash Verification | | | | 1 | - | |
| Branch order currency strap | 01319 | 10004A | | 20 | - | |
| Branch order processed | 01333 | 100040 | | 6 | - | |
| Branch order - coin roll | 01318 | 100044 | | 60 | - | |
| Branch deposit adjustment | 01332 | 100500 | | 2 | - | |
| Subtotal | | | | | - | |
| <u>Vault Services</u> | | | | | | |
| Vault deposit | 01310 | 100100 | | 1,300 | - | |
| Vault deposit per \$1000 | 01459 | 10011Z | | 350 | - | |
| Vault dep partial or mixed bag | 01506 | 100111 | | 10 | - | |
| Vault order currency std strap | 01497 | 10014A | | 20 | - | |
| Vault standard orders | 01495 | 100141 | | 4 | - | |
| Vault expedited special orders | 01498 | 100143 | | 2 | - | |
| Vault order coin rolls | 01476 | 100144 | | 100 | - | |
| Vault order curr non std strap | 01499 | 100148 | | 1,000 | - | |
| Vault Maintenance | 01467 | 100100 | | 5 | - | |
| Remote cash captr Dep per \$1k | 01623 | 100100 | | 600 | - | |
| Web cur Svcs-deposits details | 01624 | 100199 | | 105 | - | |
| Web cur svc-vault trend report | 01627 | 100199 | | 105 | - | |
| Vault deposit adjustment | 01617 | 100501 | | 10 | - | |
| Remote cash captr per loc fee | 01641 | 100100 | | 5 | - | |
| Subtotal | | | | | - | |
| <u>Depository Services</u> | | | | | | |
| Credits posted | 01400 | 10101 | | 1,300 | - | |
| Check deposited on us | 00501 | 100220 | | 200 | - | |
| Check deposited - transit | 00513 | 100224 | | 550 | - | |
| Return Item | 01435 | 100400 | | 10 | - | |
| Return item redeposit | 01450 | 100402 | | 8 | - | |
| Return detail reporting | 01448 | 100411 | | 20 | - | |
| Return - email notification | 01452 | 100415 | | 10 | - | |
| Return Multiple locations | 01437 | 100430 | | 5 | - | |
| Remote deposit capture maint | 00548 | 101300 | | 1 | - | |
| Remote deposit capture item | 00541 | 101310 | | 5,000 | - | |
| Subtotal | | | | | - | |
| <u>Disbursement Services</u> | | | | | | |
| check/debit posted | 02370 | 10100 | | 1,350 | - | |
| exception notification - acct | 06625 | 150030 | | 2 | - | |
| RPP Exception review maint | 06636 | 150031 | | 1 | - | |
| check inquiry maintenance | 06618 | 150400 | | 3 | - | |
| stop payment - electronic | 06639 | 150410 | | 25 | - | |
| stop payment - automatic renewal | 02338 | 150412 | | 100 | - | |
| image storage per item | 03495 | 151351 | | 1,400 | - | |
| Reverse stop pay exceptions | 06638 | 999999 | | 2 | - | |
| Subtotal | | | | | - | |
| <u>Reconciliation Services</u> | | | | | | |
| Positive pay maintenance | 03262 | 150030 | | 2 | - | |
| Payee name verification | 03228 | 150122 | | 1,400 | - | |
| Exception item | 03263 | 150300 | | 3 | - | |
| Check exception return | 03272 | 150320 | | 1 | - | |
| Image capture per item | 03386 | 151351 | | 1,400 | - | |

