

IDEA Public Schools

INVESTMENTS POLICY



**IDEA PUBLIC SCHOOLS BOARD POLICY
INVESTMENTS POLICY**

Contents

Sec. 1. Purpose of Policy..... 3

Sec. 2. Authority Over Fiscal Matters 3

Sec. 3. Investment Officers..... 3

Sec. 4. Investment Objectives 4

Sec. 5. Account Maintenance 4

Sec. 6. Annual Review 5

Sec. 7. Contractual Considerations..... 5

Sec. 8. Authorized Investments..... 5

Sec. 9. Prohibited Investments..... 5

Sec. 10. Internal Controls 6

Sec. 11. Safekeeping of Investments..... 6

Sec. 12. Effect of Loss of Required Rating 6

Sec. 13. Prudent Person Rule..... 6

Sec. 14. Disclosure of Personal Business Interest..... 7

Sec. 15. Portfolio Structure 7

Sec. 16. Investment Records 8

Sec. 17. Administrative Procedures..... 8

Sec. 18. Date Adopted and Effective. 8

Sec. 19. Retention 8

Sec. 20. Certification..... 8

IDEA PUBLIC SCHOOLS BOARD POLICY INVESTMENTS POLICY

Sec. 1. PURPOSE OF POLICY.

Through this policy, the Board of Directors (“Board”) of IDEA Public Schools (“IDEA”) shall address applicable legal requirements, including:

- (a) Texas Education Code ("Tex. Ed. Code") §12.1053(b)(3);
- (b) Texas Government Code §§ 2256.009 through 2256.016;
- (c) Texas Business Organizations Code ("Tex. Bus. Org. Code");
- (d) Texas Administrative Code, Title 19 ("19 TAC"), §§ 100.1033(b)(14)(C)(ii)/(iv) and 100.1045; and
- (e) Financial Accountability System Resource Guide ("FASRG").

Sec. 2. AUTHORITY OVER FISCAL MATTERS.

Sec. 2.1. In accordance with state law, the Board has primary and ultimate authority over fiscal matters. If a matter or decision-making process is not addressed in this or other duly adopted policies of the Board, authority rests with the Board. In the event of a conflict between this policy and any other Board policy, such conflict shall be brought to the Board for resolution. Refer to the Board’s Authority Over Fiscal Matters Policy (the “Controlling Policy”) for requirements applicable to this policy.

Sec. 2.2. The Investment Officers (as defined in Sec. 3.1 of this policy) shall report to the Board any business arrangement or transaction with an individual that is an officer, as defined in Sec. 5 of the Controlling Policy, and any conflicted,¹ interested² or related³ party, as defined in other Board policy or applicable law. IDEA (and its officers) may not enter into a business arrangement or conduct a transaction in such a manner so as to circumvent this requirement.

Sec. 3. INVESTMENT OFFICERS.

Sec. 3.1. For purposes of this policy, the Delegates (as defined in Sec. 3(b) of the Controlling Policy), Vice President of Treasury, and Director of Treasury are designated investment officers (hereafter, the “Investment Officers”). In this capacity, the Investment Officers shall be responsible for investment decisions and activities.⁴

Sec. 3.2. The Investment Officers shall receive training as follows:

- (a) Attend at least one training session totaling one (1) to four (4) hours of instruction relating to the investment officer’s responsibilities within six (6) months after taking office or assuming duties;⁵

¹ Tex. Ed. Code § 12.1054; 19 TAC §§ 100.1131 through 100.1135

² 19 TAC § 100.1047(f)

³ Tex. Ed. Code § 12.1166

⁴ Tex. Gov’t. Code § 2256.005(f)

⁵ 19 TAC §§ 100.1103(c)/(d)(2) and 100.1105(c)/(d)(2)

IDEA PUBLIC SCHOOLS BOARD POLICY
INVESTMENTS POLICY

- (b) Annually attend an investment training session and receive at least one (1) to two (2) hours of instruction relating to investment responsibilities from an independent source that has been approved by the Board;⁶ and
- (c) Ensure that the training attended includes training on diversification of the investment portfolio.⁷

Sec. 3.3. Training periods will run concurrently with the fiscal year starting July 1st and ending June 30th.

Sec. 3.4. The training requirement of Sec 3.2 is waived if IDEA has only interest-bearing depository accounts or certificates of deposit or a combination of the two.

Sec. 3.5. Notwithstanding that the Public Funds Investment Act statutory training requirements are not applicable to charter schools, the Board and the Investment Officers shall implement a professional development and training plan for best practices relating to investments of public funds.

Sec. 3.6. Independent Source Providers of Investment Training:

- (a) All Education Service Centers offering PFIA training
- (b) Government Finance Officers Association
- (c) Government Finance Officers Association Texas
- (d) Government Treasurers Organization of Texas
- (e) Lonestar Investment Pool
- (f) Texas Association of School Business Officers (TASBO)
- (g) Texas Comptroller of Public Accounts
- (h) Texas Education Agency sponsored PFIA training
- (i) Texas State University
- (j) Texas Municipal League
- (k) TexPool Academy
- (l) University of North Texas

**IDEA PUBLIC SCHOOLS BOARD POLICY
INVESTMENTS POLICY**

Sec. 4. INVESTMENT OBJECTIVES.

