



New Frontiers Public Schools

2023-2024

INVESTMENT POLICY

New Frontiers Public Schools Investment Policy

I. POLICY STATEMENT

It is the policy of the New Frontiers Public Schools (NFPS) that the administration of its funds and the investment of those funds shall be handled as its highest public trust. Investments shall be made in a manner which will provide the maximum security of principal invested through limitations and diversification while meeting the daily cash flow needs of the NFPS and conforming to all applicable state and NFPS statutes governing the investment of public funds. The receipt of a market rate of return will be secondary to the requirements for safety and liquidity.

It is the Intent of the NFPS to be in complete compliance with local law and the Texas Public Funds Investment Act (the “Act” Texas Government Code 2256). Then earnings from Investments will be used in a manner that best serves the public trust and interests of the NFPS.

II. SCOPE

This Investment Policy applies to all the financial assets and funds held of the NFPS. The NFPS commingles its funds into one Investment portfolio for investment purposes of efficiency and maximum investment opportunity.

Any new funds created by the NFPS will be managed under the provisions of this Policy unless specifically exempted by the NFPS Board and this Policy.

III. OBJECTIVES AND STRATEGY

It is the policy of the NFPS that all funds shall be managed and invested with four primary objectives, listed in order of their priority: safety, liquidity, diversification and yield. These objectives encompass the following:

Safety of Principal

Safety of principal is the foremost objective of the NFPS. Investments shall be undertaken in a manner that seeks to insure the preservation of capital in the overall portfolio. The suitability of each investment decision will be made on the basis of safety.

Liquidity

The NFPS investment portfolio will remain sufficiently liquid to enable it to meet all operating requirements which might be reasonably anticipated. Investment decisions will be based on cash flow analysis of anticipated expenditures.

Diversification

Diversification is required in the portfolio’s composition. Diversification of the portfolio will include diversification by maturity and market sector and will include the use of a number of broker/dealers or banks for diversification and market coverage. Competitive bidding will be used on each sale or purchase.

Yield

The NFPS investment portfolio shall be designed with the objective of attaining a reasonable market yield, taking into account the NFPS risk constraints and cash flow needs. As a benchmark, the market yield for the comparable three-month (90 days) U.S Treasury Bill will be compared to the portfolio's yield which has a maximum weighted average maturity of three months.

The authorized Investments purchased will be of the highest credit quality and marketability supporting the objectives of safety and liquidity. Securities, when not matched to a specific liability, will be short term to provide adequate liquidity. The portfolio shall be diversified to protect against market and credit risk in any one sector.

The maximum weighted average maturity (WAM) of the portfolio will be no more than 90 days and the maximum stated maturity of any security will not exceed two years. Only reserve funds (the restricted fund balance) will be invested with maturities beyond one year. The funds are combined for Investment purposes but the unique needs of all funds in the portfolio are recognized and represented.

Effective cash management is recognized as essential to good fiscal management. Cash management is defined as the process of managing monies in order to ensure maximum cash availability. The NFPS shall maintain a cash management program which includes timely collection of accounts receivable, prudent Investment, disbursement of payments within invoice terms and the management of banking services.

IV. LEGAL LIMITATIONS, RESPONSIBILITIES AND AUTHORITY

Specific Investment parameters for the Investment of public funds in Texas are stipulated in the Public Funds Investment Act, Chapter 2256, Texas Government Code, (the "Act"). The Act is attached as Exhibit A. The Public Funds Collateral Act, Chapter 2257, Texas Government Code, specifies collateral requirements for all public funds deposits. The Collateral Act is attached as Exhibit B.

The Inter-local Cooperation Act, Chapter 791, Texas Government Code, authorizes local governments in Texas to participate in a Texas investment pool established thereunder.

V. DELEGATION OF INVESTMENT AUTHORITY

The Chief Executive Officer and Director of Finance, acting on behalf of the Board, are designated by resolution of the Board, as the Investment Officers of the NFPS and are responsible for all investment management decisions and activities. The Board is responsible for considering the quality and capability of staff involved in Investment management and procedures. All participants in the investment process shall seek to act responsibly as custodians of the public trust.

The Investment Officers shall develop and maintain written administrative procedures for the operation of the investment program which are consistent with this Investment Policy. Procedures will include safekeeping, wire transfers, banking services contracts, and other investment related activities.

The Investment Officer shall be responsible for all transactions undertaken and shall establish a system of controls to regulate the activities of subordinate officials and staff.

No officer or designee may engage in an investment transaction except as provided under the terms of this Policy and procedures established by the Investment Officer and approved by the NFPS Board.

VI. PRUDENCE

The standard of prudence to be used in the investment function shall be the "prudent person" standard and shall be applied in the context of managing the overall portfolio. This standard 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 expected income to be derived.”

