

Gillespie County, Texas

Investment Policy

As Approved by
Commissioners Court

Monday, February 27, 2017

This Investment Policy (the "Policy") was prepared by the Investment Advisory Committee of Gillespie County, Texas (the "County") pursuant to Local Government Code 116.112 and Chapter 2256 of the Texas Government Code as may be amended from time to time.



Upon presentation during the regular Commissioners Court meeting, Monday, February 27, 2017, the Court approved the Policy, as presented, to be effective February 27, 2017.

This Policy shall replace any previous investment policy(s).



Gillespie County, Texas

Investment Policy

SECTION 1

INVESTMENT AUTHORITY AND SCOPE OF POLICY

Section 1.01 General Statement

This *Policy* serves to satisfy the statutory requirements of Local Government Code 116.112 and Texas Government Code Chapter 2256, Public Funds Investment (PFIA) to define and adopt a formal investment policy.

This *Policy* will be reviewed and adopted by Commissioners Court resolution at least annually according to PFIA Sec. 2256.005(e).

Section 1.02 Funds Included

This *Policy* applies to all financial assets of all funds of the County, at the present time and any funds to be created in the future and any other funds held in custody by the County Treasurer, unless expressly prohibited by law or unless it is in contravention of any depository contract between the County and any depository bank.

This *Policy* also applies to funds held by Elected Officials of Gillespie County.

Section 1.03 County Investment Officer

In accordance with PFIA Sec. 116.112(a), Local Government Code and/or Chapter 2256, PFIA Sec. 2256.005(f) and (g), the County Investment Officer, under the direction of the Commissioners Court, may invest County funds that are not immediately required to pay obligations of the County. The Commissioners Court shall designate by resolution an Investment Officer.

If the Investment Officer has a personal business relationship with an entity ... or is related within the second degree by affinity or consanguinity to an individual ... seeking to sell an investment to the County, the investment officer must file a statement disclosing that personal business interest ... or relationship ... with the Texas Ethics Commission and the Commissioners Court in accordance with Government Code 2256.005(i).

SECTION 2

INVESTMENT OBJECTIVES

Section 2.01 General Statement

Funds of the County will be invested in accordance with federal and state laws, this investment policy and written administrative procedures. The County will invest according to investment strategies for each fund or group of funds as they are adopted by Commissioners Court resolution in accordance with PFIA Sec. 2256.005(d).

Section 2.02 Safety and Maintenance of Adequate Liquidity

The County is concerned about the return of its principal; therefore, suitability, preservation and safety of principal, liquidity, marketability, diversification, and yield (in that order) are the primary investment strategies for any investment transaction.

The County's investment portfolio must be structured in conformance with an asset/liability management plan, which provides for liquidity necessary to pay obligations as they become due.

Section 2.03 Diversification

It is the policy of the County to diversify its portfolio to minimize the risk of loss resulting from over concentration of assets in a specific maturity, a specific issuer, or a specific class of investments. Investments of the County shall always be selected that provide for stability of income and reasonable liquidity.

Section 2.04 Yield

It is the objective of the County to earn the maximum rate of return allowed on its investments within the policies imposed by its safety and liquidity objectives, and diversification of investment strategies for each fund or group of funds, and state and federal law governing investment of public funds.

Section 2.05 Maturity

Portfolio maturities will be structured to meet the obligations of the County first and then to achieve the highest return of interest. When the County has funds that will not be needed to meet current obligations, maturity restraints will be imposed based upon the investment strategy for each fund or group of funds.

The maximum allowable stated maturity of any individual investment owned by the County is twenty-four (24) months. Prior approval of the Investment Committee must be received before investing beyond a stated maturity of twelve (12) months. Prior approval of Commissioners Court, upon recommendation of the Investment Committee, must be received before investing beyond a stated maturity of twenty-four (24) months.

Section 2.06 Quality and Capability of Investment Management

It is the County's policy to provide training required by the PFIA Sec. 2256.008 and periodic training in investments for the County Investment Officer through courses and seminars offered by professional organizations and associations in order to insure the quality, capability, and currency of the County Investment Officer in making investment decisions. The County Investment Officer shall make known to the Commissioners Court successful completion of these courses.