In general, the Board and Investment Officers shall observe the following objectives when making authorized investments:

- (a) Preservation and safety of principal;
- (b) Maintenance of sufficient liquidity to provide adequate and timely working capital;
- (c) Optimization of yield, as expressed in terms of rate of return and revenue;⁸
- (d) Maintenance of the public trust as custodians and managers responsible for the investment of funds subject to state and federal laws;
- (e) Diversification of investments in terms of maturity, instruments, and issuers, within the context of the overall investment policy; and⁹
- (f) Avoidance of speculative investments.¹⁰

Sec. 5. ACCOUNT MAINTENANCE.

The Investment Officers shall ensure that investments are maintained in discrete and distinct accounts that separate funds pertaining to non-charter school activities, functions, programs, and services from public funds.¹¹

Sec. 6. ANNUAL REVIEW.

Sec. 6.1. The Board shall review its investment policy and investment objectives not less than annually.

Sec. 6.2. The Board shall adopt a written resolution stating that it has reviewed the investment policy and investment objectives and that the written resolution so adopted shall record any changes made to either the investment policy or investment objectives.¹²

⁶ 19 TAC §§ 100.1103(f) and 100.1105(f)

⁷ Tex. Gov't. Code § 2256.008(c)

⁸ 19 TAC §100.1045(c)(1)

⁹ Tex. Gov't. Code § 2256.005(d)(5)

¹⁰ 19 TAC §100.1045(c)

¹¹ 19 TAC § 100.1045(b)(2)

¹² Tex. Gov't. Code § 2256.005(e)

**IDEA PUBLIC SCHOOLS BOARD POLICY
INVESTMENTS POLICY**

Sec. 7. CONTRACTUAL CONSIDERATIONS.

The Investment Officers shall ensure that investments are made in accordance with any applicable provision or covenant contained in a debt instrument, bond indenture, or similar agreement.¹³

Sec. 8. AUTHORIZED INVESTMENTS.

Sec. 8.1. In accordance with state law, IDEA shall limit its investments to the following authorized investments:¹⁴

- (a) Obligations of or guaranteed by a governmental entity;
- (b) Certificates of deposit and share certificates;
- (c) Repurchase agreements;
- (d) Securities lending programs;
- (e) Banker's acceptances;
- (f) Commercial paper;
- (g) Mutual funds;
- (h) Guaranteed investment contracts; and
- (i) Investment pools.

Sec. 8.2. The Investment Officers shall ensure that the specific requirements for each authorized investment are met before any funds are invested.

Sec. 8.3. The Investment Officers shall submit to the Board any recommendations for investments, as required by state law.¹⁵

Sec. 9. PROHIBITED INVESTMENTS.

The Investment Officers may not acquire investments prohibited by state law.¹⁶

¹³ 19 TAC § 100.1045(b)(3)

¹⁴ Tex. Gov't. Code §§ 2256.009 thru 2256.016

¹⁵ Tex. Gov't. Code §2256.015(c)(1)

¹⁶ Tex. Gov't. Code §§ 2256.009(b) and 2256.014(c)

**IDEA PUBLIC SCHOOLS BOARD POLICY
INVESTMENTS POLICY**

Sec. 10. INTERNAL CONTROLS.

Sec. 10.1. The Delegates shall establish a system of internal controls, which shall be documented in writing. The internal controls shall be reviewed by the independent auditors. The controls shall be designed to prevent losses of public funds arising from fraud, employee error, and misrepresentation by third parties, anticipated changes in financial markets, or imprudent actions by IDEA officers and employees. Controls deemed most important shall include:

- (a) Control of collusion;
- (b) Segregation of duties;
- (c) Separation of transaction authority from accounting and recordkeeping;
- (d) Custodial safekeeping,
- (e) Avoidance of bearer form securities;
- (f) Clear delegation of authority;
- (g) Specific limitations regarding securities losses and remedial action;
- (h) Written confirmation of verbal transactions;
- (i) Limiting the number of authorized investment officers; and
- (j) Documentation of transactions and objectives.

Sec. 10.2. No investment transaction shall be allowed with an investment firm with whom the Investment Officers have a personal business relationship.

Sec. 11. SAFEKEEPING OF INVESTMENTS.

All investments shall be issued in the name of IDEA Public Schools. Certificates of deposit issued by the depository bank or other financial institution in IDEA's name shall be issued to IDEA in receipt form and held by the Delegates.

Sec. 12. EFFECT OF LOSS OF REQUIRED RATING.

Sec. 12.1. As required by state law, the Vice President of Treasury and Director of Treasury shall periodically monitor investment ratings.

Sec. 12.2. The Investment Officers shall liquidate investments which do not have the statutorily required investment rating in a timely manner.

Sec. 13. PRUDENT PERSON RULE.

