

FOARD COUNTY INVESTMENT POLICY

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Clerk, County Court, Foard County, Texas
By _____ Deputy

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FOARD COUNTY INVESTMENT POLICY

I. INVESTMENT SCOPE

GENERAL STATEMENT

This policy serves to satisfy the statutory requirement of Local Government Code 116.112, Government Code Title 10, Chapter 2256, Subchapters A & B to define and adopt a formal investment policy. This policy will be reviewed not less than annually according to Section 2256.005(e) of the act.

FUNDS INCLUDED

This investment policy applies to all financial assets of all funds of the County of Foard, Texas, 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 Foard County and any depository bank.

COUNTY'S INVESTMENT OFFICER

In accordance with Sec. 116.112(a), Local Government Code and/or Government Code Sec. 2256.005(f) and (g), the County Investment Officer, under the direction of the Foard County Commissioner's Court, may invest County funds that are not immediately required to pay obligations of the County. The commissioners court shall designate by resolution one or more officers or employees as investment officer.

If the investment officer has a personal business relationship (as defined in the Public Funds Investment Act) 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 256.005(i).

II. INVESTMENT OBJECTIVES

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's investment portfolio shall be managed in a matter to attain the maximum rate of return allowed through prudent and legal investing of County funds while preserving and protecting capital in the overall portfolio.

ACTIVE PORTFOLIO MANAGEMENT

The County intends to pursue an active versus a passive portfolio management philosophy. Securities may be sold or exchanged before they mature if market conditions present an opportunity for the County to benefit from the trade. Under this investment policy, all investments will be made with the interest of pursuing, at the time of purchase, the best rate of return on securities held until maturity, and not with the intent of speculative trading.

SAFETY

Foard County is concerned about the return of its principal; therefore, safety of principal is a primary objective in any investment transaction.

LIQUIDITY

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

DIVERSIFICATION

It will be the policy of Foard County to diversity its portfolio to eliminate the risk of loss resulting from overconcentration 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.

YIELD

It will be an 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 state and federal law governing investment of public funds.

MATURITY

Portfolio maturities will be structured to achieve the highest return of interest consistent with liquidity requirements of the County's cash needs.

QUALITY AND CAPABILITY OF INVESTMENT MANAGEMENT

It is the County's policy to provide 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.

INVESTMENT STRATEGIES

In accordance with the Public Funds Investment Act, Section 2256.005(d), a separate written investment strategy will be developed for each of the funds under Foard County's control. Each investment strategy must describe the investment objectives for the particular fund using the following priorities of importance:

- (1) understanding of the suitability of the investment to the financial requirements of the entity;**
- (2) preservation and safety of principal;**
- (3) liquidity;**
- (4) marketability of the investment if the need arises to liquidate the investment before maturity;**
- (5) diversification of the investment portfolio;**
- (6) yield; and**
- (7) maturity restrictions.**

III. INVESTMENT RESPONSIBILITY AND CONTROL

INVESTMENT INSTITUTIONS DEFINED

The Foard 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:

- (1) Depository Bank;
- (2) Other state or national banks that are insured by FDIC;
- (3) Public funds investment pools; or
- (4) Registered government securities brokers and dealers.

QUALIFICATIONS FOR APPROVAL OF BROKER/DEALERS

In accordance with 2256.005(k), a written copy of this investment 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:

- (1) received and reviewed the investment policy of the county; and
- (2) acknowledged that the organization has implemented reasonable procedures and controls in an effort to preclude investment transactions that are not authorized by the county's investment policy.
- (3) written proof of registration with the Texas State Securities Board.
- (4) written proof of National Association of Securities Dealers (NASD) certification.

The Investment Officer may not purchase any securities from a vendor who has not delivered the above mentioned documents to the county.

STANDARDS OF OPERATION

The County Investment Officer shall develop and maintain written administrative procedures for the operation of the investment program, consistent with this investment policy.

DELIVERY VS. PAYMENT

According to Section 2256.005 (b)(4)(E), it will be the policy of the county that all securities, except for investment pool funds, CDARS funds, and mutual funds, will settle using the "Delivery vs. Payment" (DVP) basis through the Federal Reserve System. By so doing, County funds are not released until the County has received, through the Federal Reserve wire, the securities purchased.