Section 2.07 Investment Strategies

In accordance with the PFIA Sec. 2256.005(d), a separate written investment strategy will be developed for each of the funds or group of funds under the County's control. Each investment strategy must describe the investment objectives for the particular fund or group of funds using the following priorities of importance:

- understanding of the suitability of the investment to the financial requirements of the entity;
- preservation and safety of principal;
- liquidity;
- marketability of the investment if the need arises to liquidate the investment before maturity;
- diversification of the investment portfolio; and
- yield.

In accordance with the PFIA Sec. 2256.005(e), investment strategies for all funds or group of funds will be reviewed and adopted by resolution at least annually.

Section 2.08 Monitoring Rating Changes

In accordance with PFIA Sec. 2256.005(b)(4)(F), the Investment Officer and/or Investment Committee will monitor any rating changes in investments acquired with public funds and the liquidation of such investments consistent with the provisions of PFIA Sec 2256.021. Sources utilized to monitor rating changes may include but are not limited to ... the County Depository, internet resources, investment brokers.



SECTION 3

INVESTMENT TYPES

Section 3.01 Authorized Investments

The County Investment Officer shall use any or all of the following authorized investment instruments consistent with governing law ... as described in the Government Code 2256, cited as the Public Funds Investment Act (PFIA).

A. Obligations of, or guaranteed by governmental entities, PFIA Sec. 2256.009 ... except as provided by Subsection (b):

- 1) obligations, including letters of credit, of the United States or its agencies and instrumentalities;
- 2) direct obligations of this state or its agencies and instrumentalities;
- 3) collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States;
- 4) other obligations, the principal and interest of which are unconditionally guaranteed or insured by, or backed by the full faith and credit of, this state or the United States or their respective agencies and instrumentalities, including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation or by the explicit full faith and credit of the United States;
- 5) obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than A or its equivalent.

B. Certificates of deposit and share certificates, PFIA Sec. 2256.010... if issued by a depository institution that has its main office or a branch office in this state and is:

- 1) guaranteed or insured by the Federal Deposit Insurance Corporation or its successor or the National Credit Union Share Insurance Fund or its successor;
- 2) secured by obligations that are described by PFIA Sec. 2256.009(a), including mortgage backed securities directly issued by a federal agency or instrumentality that have a market value of not less than the principal amount of the certificates, but excluding those mortgage backed securities of the nature described by PFIA Sec. 2256.009(b); or
- 3) secured in any other manner and amount provided by law for deposits of the County.

C. Commercial Paper, PFIA Sec. 2256.013 ... to be utilized with caution ... if the commercial paper ...

- 1) has a stated maturity of 270 days or fewer from the date of its issuance; and
- 2) is rated not less than A-1 or P-1 or an equivalent rating by at least:
 - a) two nationally recognized credit rating agencies; or
 - b) one nationally recognized credit rating agency and is fully secured by an irrevocable letter of credit issued by a bank organized and existing under the laws of the United States or any state.

D. Mutual Funds and Money Market Mutual Funds, Sec. 2256.014 ...
with limitations described below:

A no-load money market mutual fund, PFIA Sec. 2256.014(a) and (c) ... is authorized if it:

- 1) is registered with and regulated by the Securities and Exchange Commission;
- 2) provides the investment officer a prospectus and other information required by the Securities Exchange Act of 1934 (15 U.S.C. Section 78a et seq.) or the Investment Company Act of 1940 (15 U.S.C. Section 80a-1 et seq.);
- 3) has a dollar-weighted average stated maturity of 90 days or fewer;
- 4) includes in its investment objectives the maintenance of a stable net asset value of \$1 for each share.; and
- 5) investing entity may not own more than 10% of the fund's total assets.

A mutual fund, PFIA Sec. 2256.014(b) and (c) ... is authorized if it:

- 1) is registered with the Securities and Exchange Commission;
- 2) has an average weighted maturity of less than two years;
- 3) is invested exclusively in obligations approved by the Public Funds Investment Act;
- 4) is continuously rated as to investment quality by at least one nationally recognized investment rating firm of not less than AAA or its equivalent; and
- 5) conforms to the requirements set forth in PFIA Sec. 2256.016(b) and (c) relating to the eligibility of investment pools to receive and invest funds of investing entities.

The County may not:

- 1) invest in the aggregate more than 15 percent of its monthly average fund balance, excluding bond proceeds and reserves and other funds held for debt service, in mutual funds described in PFIA Sec. 2256.014(b);
- 2) invest any portion of bond proceeds, reserves, and funds held for debt service, in mutual funds described in PFIA Sec. 2256.014(b); or
- 3) invest its funds or funds under its control, including bond proceeds and reserves and other funds held for debt service, in any one mutual fund described in PFIA Sec. 2256.014(a) or (b) in an amount that exceeds 10 percent of the total assets of the mutual fund.

