



COPPELL INDEPENDENT SCHOOL DISTRICT

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DR. JEFF TURNER
SUPERINTENDENT OF SCHOOLS

To: Dr. Jeff Turner
From: Ralph Seeley
Subject: Annual Review of Investment Policy by Board of Trustees
Date: July 12, 2005
Cc: Sid Grant

The Public Funds Investment Act (TX Govt. Code Chapter 2256) as articulated in POLICY CDA (LEGAL) requires that:

“The investment policy and the investment strategy shall be reviewed not less than annually. The Board shall adopt a written instrument 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.”

The latest updates of both CDA (LEGAL) and (LOCAL) are attached for review by the Board. Both policies have been changed since the last investment policy review by the Board of Trustees. All changes were recommended by TASB Policy Services.

CDA (LEGAL) was changed by TASB as described in their Explanatory Notes for Update 71:

“At AUTHORIZED INVESTMENTS, item 4, on page 6, SB 1318 (effective September 1, 2003) added security lending programs – an investment type commonplace among the major retirement systems of the state – to the list of investments that are authorized for districts. In order for the District to utilize this form of investment, the investment type must be identified within the District’s CDA (LOCAL).

CDA (LOCAL) was changed as follows:

“For the District to utilize the new securities lending program investment option defined at CDA(LEGAL), that investment type must be identified within the District’s CDA(LOCAL). The District’s policy is very flexible in this regard, listing at APPROVED INVESTMENT INSTRUMENTS on page 1 all investment types permissible under the

law. To complete this listing, we have added the new security lending programs option at item 4 under APPROVED INVESTMENT INSTRUMENTS.

Although we don't intend to invest in the above described instruments, TASB prefers to include it as a permissible instrument in our local policy.

CDA(LEGAL) states that the Board shall adopt a written instrument stating that it has reviewed the investment policy and investment strategies. TASB has written a model Resolution which the board should approve which will satisfy this requirement. The agenda item should read: "Adoption of Resolution regarding review and consideration of changes to investment policies CDA (LEGAL) and CDA (LOCAL)." The minutes can reflect the review process and the adoption of the Resolution.

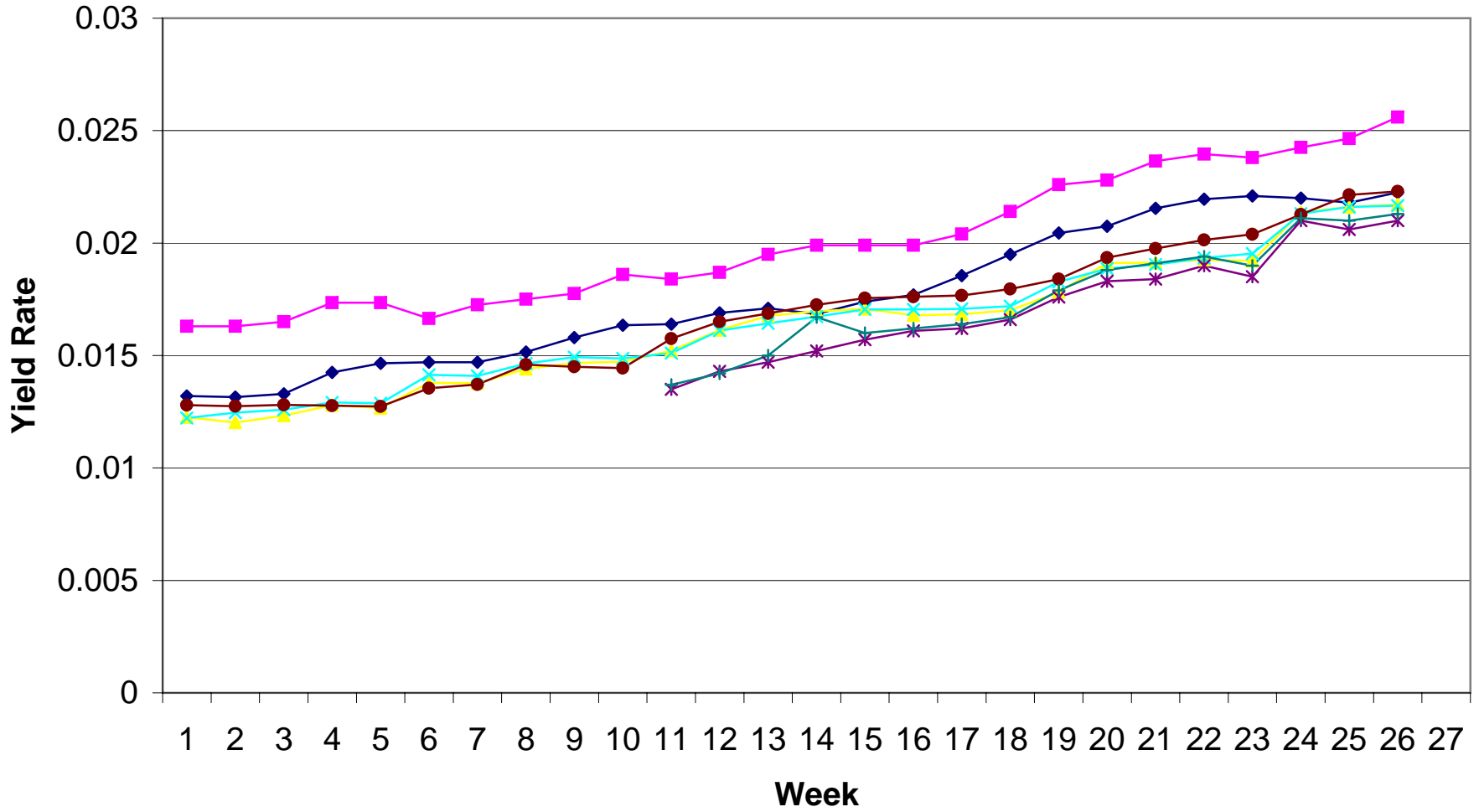
Review of Current Performance on Investments