Garland ISD - Attachment A

| <u>Product Line and Description</u> | <u>Bank Service Code</u> | <u>AFP Service Code</u> | <u>Unit Price</u> | <u>August '21 July '22 Avg Volume</u> | <u>Service Charge</u> | <u>Balance Equivalent</u> |
|-------------------------------------|----------------------------------|---------------------------------|-----------------------|---|---------------------------|-------------------------------|
| Full reconciliation - maint | 03207 | 200010 | | 2 | - | |
| Full reconciliation - per item | 03205 | 200110 | | 140 | - | |
| Data Entry - manual | | | | 5 | | |
| Output file | 03291 | 200301 | | 2 | - | |
| Subtotal | | | | | - | |
| <u>Wire - U.S.</u> | | | | | | |
| Electronic Fed Debit S/T | 05824 | 350100 | | 20 | - | |
| Electronic book debit S/T | 05822 | 350120 | | 10 | - | |
| Fed credit S/T | 05887 | 350300 | | 5 | - | |
| Chips Credit S/T | 05889 | 350300 | | 1 | - | |
| FW surcharge post 5pm receipt | 05445 | 350599 | | 5 | | |
| FW Surcharge 10 million+D/C | 05446 | 350531 | | 6 | - | |
| Fed Transfer Fee | 05883 | 350531 | | 25 | - | |
| Chips Message Fee | 05884 | 350531 | | 1 | - | |
| Book credit | 05886 | 350320 | | | | |
| Subtotal | | | | | - | |
| <u>Automated Clearing House</u> | | | | | | |
| ACH Maintenance | 02695 | 250000 | | 1 | - | |
| JPM Access ACH Maintenance | 02746 | 250000 | | 2 | - | |
| Debit originated - JPM Access | 02744 | 250100 | | 30 | - | |
| Credit Originated - JPM Access | 02742 | 250101 | | 11,000 | - | |
| ACH Online same day credit | 08021 | 250101 | | 4 | - | |
| Addenda record originated | 02796 | 250120 | | 30 | - | |
| Debit received | 02717 | 250200 | | 330 | - | |
| Credit received | 02716 | 250201 | | 250 | - | |
| Return item | 02720 | 250302 | | 6 | - | |
| Return notification - online | 02729 | 250400 | | 6 | - | |
| Notif of change - online | 02730 | 250400 | | 6 | - | |
| Return notification - email | 02810 | 250400 | | 6 | - | |
| Deletion/reversal - elec | 02753 | 250620 | | 3 | - | |
| Transaction Block maintenance | 02860 | 251050 | | 108 | - | |
| ACH Trans Block authorized ID | 02861 | 251051 | | 500 | - | |
| Notification of change | 02722 | 251070 | | 7 | - | |
| Notif of change - email | 02809 | 251070 | | 7 | - | |
| Subtotal | | | | | - | |
| <u>JPMorgan Access</u> | | | | | | |
| Acct transfer item | 06076 | 350120 | | 4 | - | |
| Accounts reported | 06041 | 40044Z | | 108 | - | |
| Transactions reported - 45 day | 06043 | 40066Z | | 2,500 | - | |
| Transactions reported - 90 day | 06044 | 40066Z | | 2,000 | - | |
| Extended transaction detail | 06053 | 40066Z | | 10,000 | - | |
| Monthly Service | 06040 | 401000 | | 1 | - | |
| Subtotal | | | | | - | |
| <u>BAI/Swift/ISO reporting</u> | | | | | | |
| H2H files transmitted over 67 | 03653 | 4004ZZ | | 21 | - | |
| H2H Accounts reported | 06085 | 4004ZZ | | 108 | - | |
| H2H Chck items reported | 06093 | 400632 | | 1,500 | - | |
| H2H Trans Detail reported | 06094 | 400632 | | 7,500 | - | |
| H2H Non-check itesm reported | 06095 | 400632 | | 2,800 | - | |
| Subtotal | | | | | - | |
| <u>Int Rec & Pay - Report</u> | | | | | | |
| Receivables Maint - online | 06179 | 050005 | | 1 | - | |
| Long term storage - Check | 06187 | 050620 | | 3,500 | - | |
| Receivables presentment Maint | 06844 | 409999 | | 1 | - | |
| Subtotal | | | | | - | |
| Total | | | | | - | |

Garland ISD - Attachment A

| Product Line and Description | Bank Service Code | AFP Service Code | Unit Price | August '21 July '22 Avg Volume | Service Charge | Balance Equivalent |
|----------------------------------|-------------------------|------------------------|---------------|--------------------------------------|-------------------|-----------------------|
| Service charge 12 month average: | | 15,000.00 | | | | |

| Average Ledger Balance | |
|---------------------------|---------------|
| Month | |
| August-21 | 13,979,936 |
| September-21 | 20,000,583 |
| October-21 | 12,722,736 |
| November-21 | 15,900,514 |
| December-21 | 29,280,076 |
| January-22 | 21,540,148 |
| February-22 | 18,610,592 |
| March-22 | 20,113,677 |
| April-22 | 15,097,540 |
| May-22 | 15,910,912 |
| June-22 | 19,346,057 |
| July-22 | 12,616,937 |
| Ledger 12 month average | 17,926,642.33 |

| Average Collected Balance | |
|------------------------------|---------------|
| Month | |
| August-21 | 13,865,190 |
| September-21 | 19,952,285 |
| October-21 | 12,080,638 |
| November-21 | 15,123,765 |
| December-21 | 23,328,563 |
| January-22 | 16,690,031 |
| February-22 | 17,802,121 |
| March-22 | 19,954,999 |
| April-22 | 14,941,549 |
| May-22 | 15,802,862 |
| June-22 | 19,180,605 |
| July-22 | 12,538,094 |
| Collected 12 month average | 16,771,725.17 |

| | | |
|--------------------------|---|-----------|
| Table of Contents | Definitions | 2 |
| | Bond Proceeds..... | 2 |
| | Investment Pool..... | 2 |
| | Pooled Fund Group | 2 |
| | Separately Invested Asset | 2 |
| | Pledged Revenue..... | 2 |
| | Repurchase Agreement..... | 2 |
| | Hedging..... | 2 |
| | Corporate Bond | 3 |
| | Written Policies | 3 |
| | Annual Review | 4 |
| | Annual Audit | 4 |
| | Investment Strategies..... | 4 |
| | Investment Officer | 4 |
| | Investment Training | 5 |
| | Standard of Care | 6 |
| | Selection of Broker | 8 |
| | Bond Proceeds..... | 8 |
| | Authorized Investments | 8 |
| | Obligations of Governmental Entities..... | 8 |
| | Certificates of Deposit and Share Certificates..... | 10 |
| | Repurchase Agreements | 11 |
| | Securities Lending Program | 12 |
| | Banker's Acceptances | 13 |
| | Commercial Paper..... | 13 |
| | Mutual Funds..... | 13 |
| | Guaranteed Investment Contracts | 14 |
| | Investment Pools..... | 15 |
| | Corporate Bonds | 16 |
| | Hedging Transactions..... | 16 |
| | Prohibited Investments | 17 |
| | Loss of Required Rating | 17 |
| | Sellers of Investments | 18 |
| | Business Organization..... | 18 |
| | Donations | 18 |
| | Electronic Funds Transfer | 19 |

OTHER REVENUES
INVESTMENTS

CDA
(LEGAL)

All investments made by a district shall comply with the Public Funds Investment Act (Texas Government Code Chapter 2256, Subchapter A) and all federal, state, and local statutes, rules, or regulations. *Gov't Code 2256.026*