E. Eligible Investment Pools, PFIA Sec. 2256.016 ...

The County may invest in an eligible investment pool if the Commissioners Court by resolution authorize investments in the particular pool.

An eligible investment pool shall adhere to PFIA Sec. 2256.016 as may be amended from time to time.

Section 3.02 Prohibited Investments

The County Investment Officer has no authority to use any investment instruments that are not approved in this *Policy*.

The County shall not be required to liquidate investments that were authorized investments at the time of purchase.



SECTION 4

INVESTMENT RESPONSIBILITY AND CONTROL

Section 4.01 Investment Institutions Defined

The County Investment Officer shall invest County funds with any or all of the following institutions or groups consistent with federal and state law and the current Depository Bank contract:

- County's depository bank;
- other depository institution that has its main office or a branch office in this state;
- public funds investment pools as approved by Commissioners Court; or
- government securities brokers and dealers as approved by Commissioners Court.

Section 4.02 Qualifications for Approval of Broker/Dealers

In accordance with PFIA Sec. 2256.005(k), a written copy of the *Policy* shall be presented to any person offering to engage in an investment transaction with the County. The qualified representative of the business organization offering to engage in an investment transaction with the County shall execute a written instrument substantially to the effect that the business organization has:

- received and reviewed the *Policy* of the County; and
- acknowledged that the business organization has implemented reasonable procedures and controls in an effort to preclude investment transactions conducted between the County and the organization that are not authorized by the County's *Policy*, except to the extent that this authorization is dependent on an analysis of the makeup of the County's entire portfolio or requires interpretation of subjective investment standards.

The County Investment Officer may not buy securities from a person who has not delivered to the County an instrument of substantially the form provided above according to PFIA Sec. 2256.005(l).

Pursuant to PFIA Sec. 2256.025, the County must approve broker/dealers before doing business with them.

Section 4.03 Investment Advisory Committee

Members of the Investment Advisory Committee are the County Investment Officer, the County Auditor, and at least one but no more than two members of the Commissioners Court. Committee meetings will be called as needed.

Section 4.04 Policy Review by Investment Advisory Committee

The Committee shall review investment policies and procedures, investment strategies, and investment performances, at least annually. The Committee shall report its recommendations to the Commissioners Court for the Court's review and acceptance.

Section 4.05 Liability of County Treasurer as County Investment Officer

Reference Texas Local Government Code PFIA Sec. 113.005(a) ... the County Treasurer is not responsible for any loss of the county funds through the failure or negligence of a depository. This subsection does not release the treasurer from responsibility for a loss resulting from the official misconduct or negligence of the treasurer, including a misappropriation of the funds, or from responsibility for funds until a depository is selected and the funds are deposited.

Section 4.06 Delivery vs. Payment

In accordance with PFIA Sec. 2256.005(b)(4)(E), it is the policy of the County that a requirement for settlement of all transactions, except investment pool funds and mutual funds, will be on a delivery versus payment basis.

Section 4.07 Audit Control

The County Investment Officer will establish liaison with the County Auditor in preparing investment forms to assist the auditor's office for accounting and auditing control. The County Investment Officer is subject to audit by the County Auditor. In addition, the Commissioners Court, at a minimum, will have an annual financial audit of all County funds by an independent auditing firm, as well as an annual compliance audit of management controls on investments and adherence to the County's established investment policies ... PFIA Sec. 2256.005(m).

Section 4.08 Standard of Care

In accordance with PFIA Sec. 2256.006, investments shall be made with judgment and care, under prevailing circumstances, that a person of prudence, discretion, and intelligence would exercise in the management of the person's own affairs, not for speculation, but for investment, considering the probable safety of capital, and the probable income to be derived. Investment of funds shall be governed by the following investment objectives, in order of priority: preservation and safety of principal; liquidity; and yield.

In determining whether the County Investment Officer has exercised prudence with respect to an investment decision, the determination shall be made taking into consideration:

- the investment of all funds, or funds under the County's control, over which the County Investment Officer had responsibility rather than a consideration as to the prudence of a single investment; and
- whether the investment decision was consistent with the *Policy* of the County.