The attached graphs and spreadsheets compare the rates paid on the five investment pools utilized with the rate for the 13 and 26-week T-Bill auctions. A distinct advantage of the investment pools is that investor funds are very liquid. Money can be transferred overnight either in or out of the pools. We invest in five different government pools in order to diversify our investments. The pools are constantly "marked to market". This means that there is no risk of losing any of the principal invested. The only thing that fluctuates is the amount of interest paid on the invested balance each day.

During the period from July 2004 – December 2004, the pool rates varied from 1.20% to 2.23% on a monthly basis, while the T-bill rates varied from 1.32% to 2.56%. For the period from January 2005 – June 2005, pool rates varied from 2.07% - 3.31% while the T-bill rates varied from 2.28% - 3.22%. In a rate increasing cycle like we have experienced, pool rates will follow the climb of the T-bill rates.

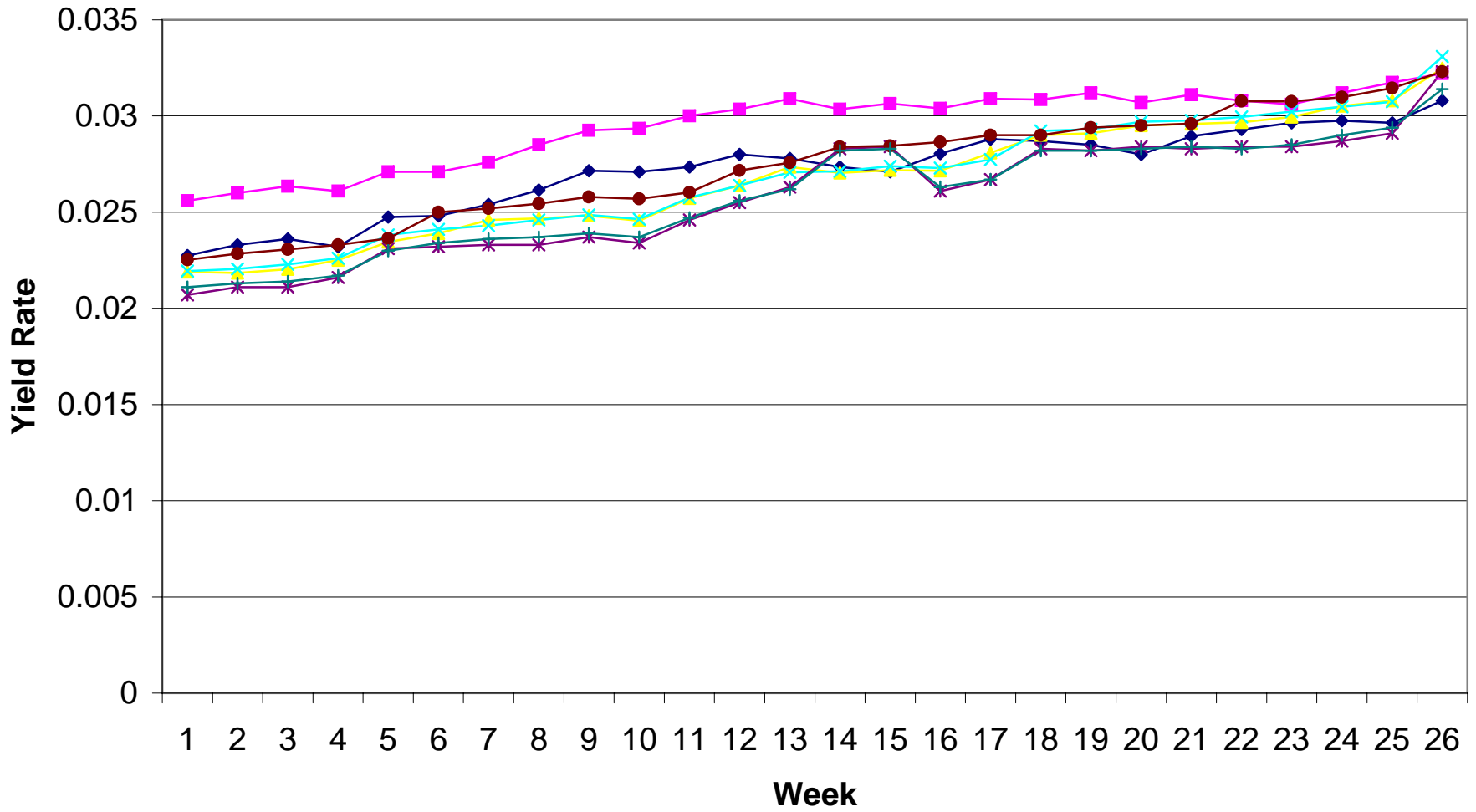
In addition to the investment pools, we invest in direct investments of the Federal Government and with Federal Agencies backed by the Federal Government. We have been able to invest some of our funds in direct investments with interest rates a little higher than the pools. We are limited to the money we have to invest for 6 to 12 month periods. Interest rates for these investments ranged from 1.68% to 3.38%. These investments are detailed in our quarterly investment reports. We use the services of A.J. Capital to search the market for investments to purchase at rates higher than the pool rates. It has been a refreshing experience to see interest rates increase from the pitiful rates of last year to the reasonable rates we currently have.

Investment Rates - July thru December 2004



