

Program Topics & Objectives

Topic: Program History

Objective: Students are introduced to each other and TAC staff/CIO committee members. Students share why they are pursuing investment education prior to a lecture about events that put the current investment environment in perspective. A history of the CIO program is included.

Topic: CIO Certification

Objective: As administrator of the CIO credential, the Texas Association of Counties will explain the procedure to become a Certified County Investment Officer.

Topic: Schematic of County Operations

Objective: Students identify the major roles played by county officials as they examine the functions of the investment process.

Topic: Structure of Securities

Objective: Students define parts of a generic security including coupon, principal, accrued interest, par, face value, price, certificate, maturity, premium/discount, security description, amortization/accretion and yield. This basic session provides building blocks necessary to understanding different types of securities and risks associated with investment.

Topic: Math of Finance/Yield to Maturity

Objective: This session reviews concepts that will be used throughout the course, and introduces the concept of Yield-to-Maturity. Students will demonstrate: how to calculate accrued interest; how to decipher pricing conventions used in the industry; how to interpret a security description; how to properly recognize income through coupon receipt and amortization or accretion of premiums and discounts; and how to estimate yield.

Topic: Public Funds Investment Act

Objective: Students analyze the responsibilities of county officials and discuss county investment practices that are dictated by the law governing investment of public funds in Texas. Students should determine whether their local government is in compliance with the PFIA.

Topic: Eligible Securities

Objective: This lecture defines the security types that are allowed or prohibited by the Public Funds Investment Act, with attention given to associated risks.

Topic: Discussion of Risk

Objective: Students define various types of investment risk including market and security risk, and then rate different types of securities.

Topic: Investment Policies & Depository Contracts

Objective: Participants review a sample investment policy, discuss requirements under the Public Funds Investment Act, and talk about the relationship of policy and depository contracts.

Topic: Cash-Flow Forecasting

Objective: Students will identify the cash needs of a fictitious county; forecast available cash for investment; and apply the information using two different strategies.

Topic: Hierarchy of Issuers

Objective: Students rank issuers and security types by credit quality and marketability.

Topic: Broker/Client Relationships

Objective: Broker/client relationships are discussed to show students how brokers work with counties. Participants discuss factors pertinent to selecting a broker and will hear tips on controlling the relationship.

Topic: Investment Strategies

Objective: Students will identify three types of strategies and apply them to their knowledge of county fund types. Discussion revolves around the use of these strategies when developing an investment policy.

Topic: Federal Reserve & Economic Indicators

Objective: Economic indicators used to analyze the economy and various economic elements influencing interest rates will be explored in video and discussion format.

Topic: Mid-Week Review

Objective: Students will review information from the first half of the week.

Topic: Investment Reporting

Objective: Requirements of the Public Funds Investment Act make investment reports a management tool that serves as an internal control. Students will identify the reporting requirements of the Public Funds Investment Act and review effective report elements. The use of benchmarks will also be discussed as the students review a sample report.

Topic: Internal/Operational Controls

Objective: To ensure safety of public funds, the county investment officer should establish a flow of communication and documentation between the investment officer, auditor and commissioners court. Participants discuss oversight of investment activity.

Topic: Basic Investment Accounting

Objective: Students will track investment activity during this presentation, which outlines accounting entries involved with posting cash outlays, principal invested and interest paid/earned/received. Concepts include accrual accounting, amortization, accretion, mark-to-market, GASB 31, premium, and discount.

Topic: Fiduciary Relationships

Objective: Current ethics laws, fiduciary responsibilities of investment officers and independent verification of facts supplied by providers are outlined and discussed.

Topic: Rate of Return Exercise

Objective: Given a portfolio, students will track their performance over several periods to see how changing interest rates affect rate of return. Market value, market risk, period income, period return, and year-to-date return are the concepts stressed in this exercise.

Topic: Record Keeping and Trade Verification

Objective: Students identify contents of a well-documented security file, verify information provided on a trade confirmation and practice methods for calculating accrued interest.

Topic: Settlement, Clearance & Safekeeping

Objective: Students trace the flow of paper and events involved when purchasing and clearing trades. Clearing institutions, payment methods and steps in a security trade will be discussed.

Topic: Valuing Collateral

Objective: Students will discuss sources of price information and complete a practice exercise in which they value the collateral of a hypothetical bank account.

Topic: Security Selection

Objective: Participants will discuss investment choices given different economic situations.

Topic: Mortgage-Backed Securities

Objective: This introduction to mortgage-backed securities explains the return of principal and payment of interest relative to an MBS. Students discuss the housing market; prepayments; and principal paydown and their effects on the maturity of these investments. An overview of collateralized mortgage obligations follows, which explains their origin and past uses, as well as why their use is heavily restricted under the Public Funds Investment Act.

Topic: Course Review

Objective: In preparation for the final assessment exercise, participants will review all material pertinent to the course including: compliance with Government Code 2256, security risks, market risks, strategy risks, diversification, investment controls, coupon, yield, rate of return and duration.

Topic: The Big Game

Objective: Students team up in this role-playing game to build a portfolio given the parameters set by a fictitious commissioners' court. This exercise emphasizes the concepts of strategy risk, market risk and credit risk as students compare the pros/cons of each security type offered.

Topic: Review Game & Wrap Up

Objective: Participants will form teams and play a wheel-spinning game to review the subject matter in preparation for the exam.