SECTION 5

INVESTMENT REPORTING AND PERFORMANCE EVALUATION

Section 5.01 Quarterly Report

In accordance with PFIA Sec. 2256.023, quarterly, the County Investment Officer shall prepare and submit to the Commissioners Court a written report of investment transactions for all funds for the preceding reporting period within a reasonable time after the end of the period. An independent auditor, who will report findings to the Commissioners Court, shall formally review the report annually if the County invests in securities other than money market mutual funds, investment pools, or accounts offered by the depository bank.

The report must:

- describe in detail the investment position of the County on the date of the report;
- contain a summary statement of each pooled fund group that states the:
 - beginning market value for the reporting period;
 - ending market value for the period; and
 - fully accrued interest for the reporting period;
- state the book value and market value of each separately invested asset at the beginning and end of the reporting period by the type of asset and fund type invested;
- state the maturity date of each separately invested asset that has a maturity date;
- state the account or fund or group of funds in the County for which each individual investment was acquired; and
- state the compliance of the investment portfolio of the County as it relates to:
 - the investment strategy expressed in the *Policy*; and
 - relevant provisions of PFIA Sec. 2256.023

Section 5.02 Notification of Investment Changes

It shall be the duty of the County Investment Officer to notify the Commissioners Court of any significant changes in current investment methods and procedures prior to their implementation.



SECTION 6

INVESTMENT COLLATERAL AND SAFEKEEPING

Section 6.01 Collateral or Insurance

The County Investment Officer shall insure that all County funds are fully collateralized or insured consistent with federal and state law ... Texas Government Code Chapter 2257, Collateral for Public Funds ... and the current Depository Contract in one or more of the following manners:

- FDIC insurance coverage;
- obligations of the United States or its agencies and instrumentalities;
and
- other obligations under PFIA Sec. 2256.009(a) excluding bonds issued, assumed, or guaranteed by the State of Israel; but
- none of the obligations stated in PFIA Sec. 2256.009(b) shall be used as collateral.

Section 6.02 Safekeeping

All purchased securities shall be held in safekeeping by the County, or a County account in a third party financial institution, or with a Federal Reserve Bank.

All certificates of deposit, insured by the FDIC, purchased outside the Depository Bank shall be held in safekeeping by either the County or a County account in a third party financial institution.

All pledged securities by the Depository Bank shall be held in safekeeping by the County, or a County account in a third party financial institution, or with a Federal Reserve Bank.

Section 6.03 Release of Pledged Collateral

The County Treasurer shall have the authority to authorize the release of pledged collateral (securities) in excess of the amount required upon receipt of appropriate release request from pledging party.



Section 7

INVESTMENT STRATEGIES FOR FUNDS OR GROUP OF FUNDS

Section 7.01 General Statement

Funds of the County will be invested in accordance with federal and state laws, the County Investment *Policy* and written administrative procedures.

The County will invest according to investment strategies for each fund or pooled fund group. Investment strategies are built on cash flow versus fund name.

Section 7.02 Definitions

Bond Proceeds means the proceeds from the sale of bonds, notes, and other obligations issued by an entity, and reserves and funds maintained by an entity for debt service purposes.

Funds mean public funds in the custody of a state agency or local government that:

- are not required by law to be deposited in the state treasury; and
- the investing entity has authority to invest.

Sweep Account is an account set up at a bank or other financial institution where the funds are automatically managed between a primary cash account and secondary investment accounts.

Investment Pool means an entity created under Chapter 2256, PFIA to invest public funds jointly on behalf of the entities that participate in the pool and whose investment objectives in order of priority are:

- preservation and safety of principal;
- liquidity; and
- yield.

Matching Approach means an investment method that matches maturing investments with disbursements. This approach requires an accurate forecast of disbursement requirements.

Pooled Fund Group means an internally created fund of an investing entity in which one or more accounts or funds of the investing entity are invested.

Separately Invested Asset means an account or fund of a state agency or local government that is not invested in a pooled fund group.

Section 7.03 General Fund Group ... A Pooled Fund Group

The County's operating expenditures and revenues to fund those expenditures are accounted for in the County's general fund group (General F.10; Road & Bridge F.15; Road Precincts F.16, F.17, F.18, F.19). Most of the general fund group is pooled with other County funds for investment purposes unless specific restrictions are placed upon such funds. The investment strategy for the general fund group, as well as for the County's investment pool as a whole, is the **Matching Approach**. These pooled funds are invested in Investment Pool(s) and/or in depository Sweep Account(s) with assets available on demand.