AUDIT CONTROL

The Foard County Treasurer will establish liaison with the Foard County's Auditor in preparing investment forms to assist the County's Auditor for accounting and auditing control.

STANDARD OF CARE

Investment 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 an investment officer has exercised prudence with respect to an investment decision, the determination shall be made taking into consideration:

- (1) the investment of all funds, or funds under the county's control, over which the officer had responsibility rather than a consideration as to the prudence of a single investment; and**
- (2) whether the investment decision was consistent with the written investment policy of the county.**

IV. INVESTMENT REPORTING

QUARTERLY REPORT

The Foard County Treasurer will report in writing quarterly to Commissioners Court. The report shall include a detailed listing of all purchases, sales and payments; and may include a narrative summation explaining cost and market comparisons, annualized yield, benchmark analyses, statement of conformation to law and policy, and current investment strategies and risks, and suggested policy changes that might enhance the overall investment program. An independent auditor, who will report findings to the Commissioner's 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:

- (1) describe in detail the investment position of the county on the date of the report;
- (2) contain a summary statement of each pooled fund group to include the following:
 - a. beginning market value for the reporting period
 - b. additions and changes to the market value during the reporting period; in the case of an investment pool the changes in the pool's market value during the reporting period must be reported.
 - c. ending market value for the reporting period
 - d. 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
 - e. maturity date of each invested asset that has a maturity date
 - f. account, fund, or pooled group for each individual investment
 - g. compliance of the portfolio as it relates to the County's investment strategy

NOTIFICATION OF INVESTMENT CHANGES

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

V. INVESTMENT INSTRUMENTS

AUTHORIZED INVESTMENT INSTRUMENTS

The Foard County Investment Officer shall use any or all of the following authorized investment instruments consistent with governing law.

- (1) Obligations of the United States or its agencies and instrumentalities;
- (2) Direct obligations of the State of Texas or its agencies;
- (3) Other obligations, the principal of and interest on which are unconditionally guaranteed or insured by the State of Texas or the United States or its agencies and instrumentalities;
- (4) Obligations of states, agencies, counties, cities, and other political subdivisions of any state having been rated as to investment quality by a national recognized investment rating firm and having received a rating of not less than A or its equivalent;
- (5) Certificates of deposit issues by state and national banks that are domiciled in this state that are guaranteed or insured by the Federal Deposit Insurance Corporation, or its successor; or secured by obligations that are described by items (1) - (4) above which are intended to include all direct federal agency or instrumentality issued mortgage backed securities rated AAA by a nationally recognized rating agency, or by Chapter 726, Acts of the 67th Legislature, Regular Session, 1981 (Article 2529b-1, Vernon's Texas Civil Statutes), and that have a market value of not less than the principal amount of the certificates;
- (6) Certificates of deposit if the funds are invested by an investing entity through a depository institution that has its main office or a branch office in this state and that is selected by the investing entity; the depository institution selected by the investing entity arranges for the deposit of the funds in certificates in one or more federally insured depository institutions, wherever located, for the account of the investing entity; the full amount of the principal and accrued interest of each of the certificates of deposit is insured by the United States or an instrumentality of the United States; the depository institution selected by the investing entity acts as custodian for the investing entity with respect to the certificates of deposit issued for the account of the investing entity.
- (7) Fully collateralized direct repurchase agreements having a defined termination date, secured by obligations described by item (1) above, pledged with a third party selected or approved by Foard County, and placed through a primary government securities dealer, as defined by the Federal Reserve, or a bank

domiciled in this state.