Limitation of Personal Liability

The Investment Officers, when acting in accordance with the written procedures and this Policy and in accord with the Prudent Person Rule, shall be relieved of personal liability in the management of the portfolio provided that deviations from expectations for a specific security’s credit risk or market price change are reported in a timely manner and that appropriate action is taken to control adverse market effects.

VII. INTERNAL CONTROLS

The Investment Officers shall establish a system of written internal controls which will be reviewed annually with the Independent auditor of the NFPS. The controls shall be designed to prevent loss of public funds due to fraud, employee error, misrepresentation by third parties, or imprudent actions by employees of the NFPS.

Cash Flow Forecasting

Cash flow forecasting is designed to protect and sustain cash flow requirements. The Investment Officers will maintain a cash flow forecasting process designed to monitor and forecast cash positions for investment purposes. Cash flow will include researching and monitoring of specific cash flow items, payables, and receivables as well as overall cash position and patterns.

VIII. AUTHORIZED INVESTMENTS

Acceptable investments under this Policy shall be limited to the instruments listed below. The choice of high-grade government investments and high-grade, money market instruments is designed to assure the marketability of those investments should liquidity needs arise.

- A. Obligations of the United States Government, its agencies and instrumentalities, not to exceed two (2) years to stated maturity, and excluding all mortgage backed securities;
- B. Fully insured or collateralized depository certificates of deposit from a bank doing business in the State of Texas and under the terms of a written depository agreement with that bank, not to exceed one year to stated maturity;
- C. AAA-rated, SEC registered money market mutual funds which strive to maintain a \$1 net asset value. No more than 80% of the entity’s monthly average balance may be invested in money market funds;
- D. AAA-rated Texas Local Government Investment Pools as defined by the Public Funds Investment Act and striving to maintain a \$1 net assets value.
- E. Interest bearing depository accounts of any bank doing business in Texas under a written depository agreement and providing for 102% collateral held independent of the pledging bank.
- F. Fully FDIC insured brokered certificate of deposit securities from banks doing business in any US state and delivered versus payment to the Schools safekeeping, not to exceed one year to maturity. Before purchase the Investment Officer should verify that the bank is FDIC insured (www.FDIC.gov)

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

Competitive Bidding Requirement

All securities, including certificates of deposit, will be purchased or sold only after three bids/offers are taken competitively to verify that the NFPS is receiving fair market value/price for the investment.

Delivery versus Payment

All security transactions shall be conducted on a delivery versus payment (DVP) basis to assure that the NFPS has control of its assets and/or funds at all times.

Change of Authorization or Rating

NFPS will not be required to liquidate investments that were authorized investments at the time of purchase.

The Investment Officer shall monitor, on no less than a monthly basis, the credit rating on all rated authorized investments in the portfolio based upon independent information from a nationally recognized rating agency. If any security falls below the minimum rating required by Policy, the Investment Officer shall notify the Board of the loss of rating, conditions affecting the rating and possible loss of principal with liquidation options available, within two days after the loss of the required rating.

IX. AUTHORIZED FINANCIAL DEALERS AND INSTITUTIONS

The NFPS shall maintain a list of no less than three financial institutions, pools and/or broker/dealers which are authorized to provide investment services. The list of the broker/dealers will be reviewed and approved by the Board or a Board designated committee each year.

Securities broker/dealers may be primary or regional broker/dealers and will meet other criteria as determined by the Investment Officers including state registration and completion of a NFPS Broker/Dealer questionnaire (attached as Exhibit D). The following criteria must be met by authorized firms.

- annual provision of an audited financial statement,
- proof of registration with the Financial Industry Regulatory Authority (FINRA)
- proof of current registration with the Texas State Securities Commission, and
- completion of the NFPS broker/dealer questionnaire.

Every bank, pool and broker/dealer with whom the NFPS transacts business will be provided a copy of this Investment Policy to assure that they are familiar with the goals and objectives of the investment program. Investment pools are required to return a signed copy of the Certification Form (attached as Exhibit C) certifying that the Policy has been received and reviewed and only those securities approved by the Policy will be sold to the NFPS.

X. DIVERSIFICATION AND MATURITY LIMITATIONS

It is the policy of the NFPS to diversify its Investment portfolio. Invested funds shall be diversified to minimize risk or loss resulting from over-concentration of assets in a specific maturity, specific issuer, or specific class of securities. Diversification strategies shall be established and periodically reviewed. At a minimum, diversification standards by security type and issuer shall be:

Max % of Portfolio

U.S. Treasuries and securities with U.S. Government's guarantee	not to exceed 75%
U.S. Government agencies and Instrumentalities	not to exceed 60%
Fully insured or collateralized CDs	not to exceed 40%
SEC Registered money market funds	not to exceed 80%
Local Government Investment Pools (Constant dollar)	not to exceed 80%

The Investment Officer shall be required to diversify maturities. The Investment Officer, to the extent possible, will attempt to match investments with anticipated cash flow requirements. Matching maturities with cash flow dates will reduce the need to sell securities prior to maturity, thus reducing market risk. Unless matched to a specific liability, the Investment Officer may not invest more than 10% of the portfolio for a period greater than one (1) year.