Definitions

| | |
|---------------------------|---|
| Bond Proceeds | "Bond proceeds" means the proceeds from the sale of bonds, notes, and other obligations issued by a district, and reserves and funds maintained by a district for debt service purposes. |
| Investment Pool | "Investment pool" means an entity created under the Texas Government Code to invest public funds jointly on behalf of the entities that participate in the pool and whose investment objectives in order of priority are preservation and safety of principal, liquidity, and yield. |
| Pooled Fund Group | "Pooled fund group" means an internally created fund of a district in which one or more institutional accounts of a district are invested. |
| Separately Invested Asset | "Separately invested asset" means an account or fund of a district that is not invested in a pooled fund group. <i>Gov't Code 2256.002(1), (6), (9), (12)</i> |
| Pledged Revenue | "Pledged revenue" means money pledged to the payment of or as security for: <ol style="list-style-type: none">1. Bonds or other indebtedness issued by a district;2. Obligations under a lease, installment sale, or other agreement of a district; or3. Certificates of participation in a debt or obligation described by item 1 or 2. <i>Gov't Code 2256.0208(a)</i> |
| Repurchase Agreement | "Repurchase agreement" means a simultaneous agreement to buy, hold for a specified time, and sell back at a future date obligations, described by Government Code 2256.009(a)(1) (obligations of governmental entities) or 2256.013 (commercial paper) or if applicable, 2256.0204 (corporate bonds), at a market value at the time the funds are disbursed of not less than the principal amount of the funds disbursed. The term includes a direct security repurchase agreement and a reverse security repurchase agreement. <i>Gov't Code 2256.011(b)</i> |
| Hedging | "Hedging" means acting to protect against economic loss due to price fluctuation of a commodity or related investment by entering |

OTHER REVENUES
INVESTMENTS

CDA
(LEGAL)

into an offsetting position or using a financial agreement or producer price agreement in a correlated security, index, or other commodity.

Eligible Entity

“Eligible entity” means a political subdivision that has:

1. A principal amount of at least \$250 million in outstanding long-term indebtedness, long-term indebtedness proposed to be issued, or a combination of outstanding long-term indebtedness and long-term indebtedness proposed to be issued; and
2. Outstanding long-term indebtedness that is rated in one of the four highest rating categories for long-term debt instruments by a nationally recognized rating agency for municipal securities, without regard to the effect of any credit agreement or other form of credit enhancement entered into in connection with the obligation.

Eligible Project

“Eligible project” has the meaning assigned by Government Code 1371.001 (issuance of obligations for certain public improvements).

Gov’t Code 2256.0207(a)

Corporate Bond

“Corporate bond” means a senior secured debt obligation issued by a domestic business entity and rated not lower than “AA-” or the equivalent by a nationally recognized investment rating firm. The term does not include a debt obligation that, on conversion, would result in the holder becoming a stockholder or shareholder in the entity, or any affiliate or subsidiary of the entity, that issued the debt obligation, or is an unsecured debt obligation. *Gov’t Code 2256.0204(a)*

Written Policies

The board shall adopt by rule, order, ordinance, or resolution, as appropriate, a written investment policy regarding the investment of its funds and funds under its control. The investment policies must primarily emphasize safety of principal and liquidity and must address investment diversification, yield, and maturity and the quality and capability of investment management. The policies must include:

1. A list of the types of authorized investments in which the district’s funds may be invested;
2. The maximum allowable stated maturity of any individual investment owned by the district;
3. For pooled fund groups, the maximum dollar-weighted average maturity allowed based on the stated maturity date of the portfolio;

OTHER REVENUES
INVESTMENTS

CDA
(LEGAL)

4. Methods to monitor the market price of investments acquired with public funds;
5. A requirement for settlement of all transactions, except investment pool funds and mutual funds, on a delivery versus payment basis; and
6. Procedures to monitor rating changes in investments acquired with public funds and the liquidation of such investments consistent with the provisions of Government Code 2256.021 [see Loss of Required Rating, below].

Gov't Code 2256.005(a), (b)

Annual Review The board shall review its investment policy and investment strategies not less than annually. The board shall adopt a written instrument by rule, order, ordinance, or resolution stating that it has reviewed the investment policy and investment strategies and that the written instrument so adopted shall record any changes made to either the investment policy or investment strategies. *Gov't Code 2256.005(e)*

Annual Audit A district shall perform a compliance audit of management controls on investments and adherence to the district's established investment policies. The compliance audit shall be performed in conjunction with the annual financial audit. *Gov't Code 2256.005(m)*

Investment Strategies As an integral part of the investment policy, the board shall adopt a separate written investment strategy for each of the funds or group of funds under the board's control. Each investment strategy must describe the investment objectives for the particular fund using the following priorities in order of importance:

1. Understanding of the suitability of the investment to the financial requirements of the district;
2. Preservation and safety of principal;
3. Liquidity;
4. Marketability of the investment if the need arises to liquidate the investment before maturity;
5. Diversification of the investment portfolio; and
6. Yield.