- (8) **Prime domestic bankers' acceptances with a stated maturity of 270 days or less from the date of its issuance that will be, in accordance with its terms, liquidated in full at maturity, that is eligible for collateral for borrowing from a Federal Reserve Bank, and that is accepted by a bank organized and existing under the laws of the United States or any state, the short-term obligation of which (or of a bank holding company of which the bank is the largest subsidiary) are rated at least A-1, P-1, or the equivalent by at least one nationally recognized credit rating agency.**
- (9) **Commercial paper with a state maturity of 270 days or less from the date of its issuance that either is rated not less than A-1, P-1, or the equivalent by at least two nationally recognized credit rating agencies; or is rated at least A-1, P-1, or the equivalent by at least one national 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 thereof; or**
- (10) **SEC-registered, no-load money market mutual fund with a dollar-weighted average portfolio maturity of 120 days or less whose assets consist exclusively of the obligations that are described by items (1) - (9) above and whose investment objectives include seeking to maintain a stable net asset value of \$1 per share. An aggregate of no more than 80% of Foard County's monthly average fund balance, excluding bond proceeds, may be invested mutual funds and not more than 10% in any one mutual fund.**
- (11) **A public funds investment pool, by contract, as authorized by state statute -- Government Code Title 10, Sec. 2256.016.**

PROHIBITED

The Foard County Investment Officer has no authority to use any of the following investment instruments that are strictly prohibited:

- (1) **obligations whose payment represents the coupon payments on the outstanding principal balance of the underlying mortgage-backed security collateral and pays no principal;**
- (2) **obligations whose payment represents the principal stream of cash flow from the underlying mortgage-backed security collateral and bears no interest;**
- (3) **collateralized mortgage obligations that have a stated final maturity date of greater than 10 years; and**
- (4) **collateralized mortgage obligations the interest rate of which is determined by an index that adjusts opposite to the changes in a market index.**

VII. INVESTMENT COLLATERAL AND SAFEKEEPING

COLLATERAL OR INSURANCE

The Foard County Treasurer shall insure that all county funds are fully collateralized or insured consistent with federal and state law and the current Bank Depository Contract in one or more of the following manners:

- (1) FDIC insurance coverage;**
- (2) Obligations of the United States or its agencies and instrumentalities;**
- (3) Direct obligations of the State of Texas or its agencies;**
- (4) Other obligations, the principal of and interest on which are unconditionally guaranteed or insured by the State of Texas or the United States or its agencies and instrumentalities;**
- (5) Obligations of states, agencies, counties, cities, and other political subdivisions of any state having been rated as to investment quality by a nationally recognized investment rating firm and having received a rating of not less than A or its equivalent; or**
- (6) Any other manner allowed by law.**

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 certifications of deposit, insured by 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.

**RESOLUTION
FOARD COUNTY INVESTMENT OFFICERS**

State of Texas:
County of Foard:

In the Commissioners' Court, County of Foard, on the 8th day of April, 2019, the following resolution was made:

WHEREAS, Foard County seeks to satisfy the statutory requirements of Local Government Code 116.112(a), and/or Government Code Title 10, Chapter 2256, Subchapter B, to designate an Investment Officer: and,

WHEREAS, under Local Government Code 113.001, Subchapter A, the County Treasurer is the Chief Custodian of County Funds;

THE FOARD COUNTY COMMISSIONER'S COURT DOES HEREBY RESOLVE AS FOLLOWS:

The Foard County Commissioners' Court in regular scheduled session this 8th day of April, 2019, hereby appoints the Foard County Treasurer or their successor and the County Judge, or their successor as the Co-County investment officers for the County of Foard.

IT IS HEREBY FURTHER ORDERED, that a true copy of this Court Resolution be recorded upon the Court's record of this date.



Rick Hammonds, Commissioner Precinct 1



Rockne Wisdom, Commissioner Precinct 2



Larry Wright, Commissioner Precinct 3



Anthony Hinsley, Commissioner Precinct 4



Mark Christopher, Foard County Judge

FOARD COUNTY INVESTMENT STRATEGIES

Investment strategies of operating funds and commingled pools containing operating funds have their primary objective to assure that anticipated cash flows are matched with adequate investment liquidity. The secondary objective is to create a portfolio structure which will experience minimal volatility during economic cycles. This may be accomplished by purchasing high quality, short to medium securities which will complement each other in a laddered or barbell maturity structure. Investments are made with the intention of holding to maturity, but with the ability to liquidate should funds be needed at any time