The maximum allowable stated maturity of any individual investment relating to the general fund group is twenty-four (24) months. Prior approval of the Investment Committee must be received before investing beyond a stated maturity of twelve (12) months. Prior approval of Commissioners Court, upon

recommendation of the Investment Committee, must be received before investing beyond a stated maturity of twenty-four (24) months.

Section 7.04 Special Revenue Funds

Operations that are funded with restricted revenues are accounted for as special revenue funds. Most of the special revenue funds are included for investment purposes in the County's investment pool except for some grant funds. Certain grant agreements require the use of separate bank accounts restricted for use of proceeds under the grant agreement. The investment strategy used for all special revenue funds not included in the County's investment pool is the Matching Approach.

Section 7.05 Debt Service Funds

The debt service funds are used to account for bond proceeds. The debt service funds are not pooled with other funds but are separately invested largely in Investment Pool(s) and/or in depository Sweep Account(s) with assets available on demand.

Section 7.06 Interest and Sinking Funds

The interest and sinking funds are used to account for the accumulation of resources to fund periodic principal and interest payments on outstanding obligations. The revenue stream is predictable and the majority comes from ad valorem tax. The interest and sinking funds are not pooled with other funds but are separately invested largely in Investment Pool(s) and/or in depository Sweep Account(s) with assets available on demand.

Section 7.07 Capital Project Funds

(open)

Section 7.08 District Clerk Registry Funds

Registry funds (trust accounts, bonds, etc.) are held in trust by the Gillespie County District Clerk and invested by the County Investment Officer. Investment strategy used for this fund is to invest in Investment Pool(s) with assets available on demand.

Existing investments made by the District Clerk ... prior to the "Cash Management Agreement" of May 2002 between the District Clerk and the County Treasurer ... are not required to be liquidated if these investments were authorized investments at the time of purchase.

Section 7.09 County Clerk Registry Funds

Registry funds (trust accounts, bonds, etc.) are held in trust by the Gillespie County Clerk and invested by the County Investment Officer. Investment strategy used for this fund is to invest in Investment Pool(s) with assets available on demand.

Existing investments made by the County Clerk ... prior to the "Cash Management Agreement" of January 2006 between the County Clerk and the County Treasurer ... are not required to be liquidated if these investments were authorized investments at the time of purchase.

Section 7.10 Justice of the Peace Funds (2)

The Justice of the Peace funds ... court costs, fines, and fees of office ... are initially deposited in a separate checking account for each Justice.

Fee Office accounts ... District Clerk, County Clerk, and Justice of the Peace (2) ... as practical, may be pooled and invested in Investment Pool(s) and/or in depository Sweep Account(s) with assets available on demand.

Section 7.11 County Attorney Hot Check Funds

The County Attorney Hot Check funds are not pooled with other funds but held in a separate checking account. As practical ... funds may be invested in Investment Pool(s) and/or in a depository Sweep Account with assets available on demand.

Section 7.12 District Clerk Funds

The District Clerk funds ... court costs, fines, and fees of office ... are initially deposited in a separate checking account.

Fee Office accounts ... District Clerk, County Clerk, and Justice of the Peace (2) ... as practical, may be pooled and invested in Investment Pool(s) and/or in depository Sweep Account(s) with assets available on demand.

Section 7.13 County Clerk Funds

The County Clerk funds ... court costs, fines, and fees of office ... are initially deposited in a separate checking account.

Fee Office accounts ... District Clerk, County Clerk, and Justice of the Peace (2) ... as practical, may be pooled and invested in Investment Pool(s) and/or in depository Sweep Account(s) with assets available on demand.



Gillespie County, Texas Investment Policy

This Investment Policy (the "Policy") was prepared by the Investment Advisory Committee of Gillespie County, Texas (the "County") pursuant to Local Government Code 116.112 and Chapter 2256 of the Texas Government Code as may be amended from time to time.



Upon presentation during the regular Commissioners Court meeting, Monday, February 27, 2017, the Court approved the Policy, as presented, to be effective February 27, 2017.

This Policy shall replace any previous investment policy(s).

Mark Stroehrer, County Judge

2/27/17
Date

Commissioner Pct. No 1

2/27/17
Date

Commissioner Pct. No 2

2/27/17
Date

Commissioner Pct. No 3

2/27/17
Date

Commissioner Pct. No 4

2/27/17
Date