Gov't Code 2256.005(d)

Investment Officer A district shall designate by rule, order, ordinance, or resolution, as appropriate, one or more officers or employees as investment officer(s) to be responsible for the investment of its funds consistent

OTHER REVENUES
INVESTMENTS

CDA
(LEGAL)

with the investment policy adopted by the board. If the board has contracted with another investing entity to invest its funds, the investment officer of the other investing entity is considered to be the investment officer of the contracting board's district. In the administration of the duties of an investment officer, the person designated as investment officer shall exercise the judgment and care, under prevailing circumstances, that a prudent person would exercise in the management of the person's own affairs, but the board retains the ultimate responsibility as fiduciaries of the assets of the district. Unless authorized by law, a person may not deposit, withdraw, transfer, or manage in any other manner the funds of the district. Authority granted to a person to invest the district's funds is effective until rescinded by the district or until termination of the person's employment by a district, or for an investment management firm, until the expiration of the contract with the district. *Gov't Code 2256.005(f)*

A district or investment officer may use the district's employees or the services of a contractor of the district to aid the investment officer in the execution of the officer's duties under Government Code, Chapter 2256. *Gov't Code 2256.003(c)*

Investment Training Investment training must include education in investment controls, security risks, strategy risks, market risks, diversification of investment portfolio, and compliance with the Public Funds Investment Act. *Gov't Code 2256.008(c)*

Initial Within 12 months after taking office or assuming duties, the treasurer, the chief financial officer if the treasurer is not the chief financial officer, and the investment officer of a district shall attend at least one training session from an independent source approved by the board or a designated investment committee advising the investment officer. This initial training must contain at least ten hours of instruction relating to their respective responsibilities under the Public Funds Investment Act. *Gov't Code 2256.008(a)*

Ongoing The treasurer, or the chief financial officer if the treasurer is not the chief financial officer, and the investment officer of a district shall attend an investment training session not less than once in a two-year period that begins on the first day of the district's fiscal year and consists of the two consecutive fiscal years after that date, and receive not less than eight hours of instruction relating to investment responsibilities under the Public Funds Investment Act from an independent source approved by the board or by a designated investment committee advising the investment officer. *Gov't Code 2256.008(a-1)*

Exception The ongoing training requirement does not apply to the treasurer, chief financial officer, or investment officer of a district if:

OTHER REVENUES
INVESTMENTS

CDA
(LEGAL)

1. The district does not invest district funds or only deposits those funds in interest-bearing deposit accounts or certificates of deposit as authorized by Government Code 2256.010; and
2. The treasurer, chief financial officer, or investment officer annually submits to the agency a sworn affidavit identifying the applicable criteria under item 1 that apply to the district.

Gov't Code 2256.008(g)

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. Investment of funds shall be governed by the following objectives, in order of priority:

1. Preservation and safety of principal;
2. Liquidity; and
3. Yield.

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

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

Gov't Code 2256.006

Personal Interest

A district investment officer who has a personal business relationship with a business organization offering to engage in an investment transaction with the district shall file a statement disclosing that personal business interest. An investment officer who is related within the second degree by affinity or consanguinity, as determined by Government Code Chapter 573 (nepotism prohibition), to an individual seeking to sell an investment to the investment officer's district shall file a statement disclosing that relationship. A required statement must be filed with the board and with the Texas Ethics Commission. For purposes of this policy, an investment officer has a personal business relationship with a business organization if:

OTHER REVENUES
INVESTMENTS

CDA
(LEGAL)

1. The investment officer owns ten percent or more of the voting stock or shares of the business organization or owns \$5,000 or more of the fair market value of the business organization;
2. Funds received by the investment officer from the business organization exceed ten percent of the investment officer's gross income for the previous year; or
3. The investment officer has acquired from the business organization during the previous year investments with a book value of \$2,500 or more for the personal account of the investment officer.

Gov't Code 2256.005(i)

Quarterly Reports

Not less than quarterly, the investment officer shall prepare and submit to the board a written report of investment transactions for all funds covered by the Public Funds Investment Act for the preceding reporting period. This report shall be presented not less than quarterly to the board and the superintendent within a reasonable time after the end of the period. The report must:

1. Describe in detail the investment position of the district on the date of the report;
2. Be prepared jointly and signed by all district investment officers;
3. Contain a summary statement of each pooled fund group that states the:
 - a. Beginning market value for the reporting period;
 - b. Ending market value for the period; and
 - c. Fully accrued interest for the reporting period;
4. State the book value and market value of each separately invested asset at the end of the reporting period by the type of asset and fund type invested;
5. State the maturity date of each separately invested asset that has a maturity date;
6. State the account or fund or pooled group fund in the district for which each individual investment was acquired; and
7. State the compliance of the investment portfolio of the district as it relates to the investment strategy expressed in the district's investment policy and relevant provisions of the Public Funds Investment Act.

OTHER REVENUES
INVESTMENTS

CDA
(LEGAL)

If a 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 shall be formally reviewed at least annually by an independent auditor, and the result of the review shall be reported to the board by that auditor.

Gov't Code 2256.023

Selection of Broker

The board or the designated investment committee shall, at least annually, review, revise, and adopt a list of qualified brokers that are authorized to engage in investment transactions with a district.
Gov't Code 2256.025

Bond Proceeds

The investment officer of a district may invest bond proceeds or pledged revenue only to the extent permitted by the Public Funds Investment Act, in accordance with:

1. Statutory provisions governing the debt issuance or the agreement, as applicable; and
2. The district's investment policy regarding the debt issuance or the agreement, as applicable.