XI. SAFEKEEPING AND COLLATERALIZATION

The laws of the State and prudent treasury management require that all purchased securities be bought on a delivery versus payment (DVP) basis and be held in safekeeping by either an approved, independent third-party financial Institution or the NFPS designated depository.

Securities Owned by the NFPS

All safekeeping arrangements shall be approved by the Investment Officer and an agreement of the terms executed in writing. The safekeeping bank may not be within the same holding company as the bank from which the securities are purchased. The custodian shall be required to issue original safekeeping receipts to the NFPS listing each specific security, rate, description, maturity, cusp number, and other pertinent information.

Collateral

Collateralization shall be required on all bank time and demand deposits for principal and accrued interest amounts over the FDIC Insurance coverage of \$250,000 (by tax identification number). In order to anticipate market changes and provide a level of additional security for all funds, collateral with a minimum market value equal to 102% of the total deposits are required. The pledging bank will be made contractually liable for monitoring and maintaining the collateral levels daily. All collateral will be held by an Independent third-party bank outside the holding company of the bank, pledged to the NFPS. Preferably the custodian will send monthly reports directly to the NFPS.

Authorized collateral will include only:

- Obligations of the US Government, its agencies and instrumentalities to include mortgage backed securities and CMO which pass the bank test.
- FHLB Letters of Credit

Preference will be given to security collateral over letters of credit.

The custodian shall be required to provide original safekeeping receipts to NFPS clearly marked that the security is pledged to the NFPS.

XII. REPORTING

The Investment Officer shall submit monthly and quarterly reports to the NFPS Board containing sufficient information to permit an informed outside reader to evaluate the performance of the investment program and in full compliance with the Act. At a minimum the report shall contain:

- Beginning and ending market value of the portfolio by market sector and total portfolio
- Beginning and ending book value of the portfolio by market sector and total portfolio
- Change in market value during the period
- Detail on each asset (book, market, description, par ad maturity date)

- Earnings for the period
- Overall weighted average maturity of the portfolio

The report will be signed by all the Investment Officers. It will contain all elements as required by the Act. Market prices for calculation of market values will be obtained from an independent source. The three-month Treasury Bill average yield for the reporting period will be reported as a benchmark gauge of performance and risk.

XIII. DEPOSITORIES

In accordance with The Texas Administrative Code (TAC), Section 100.1043(b), the NFPS will designate one banking institution as its central banking services provider through a competitive process. State funds received by NFPS will be deposited into a bank with which the NFPS has entered into a depository contract. This institution will be used for normal banking services including disbursements, deposits, and safekeeping of NFPS owned securities. Other banking institutions from which the NFPS may purchase only certificates of deposit or interest-bearing accounts will also be designated as depositories and provide collateral if holding over the FDIC insurance limit.

All banking arrangements requiring collateral will be in written form in accordance with FIRREA which requires a resolution of approval of the agreement by the Bank Board or Bank Loan Committee. At a minimum of every 5 years the NFPS will obtain bids from competing banking institutions to ensure that the NFPS is receiving the best price for its banking services.

XIV. INVESTMENT POLICY ADOPTION BY BOARD

The NFPS Investment Policy and its incorporated strategies shall be adopted by resolution annually by the Board. The approval and any changes made to the Policy will be noted in the approving resolution.

APPROVED BY BOARD:

Secretary/Clerk

Date

- Earnings for the period
- Overall weighted average maturity of the portfolio

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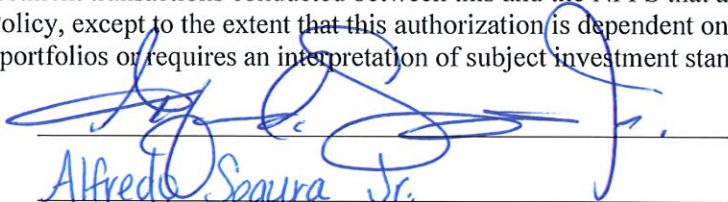
POLICY CERTIFICATION FORM
As required by Texas Government Code 2256.005(k)
New Frontiers Public Schools (the "NFPS")

New Frontiers Public Schools (the "FIRM")

I, as an authorized representative of the investment pool hereby certify that the pool has received and reviewed the Investment Policy of the NFPS.

We acknowledge that this pool has implemented reasonable internal procedures and controls in an effort to preclude Investment transactions conducted between this and the NFPS that are not authorized by the NFPS Investment Policy, except to the extent that this authorization is dependent on an analysis of the makeup of the NFPS entire portfolios or requires an interpretation of subject investment standards.

Signature



Name:

Alfredo Segura Jr.

Title:

CEO/superintendent

Firm Name:

New Frontiers Public Schools

Date:

October 25, 2023