◆ 13 week ■ 26 week ▲ TexStar ✕ Texpool * LSIP-Plus ● LOGIC + LSIP-Corp

Investment Rates - January thru June 2005



◆ 13 week ■ 26 week ▲ TexStar × Texpool * LSIP-Plus ● LOGIC + LSIP-Corp

RESOLUTION OF THE BOARD REGARDING REVIEW
OF THE INVESTMENT PROGRAM

WHEREAS, Section 2256.005(e) of the Public Funds Investment Act (Texas Government Code Chapter 2256) requires the Board of Trustees of the Coppell Independent School District to (a) review the District's investment policy and investment strategies [set forth in CDA (LOCAL)] not less than annually and (b) adopt this resolution reflecting the Board's review and recording any changes made to the investment policy or strategies;

WHEREAS, the District's investment policy for fiscal year 2004 - 05 has been presented to the Board for its consideration and approval, as required by the Act; and

WHEREAS, the District's investment policy for fiscal year 2004 - 05 includes the following changes from the District's investment policy for fiscal year 2003 - 2004:

1. CDA (LEGAL) – At AUTHORIZED INVESTMENTS, item 4, on page 6, SB 1318 (effective September 1, 2003) added security lending programs – an investment type commonplace among the major retirement systems of the state – to the list of investments that are authorized for districts.
2. CDA (LOCAL) – At APPROVED INVESTMENT INSTRUMENTS, item 4, on page 1, a securities lending program as permitted by Government Code 2256.0115 has been added.

NOW THEREFORE BE IT RESOLVED that the Board of Trustees of Coppell Independent School District has reviewed the District's investment policy, and hereby adopts the policy for fiscal year 2005 - 2006 in compliance with the Public Funds Investment Act.

Adopted this ____ (date) day of July, 2005, by the Board of Trustees.

President

Secretary