Gov't Code 2256.0208(b)

**Authorized
Investments**

A board may purchase, sell, and invest its funds and funds under its control in investments described below, in compliance with its adopted investment policies and according to the standard of care set out in this policy. *Gov't Code 2256.003(a)*

In the exercise of these powers, the board may contract with an investment management firm registered under the Investment Advisers Act of 1940 (15 U.S.C. Section 80b-1 et seq.) or with the State Securities Board to provide for the investment and management of its public funds or other funds under its control. A contract made under this authority may not be for a term longer than two years. A renewal or extension of the contract must be made by the board by order, ordinance, or resolution. *Gov't Code 2256.003(b)*

The board may specify in its investment policy that any authorized investment is not suitable. *Gov't Code 2256.005(j)*

Obligations of
Governmental
Entities

The following are authorized investments:

1. Obligations, including letters of credit, of the United States or its agencies and instrumentalities, including the Federal Home Loan Banks;

OTHER REVENUES
INVESTMENTS

CDA
(LEGAL)

2. Direct obligations of this state or its agencies and instrumentalities;
3. Collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States;
4. 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, the United States, or their respective agencies and instrumentalities, including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation (FDIC) or by the explicit full faith and credit of the United States;
5. Obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than A or its equivalent;
6. Bonds issued, assumed, or guaranteed by the state of Israel;
7. Interest-bearing banking deposits that are guaranteed or insured by the FDIC or its successor, or the National Credit Union Share Insurance Fund or its successor; and
8. Interest-bearing banking deposits other than those described at item 7 above if:
 - a. The funds are invested through a broker with a main office or a branch office in this state that the district selects from a list the board or designated investment committee of the district adopts as required at Selection of Broker above or a depository institution with a main office or a branch office in this state and that the district selects;
 - b. The broker or depository institution selected as described above arranges for the deposit of the funds in the banking deposits in one or more federally insured depository institutions, regardless of where located, for the district's account;
 - c. The full amount of the principal and accrued interest of the banking deposits is insured by the United States or an instrumentality of the United States; and
 - d. The district appoints as the district's custodian of the banking deposits issued for the district's account the de-

OTHER REVENUES
INVESTMENTS

CDA
(LEGAL)

pository institution selected as described above, an entity described by Government Code 2257.041(d) (custodian with which to deposit securities), or a clearing broker-dealer registered with the Securities and Exchange Commission and operating under Rule 15c3-3 (17 C.F.R. Section 240.15c3-3).

Gov't Code 2256.009(a)

*Unauthorized
Obligations*

The following investments are not authorized:

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 ten 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.

Gov't Code 2256.009(b)

Certificates of
Deposit and Share
Certificates

A certificate of deposit or share certificate is an authorized investment if the certificate is issued by a depository institution that has its main office or a branch office in Texas and is:

1. Guaranteed or insured by the FDIC or its successor or the National Credit Union Share Insurance Fund or its successor;
2. Secured by obligations described at Obligations of Governmental Entities, above, including mortgage backed securities directly issued by a federal agency or instrumentality that have a market value of not less than the principal amount of the certificates, but excluding those mortgage backed securities described at Unauthorized Obligations, above; or
3. Secured in accordance with Government Code Chapter 2257 (Public Funds Collateral Act) or in any other manner and amount provided by law for the deposits of the district.

Gov't Code 2256.010(a)

In addition to the authority to invest funds in certificates of deposit under the previous section, an investment in certificates of deposit made in accordance with the following conditions is an authorized investment:

OTHER REVENUES
INVESTMENTS

CDA
(LEGAL)

1. The funds are invested by the district through a broker that has its main office or a branch office in this state and is selected from a list adopted by the district as required at Selection of Broker, above or a depository institution that has its main office or a branch office in this state and that is selected by the district;
2. The broker or depository institution selected by the district arranges for the deposit of the funds in certificates of deposit in one or more federally insured depository institutions, wherever located, for the account of the district;
3. The full amount of the principal and accrued interest of each of the certificates of deposit is insured by the United States or an instrumentality of the United States; and
4. The district appoints the depository institution selected by the district, an entity described by Government Code 2257.041(d) (custodian with which to deposit securities), or a clearing broker-dealer registered with the Securities and Exchange Commission and operating pursuant to Securities and Exchange Commission Rule 15c3-3 (17 C.F.R. Section 240.15c3-3) as custodian for the district with respect to the certificates of deposit issued for the account of the district.

Gov't Code 2256.010(b)

The district's investment policies may provide that bids for certificates of deposit be solicited orally, in writing, electronically, or in any combination of those methods. *Gov't Code 2256.005(c)*

Repurchase
Agreements

A fully collateralized repurchase agreement is an authorized investment if it:

1. Has a defined termination date;
2. Is secured by a combination of cash and obligations described by Government Code 2256.009(a)(1) (obligations of governmental entities) or 2256.013 (commercial paper) or if applicable, 2256.0204 (corporate bonds);
3. Requires the securities being purchased by the district or cash held by the district to be pledged to the district, held in the district's name, and deposited at the time the investment is made with the district or a third party selected and approved by the district; and
4. Is placed through a primary government securities dealer, as defined by the Federal Reserve or a financial institution doing business in Texas.

OTHER REVENUES
INVESTMENTS

CDA
(LEGAL)

The term of any reverse security repurchase agreement may not exceed 90 days after the date the reverse security repurchase agreement is delivered. Money received by a district under the terms of a reverse security repurchase agreement shall be used to acquire additional authorized investments, but the term of the authorized investments acquired must mature not later than the expiration date stated in the reverse security repurchase agreement.

Government Code 1371.059(c) (validity and incontestability of obligations for certain public improvements) applies to the execution of a repurchase agreement by a district.