Sec. 13.1. The Investment Officers shall adhere to the "prudent person rule" which obligates a fiduciary to make investments with the exercise of that degree of judgment and care, under circumstances then prevailing, which persons of prudence, discretion, and intelligence exercise in the management of their own affairs, not for speculation but for investment, considering the probable safety of their capital as well as the probable income to be derived.¹⁷

Sec. 13.2. Investment Officers acting in accordance with written procedures and exercising due diligence shall be relieved of personal responsibility for an individual security's credit risk or

¹⁷ Tex. Gov't. Code § 2256.005(f); 19 TAC § 100.1045(c)

IDEA PUBLIC SCHOOLS BOARD POLICY
INVESTMENTS POLICY

market price changes, provided that deviations from expectation are reported in a timely fashion, and appropriate action is taken to control adverse developments.

Sec. 14. DISCLOSURE OF PERSONAL BUSINESS INTEREST.

Sec. 14.1. In addition to the following requirements, refer to Sec. 3(c) of the Controlling Policy.

Sec. 14.2. An Investment Officer who has a personal business relationship with a business organization offering to engage in an investment transaction with IDEA shall file a statement with the Board disclosing that personal business interest.

Sec. 14.3. An Investment Officer who is related within the second degree by affinity or consanguinity, as determined under state law, to an individual seeking to sell an investment to IDEA shall file a statement disclosing that relationship.

Sec. 14.4. An Investment Officer has a personal business relationship with a business organization if:

- (a) The Investment Officer owns ten percent (10%) 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;
- (b) Funds received by the Investment Officer from the business organization exceed ten percent (10%) of the Investment Officer's gross income for the previous year; or
- (c) 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.¹⁸

Sec. 15. PORTFOLIO STRUCTURE.

Sec. 15.1. To meet IDEA's investment objectives, the Investment Officers shall acquire an investment portfolio providing sufficient liquidity to preserve capital and maximize the investment yield and proceeds to coincide with IDEA's projected cash flow needs.

Sec. 15.2. The Investment Officers may invest funds in the General Operating Fund for a period of more than one (1) year provided that all cash flow requirements have been met. The Investment Officers may invest available cash in all other funds, except for bond proceeds, for a period of up to ten (10) years provided that cash flow needs are met. Consistent with Sec. 7 of this policy, the Investment Officers may invest bond proceeds for a period up to five (5) years provided that the drawdown schedules permit such maturities.

Sec. 15.3. The Investment Officers shall adopt an investment plan and present said plan to the Board. The Board may counsel the Investment Officers on said plan or act pursuant to Sec. 2 of this policy.

¹⁸ Tex. Gov't. Code § 2256.005(i)

**IDEA PUBLIC SCHOOLS BOARD POLICY
INVESTMENTS POLICY**

Sec. 16. INVESTMENT RECORDS.

The Investment Officers shall ensure that IDEA creates and maintains accurate and complete records of any and all investments.

Sec. 17. ADMINISTRATIVE PROCEDURES.¹⁹

The Delegates shall formally adopt administrative procedures as reasonably necessary to properly administer this policy and to adhere to applicable law and rule. In doing so, the Delegates shall not adopt, and are prohibited from adopting, an administrative procedure that conflicts with applicable law or this policy. Accordingly, the Delegates shall confer with the Board or legal counsel before deviating from the requirements set forth in this policy. In the event that a deviation from this policy becomes necessary, the Delegates shall either recommend an amendment to this policy or the Board’s approval of a specific deviation, including the purpose, scope and duration of the requested deviation.

Sec. 18. DATE ADOPTED AND EFFECTIVE.

As set forth in the pertinent minutes to the meeting of the Board, the Board adopted this policy on April 21, 2023, and it became effective on April 21, 2023.

Sec. 19. RETENTION.²⁰

This policy shall be retained until superseded, expired, or discontinued and for five (5) years thereafter in accordance with state law.

Sec. 20. CERTIFICATION.

The Undersigned, being the Secretary of the Corporation, hereby certifies that the foregoing represents a true copy of the Board Policy relating to Investments, as originally adopted by the Board on August 20, 2020, and as subsequently amended by the Board on February 18, 2022 and April 21, 2023, which Policy, as amended, is in full force and effect and has not been revoked or amended.

A. Ryan Vaughan
8733898FD696495...

Anthony Ryan Vaughan, Board Secretary

8/23/2023

Date Certified

¹⁹ Consistent with 19 TAC § 100.1033(b)(14)(C)(iv), the Board has the final authority to adopt policies governing charter school operations, including authorizing the Delegates or designee to adopt an administrative procedure to implement this policy. Moreover, as set forth in IDEA’s Articles of Incorporation and Bylaws and in accordance with Tex. Bus. Org. Code §§ 3.101 and 22.201, the Board is IDEA’s governing authority and, as such, manages and directs IDEA’s business and affairs through Board actions, resolutions and policy.

²⁰ Tex. Ed. Code §12.1052; 19 TAC §100.1203; See Record Number GR1000-38 and GR1025-25 in Local Schedule GR: Records Common to All Local Governments, Revised 5th Edition (Effective April 17, 2016) adopted by the Texas State Library and Archives Commission at Texas Administrative Code, Title 13, §7.125(a)(1).