

Wells Branch Community Library District

INVESTMENT POLICY

It is the policy of the Wells Branch Community Library District (the Library) to invest public funds in a manner consistent with the greatest safety and protection for the Library's investments. This will, while protecting the safety of the Library's investment, produce the highest return for meeting the cash flow requirements of the Library and conform to all Texas State statutes and policies governing the investment of public funds including Texas Public Funds Investment Act.

This investment policy applies to all financial assets of the Wells Branch Community Library. These funds are accounted for in the Library's Annual Report.

The standard of prudence to be applied by the Investment Officer in managing the Library's overall portfolio shall be the "Prudent Person Rule" which states:

"Investments shall be made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived."

The Investment Officer, acting in accordance with the Investment Policy and exercising due diligence, shall be relieved of personal responsibility for an individual security's risk or market price changes, provided deviations from expectations are reported in a timely fashion and appropriate action is taken to control adverse developments.

All participants in the investment process will seek to act responsibly as custodians of the public trust. Investment officials shall recognize that the investment portfolio is subject to public scrutiny and evaluation. In addition, the overall investment program shall be designed and administered with a degree of professionalism worthy of the public trust. Investment officials shall refrain from any transaction that might knowingly impair public confidence in the Library's ability to govern effectively.

Objective

The funds of the Wells Branch Community Library will be invested in accordance with the Constitution of the State of Texas, applicable statutes, specifically the Public Funds Investment Act, and Board direction. The objectives below are listed in order of importance.

- **Safety**: Safety of principal is the primary objective of the Library's investment program. Investments of the Library shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. To achieve this objective, some diversification may be required in order that potential losses on individual securities do not exceed the income generated from the remainder of the portfolio.
- **Liquidity**: The Wells Branch Community Library's investment portfolio will remain sufficiently liquid to enable the Library to meet all operating and capital requirements, which might reasonably be anticipated. It is the intent of the WBCLD to maintain 6 months of operating

expenses in this manner.

- **Return on Investment**: The Wells Branch Community Library's investment portfolio shall be designed with the goal of attaining a market rate of return throughout budgetary and economic cycles, taking into account the Library's investment risk constraints and the cash flow characteristics of the portfolio.

Delegation of Authority

- **Investment Policy and Implementation**: The Wells Branch Community Library Board of Trustees will annually review the overall Investment Policy as it relates to the Library's financial objectives and make any necessary modifications to the Policy. The Board of Trustees will annually appoint the members of the Investment Committee and direct the Investment Committee as to the investment policies to be implemented for the next year.
- **Investment Committee**: The membership of the Library's Investment Committee shall include the finance committee members, and (one) member at large from the community. The Committee shall meet semi-annually to review the Library's current investments and provide the Treasurer with guidance on any further investment decisions. The Committee shall meet to determine general strategies and monitor results. The Investment Committee shall include in its deliberations such topics as economic outlook; portfolio diversification and maturity structure; potential risks to the Library's funds; authorized depositories, brokers and dealers; long range development plans; anticipated costs and their timelines; and the target rate of return on the investment portfolio.
- **Investment Officer**: The Wells Branch Community Library Board of Trustees will designate the Investment Officer of the Library who is responsible for implementing investment decisions and activities with the guidance of the Library's Investment Committee.

Ethics and Conflicts of Interest : Officials and employees involved in the investment process shall refrain from personal business activity which could conflict with proper execution of the investment program, or which could impair their ability to make unbiased investment decisions. Employees and investment officials shall disclose to the Board of Trustees any material financial interests in financial institutions that conduct business for the Library, and they shall further disclose any large personal financial/investment positions that could be related to the performance of the Library's portfolio. Employees and officers shall subordinate their personal investment transactions to those of the Library, particularly with regard to the timing of purchases and sales.

Authorized and Suitable Investments : The Treasurer of the Library is authorized on behalf of the Library and in accordance with the investment decisions of the Investment Committee to invest all money in the Library Treasury which, in the judgment of the Treasurer, are in excess of current Library needs. With Board of Trustee approval, these excess funds can be invested in the following instruments:

- Investment deposits, including certificates of deposit, with qualified public depositories. No more than \$250,000 will be invested with any one FDIC institution.

- Certificate notes, bonds, or any other obligations of the United States or the State of Texas, including Treasury bills and Treasury bonds or state of Texas.
- The Texas Local Government Investment Pool to include fully collateralized repurchase agreements, bankers' acceptances, Commercial paper, or guaranteed investment contracts as allowed under the Public Funds Investment Act as approved by the Texas Legislature.

Safekeeping and Custody : The cash, collateral, and investments of the District may be safe kept by an independent third party bank with whom the District has a current custodial agreement, except the collateral for certificates of deposits, which will be registered in the District's name at a third-party bank.

Diversification : It is the policy of the Library to diversify its investment portfolio to eliminate the risk of loss resulting from over concentration of assets in a specific maturity, a specific insurer, or a specific class of securities. The maximum investment of the treasury balance for instruments is:

- Federally Insured Certificates of Deposit/ Money Market Funds (Max 50%)
- U.S. Treasury Obligations (Max 35%)
- Local Government Investment Pool (Max 100%)

It is the Policy of the WBCLD to keep only minimal balances within its operating checking accounts to cover any outstanding obligations and to maintain minimum bank balances. Because the actual balances within these accounts are constantly fluctuating and are used for short-term cash flow purposes, the Library's operating accounts will not be considered as part of this calculation.

Maximum Maturities : To the extent possible, the Wells Branch Community Library will attempt to match its investments with anticipated cash flow requirements. Unless matched to a specific cash flow, the Library will not directly invest in securities having a maturity date of more three years from the date of purchase.

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

Performance Guidelines : The Investment Portfolio shall be designed to meet the investment objectives as outlined in Section 4.0 of this policy. The Library's investment strategy shall lean toward conservative and passive investments. Given this strategy, the consideration of investment yields will use, as a benchmark, the average rate of return of the Local Government Investment Pool of the State of Texas. This performance standard shall take into account the Library's investment risk constraints and cash flow needs. Maturities of investments shall be kept relatively shorter in periods of rising interest and relatively longer in periods of declining interest rates.

Reporting : The Finance committee is charged with the responsibility of quarterly reporting on the investment portfolio. The Finance committee shall submit to the Library Board a quarterly investment report that summarizes the investment strategies employed in the most recent quarter, description

of the portfolio in terms of investment securities, yields, maturities, risk characteristics and other features. The report shall explain the quarter's total investment activity, as well as compare the return on investment with both the target rate of return projections and budgetary expectations.

Investment Policy Adoption : The Library's Investment Policy shall be adopted by Resolution of the Board of Trustees of the Library. The Policy shall be reviewed annually by the Finance committee and any modifications to the Policy must be approved by the Board of Trustees.