Gov't Code 2256.011

Securities Lending
Program

A securities lending program is an authorized investment if:

1. The value of securities loaned is not less than 100 percent collateralized, including accrued income;
2. A loan allows for termination at any time;
3. A loan is secured by:
 - a. Pledged securities described at Obligations of Governmental Entities, above;
 - b. Pledged irrevocable letters of credit issued by a bank that is organized and existing under the laws of the United States or any other state, and continuously rated by at least one nationally recognized investment rating firm at not less than A or its equivalent; or
 - c. Cash invested in accordance with Government Code 2256.009 (obligations of governmental entities), 2256.013 (commercial paper), 2256.014 (mutual funds), or 2256.016 (investment pools);
4. The terms of a loan require that the securities being held as collateral be pledged to the district, held in the district's name, and deposited at the time the investment is made with the district or with a third party selected by or approved by the district; and
5. A loan is placed through a primary government securities dealer, as defined by 5 C.F.R. Section 6801.102(f), as that regulation existed on September 1, 2003, or a financial institution doing business in this state.

An agreement to lend securities under a securities lending program must have a term of one year or less.

Gov't Code 2256.0115

OTHER REVENUES
INVESTMENTS

CDA
(LEGAL)

Banker's
Acceptances

A banker's acceptance is an authorized investment if it:

1. Has a stated maturity of 270 days or fewer from the date of issuance;
2. Will be, in accordance with its terms, liquidated in full at maturity;
3. Is eligible for collateral for borrowing from a Federal Reserve Bank; and
4. Is accepted by a bank organized and existing under the laws of the United States or any state, if the short-term obligations of the bank, or of a bank holding company of which the bank is the largest subsidiary, are rated not less than A-1 or P-1 or an equivalent rating by at least on nationally recognized credit rating agency.

Gov't Code 2256.012

Commercial Paper

Commercial paper is an authorized investment if it has a stated maturity of 365 days or fewer from the date of issuance; and is rated not less than A-1 or P-1 or an equivalent rating by at least:

1. Two nationally recognized credit rating agencies; or
2. One nationally recognized credit rating agency and is fully secured by an irrevocable letter of credit issued by a bank organized and existing under the laws of the United States law or any state.

Gov't Code 2256.013

Mutual Funds

A no-load money market mutual fund is an authorized investment if the mutual fund:

1. Is registered with and regulated by the Securities and Exchange Commission;
2. Provides the district with a prospectus and other information required by the Securities and Exchange Act of 1934 (15 U.S.C. 78a et seq.) or the Investment Company Act of 1940 (15 U.S.C. 80a-1 et seq.); and
3. Complies with federal Securities and Exchange Commission Rule 2a-7 (17 C.F.R. Section 270.2a-7), promulgated under the Investment Company Act of 1940 (15 U.S.C. Section 80a-1 et seq.).

Gov't Code 2256.014(a)

OTHER REVENUES
INVESTMENTS

CDA
(LEGAL)

In addition to the no-load money market mutual fund authorized above, a no-load mutual fund is an authorized investment if it:

1. Is registered with the Securities and Exchange Commission;
2. Has an average weighted maturity of less than two years; and
3. Either has a duration of:
 - a. One year or more and is invested exclusively in obligations approved by the Public Funds Investment Act, or
 - b. Less than one year and the investment portfolio is limited to investment grade securities, excluding asset-backed securities.

Gov't Code 2256.014(b)

Limitations

A district is not authorized to:

1. Invest in the aggregate more than 15 percent of its monthly average fund balance, excluding bond proceeds and reserves and other funds held for debt service, in mutual funds described in Government Code 2256.014(b);
2. Invest any portion of bond proceeds, reserves and funds held for debt service, in mutual funds described in Government Code 2256.014(b); or
3. Invest its funds or funds under its control, including bond proceeds and reserves and other funds held for debt service, in any one mutual fund described in Government Code 2256.014(a) or (b) in an amount that exceeds ten percent of the total assets of the mutual fund.

Gov't Code 2256.014(c)

Guaranteed
Investment
Contracts

A guaranteed investment contract is an authorized investment for bond proceeds if the guaranteed investment contract:

1. Has a defined termination date;
2. Is secured by obligations described at Obligations of Governmental Entities, above, excluding those obligations described at Unauthorized Obligations, in an amount at least equal to the amount of bond proceeds invested under the contract; and
3. Is pledged to the district and deposited with the district or with a third party selected and approved by the district.

OTHER REVENUES
INVESTMENTS

CDA
(LEGAL)

Bond proceeds, other than bond proceeds representing reserves and funds maintained for debt service purposes, may not be invested in a guaranteed investment contract with a term longer than five years from the date of issuance of the bonds.

To be eligible as an authorized investment:

1. The board must specifically authorize guaranteed investment contracts as eligible investments in the order, ordinance, or resolution authorizing the issuance of bonds;
2. The district must receive bids from at least three separate providers with no material financial interest in the bonds from which proceeds were received;
3. The district must purchase the highest yielding guaranteed investment contract for which a qualifying bid is received;
4. The price of the guaranteed investment contract must take into account the reasonably expected drawdown schedule for the bond proceeds to be invested; and
5. The provider must certify the administrative costs reasonably expected to be paid to third parties in connection with the guaranteed investment contract.

Government Code 1371.059(c) (validity and incontestability of obligations for certain public improvements) applies to the execution of a guaranteed investment contract by a district.

Gov't Code 2256.015

Investment Pools

A district may invest its funds or funds under its control through an eligible investment pool if the board by rule, order, ordinance, or resolution, as appropriate, authorizes the investment in the particular pool. *Gov't Code 2256.016, .019*

To be eligible to receive funds from and invest funds on behalf of a district, an investment pool must furnish to the investment officer or other authorized representative of the district an offering circular or other similar disclosure instrument that contains the information specified in Government Code 2256.016(b). To maintain eligibility, an investment pool must furnish to the investment officer or other authorized representative investment transaction confirmations and a monthly report that contains the information specified in Government Code 2256.016(c). A district by contract may delegate to an investment pool the authority to hold legal title as custodian of investments purchased with its local funds. *Gov't Code 2256.016(b)-(d)*

OTHER REVENUES
INVESTMENTS

CDA
(LEGAL)

Corporate Bonds

A district that qualifies as an issuer as defined by Government Code 1371.001 [see CCF], may purchase, sell, and invest its funds and funds under its control in corporate bonds (as defined above) that, at the time of purchase, are rated by a nationally recognized investment rating firm "AA-" or the equivalent and have a stated final maturity that is not later than the third anniversary of the date the corporate bonds were purchased.

A district is not authorized to:

1. Invest in the aggregate more than 15 percent of its monthly average fund balance, excluding bond proceeds, reserves, and other funds held for the payment of debt service, in corporate bonds; or
2. Invest more than 25 percent of the funds invested in corporate bonds in any one domestic business entity, including subsidiaries and affiliates of the entity.

A district subject to these provisions may purchase, sell, and invest its funds and funds under its control in corporate bonds if the board:

1. Amends its investment policy to authorize corporate bonds as an eligible investment;
2. Adopts procedures to provide for monitoring rating changes in corporate bonds acquired with public funds and liquidating the investment in corporate bonds; and
3. Identifies the funds eligible to be invested in corporate bonds.

The district investment officer, acting on behalf of the district, shall sell corporate bonds in which the district has invested its funds not later than the seventh day after the date a nationally recognized investment rating firm:

1. Issues a release that places the corporate bonds or the domestic business entity that issued the corporate bonds on negative credit watch or the equivalent, if the corporate bonds are rated "AA-" or the equivalent at the time the release is issued; or
2. Changes the rating on the corporate bonds to a rating lower than "AA-" or the equivalent.

Gov't Code 2256.0204

Hedging
Transactions

The board of an eligible entity (as defined above) shall establish the entity's policy regarding hedging transactions. An eligible entity may enter into hedging transactions, including hedging contracts,

OTHER REVENUES
INVESTMENTS

CDA
(LEGAL)

and related security, credit, and insurance agreements in connection with commodities used by an eligible entity in the entity's general operations, with the acquisition or construction of a capital project, or with an eligible project. A hedging transaction must comply with the regulations of the federal Commodity Futures Trading Commission and the federal Securities and Exchange Commission.

Government Code 1371.059(c) (validity and incontestability of obligations for certain public improvements) applies to the execution by an eligible entity of a hedging contract and any related security, credit, or insurance agreement.

An eligible entity may:

1. Pledge as security for and to the payment of a hedging contract or a security, credit, or insurance agreement any general or special revenues or funds the entity is authorized by law to pledge to the payment of any other obligation.
2. Credit any amount the entity receives under a hedging contract against expenses associated with a commodity purchase.

An eligible entity's cost of or payment under a hedging contract or agreement may be considered an operation and maintenance expense, an acquisition expense, or construction expense of the eligible entity; or a project cost of an eligible project.

Gov't Code 2256.0206

Prohibited
Investments

Except as provided by Government Code 2270 (prohibited investments), a district is not required to liquidate investments that were authorized investments at the time of purchase. *Gov't Code 2256.017*

Note: As an "investing entity" under Government Code 2270.0001(7)(A), a district must comply with Chapter 2270, including reporting requirements, regarding prohibited investments in scrutinized companies listed by the comptroller in accordance with Government Code 2270.0201.

Loss of Required
Rating

An investment that requires a minimum rating does not qualify as an authorized investment during the period the investment does not have the minimum rating. A district shall take all prudent measures that are consistent with its investment policy to liquidate an investment that does not have the minimum rating. *Gov't Code 2256.021*

OTHER REVENUES
INVESTMENTS

CDA
(LEGAL)

**Sellers of
Investments**

A written copy of the investment policy shall be presented to any business organization (as defined below) offering to engage in an investment transaction with a district. The qualified representative of the business organization offering to engage in an investment transaction with a district shall execute a written instrument in a form acceptable to the district and the business organization substantially to the effect that the business organization has:

1. Received and reviewed the district investment policy; and
2. Acknowledged that the business organization has implemented reasonable procedures and controls in an effort to preclude investment transactions conducted between the district and the organization that are not authorized by the district's investment policy, except to the extent that this authorization:
 - a. Is dependent on an analysis of the makeup of the district's entire portfolio;
 - b. Requires an interpretation of subjective investment standards; or
 - c. Relates to investment transactions of the entity that are not made through accounts or other contractual arrangements over which the business organization has accepted discretionary investment authority.

The investment officer of a district may not acquire or otherwise obtain any authorized investment described in the district's investment policy from a business organization that has not delivered to the district the instrument required above.

Gov't Code 2256.005(k)-(l)

Nothing in this section relieves the district of the responsibility for monitoring investments made by the district to determine that they are in compliance with the investment policy.

Business
Organization

For purposes of the provisions at Sellers of Investments above, "business organization" means an investment pool or investment management firm under contract with a district to invest or manage the district's investment portfolio that has accepted authority granted by the district under the contract to exercise investment discretion in regard to the district's funds.

Gov't Code 2256.005(k)

Donations

A gift, devise, or bequest made to a district to provide college scholarships for district graduates may be invested by the board as provided in Property Code 117.004 (Uniform Prudent Investor Act),

OTHER REVENUES
INVESTMENTS

CDA
(LEGAL)

unless otherwise specifically provided by the terms of the gift, devise, or bequest. *Education Code 45.107*

Investments donated to a district for a particular purpose or under terms of use specified by the donor are not subject to the requirements of the Public Funds Investment Act. *Gov't Code 2256.004(b)*

**Electronic Funds
Transfer**

A district may use electronic means to transfer or invest all funds collected or controlled by the district. *Gov't Code 2256.051*

OTHER REVENUES
INVESTMENTS

CDA
(LOCAL)

Investment Authority

The Superintendent or other person designated by Board resolution shall serve as the investment officer of the District and shall invest District funds as directed by the Board and in accordance with the District's written investment policy and generally accepted accounting procedures. All investment transactions except investment pool funds and mutual funds shall be settled on a delivery versus payment basis.

**Approved
Investment
Instruments**

From those investments authorized by law and described further in CDA(LEGAL) under Authorized Investments, the Board shall permit investment of District funds, including bond proceeds and pledged revenue to the extent allowed by law, in only the following investment types, consistent with the strategies and maturities defined in this policy:

1. Obligations of, or guaranteed by, governmental entities as permitted by Government Code 2256.009.
2. Certificates of deposit and share certificates as permitted by Government Code 2256.010.
3. Fully collateralized repurchase agreements permitted by Government Code 2256.011.
4. A securities lending program as permitted by Government Code 2256.0115.
5. Banker's acceptances as permitted by Government Code 2256.012.
6. Commercial paper as permitted by Government Code 2256.013.
7. No-load mutual funds, except for bond proceeds, and no-load money market mutual funds, as permitted by Government Code 2256.014.
8. A guaranteed investment contract as an investment vehicle for bond proceeds, provided it meets the criteria and eligibility requirements established by Government Code 2256.015.
9. Public funds investment pools as permitted by Government Code 2256.016.

Safety

The primary goal of the investment program is to ensure safety of principal, to maintain liquidity, and to maximize financial returns within current market conditions in accordance with this policy. Investments shall be made in a manner that ensures the preservation of capital in the overall portfolio, and offsets during a 12-month period any market price losses resulting from interest-rate fluctua-

OTHER REVENUES
INVESTMENTS

CDA
(LOCAL)

tions by income received from the balance of the portfolio. No individual investment transaction shall be undertaken that jeopardizes the total capital position of the overall portfolio.

**Investment
Management**

In accordance with Government Code 2256.005(b)(3), the quality and capability of investment management for District 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**

Any internally created pool fund group of the District shall have a maximum dollar weighted maturity of 180 days. The maximum allowable stated maturity of any other individual investment owned by the District 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.

The District's investment portfolio shall have sufficient liquidity to meet anticipated cash flow requirements.

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 changes in the market value of the District'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 at least quarterly, as required by law, and 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 applicable strategy defined below. All strategies described below for the investment of a particular fund should be based on an understanding of the suitability of an investment to the financial requirements of the District and consider preservation and safety of principal, liquidity, marketability of an investment if the need arises to liquidate before maturity, diversification of the investment portfolio, and yield.

OTHER REVENUES
INVESTMENTS

CDA
(LOCAL)

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| Operating Funds | Investment strategies for operating funds (including any commingled pools containing operating funds) shall have as their primary objectives preservation and safety of principal, investment liquidity, and maturity sufficient to meet anticipated cash flow requirements. |
| Custodial Funds | Investment strategies for custodial funds shall have as their primary objectives preservation and safety of principal, investment liquidity, and maturity sufficient to meet anticipated cash flow requirements. |
| Debt Service Funds | Investment strategies for debt service funds shall have as their primary objective sufficient investment liquidity to timely meet debt service payment obligations in accordance with provisions in the bond documents. Maturities longer than one year are authorized provided legal limits are not exceeded. |
| Capital Project Funds | Investment strategies for capital project funds shall have as their primary objective sufficient investment liquidity to timely meet capital project obligations. Maturities longer than one year are authorized provided legal limits are not exceeded. |
| Safekeeping and Custody | The District shall retain clearly marked receipts providing proof of the District's ownership. The District may delegate, however, to an investment pool the authority to hold legal title as custodian of investments purchased with District funds by the investment pool. |
| Sellers of Investments | <p>Prior to handling investments on behalf of the District, a broker/dealer or a qualified representative of a business organization must submit required written documents in accordance with law. [See Sellers of Investments, CDA(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 District may solicit bids for certificates of deposit in writing, by telephone, or 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 District shall use final and weighted-average-maturity limits and diversification.</p> <p>The District shall monitor interest rate risk using weighted average maturity and specific identification.</p> |
| 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 |

OTHER REVENUES
INVESTMENTS

CDA
(LOCAL)

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 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 dealer questionnaires, quotations and bids, evaluations, transactions, and rationale.
7. Avoidance of bearer-form securities.

These controls shall be reviewed by the District's independent auditing firm.

Annual Review

The Board shall review this investment policy and investment strategies not less than annually and shall document its review in writing, which shall include whether any changes were made to either the investment policy or investment strategies.

Annual Audit

In conjunction with the annual financial audit, the District shall perform a compliance audit of management controls on investments and adherence to the District's established investment policies.