

# **INVESTMENT POLICY**

## **TOM GREEN COUNTY, TEXAS**

**For the year beginning January 1, 2011**

### **I. Investment Scope**

#### **General Statement**

This policy serves to satisfy the statutory requirements of Local Government Code 116.112 and Government Code Chapter 2256 to define and adopt a formal investment policy.

#### **Funds Included**

This investment policy applies to all financial assets of all funds of the County of Tom Green, Texas at the present time; any funds to be created in the future; 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 Tom Green County and any depository bank.

### **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 will invest according to investment strategies for each fund as they are adopted by Commissioners' Court resolution in accordance with 2256.005(d).

#### **Safety**

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

#### **Liquidity**

The County's investment portfolio must be structured in conformity with an asset/liability management plan (mmp) which provides for liquidity necessary to pay obligations as they become due, utilizing investment instruments, the final maturity of which, is one (1) year or less unless approved in advance by the Investment Advisory Committee.

#### **Diversification**

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

## **Yield**

It will be 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, investment strategies for each fund, and all state and federal law governing investment of public funds.

## **Maturity**

Portfolio maturities will be structured to meet the obligations of the County first and then to achieve the maximum rate of return consistent with liquidity requirements. When the County has funds that will not be needed to meet current-year obligations, maximum restraints will be imposed based upon the investment strategy for each fund.

## **Quality and Capability of Investment Management**

It is the County's policy to provide training required by the Public Funds Act, Sec. 2256.008 and periodic training in investments for the County Treasurer, who is also named County Investment Officer, and other members of the Investment Advisory Committee through courses and seminars offered by professional organizations and associations in order to insure the quality, capability, professional expertise and timeliness of the County Investment Officer and other members of the Investment Advisory Committee in making investment decisions. The County Judge, the County Auditor, County Commissioner and the Citizen are required to receive 10 PFIA hours of education every two calendar years. The Investment Officer will be required to achieve the CIO credential and maintain the CIO credential.

# **III. Investment Responsibility and Control**

## **Investment Advisory Committee**

It is further the purpose of this policy to establish an Investment Advisory Committee comprised of five (5) members. Those members being the County Judge, the County Treasurer/Investment Officer, the County Auditor and one Commissioner alternating on an biannual basis beginning with the precinct one Commissioner and followed by the Commissioners' of precincts 2, 3, and 4 and then repeating. The fifth member of the Investment Advisory Committee shall serve a minimum one calendar year term, and shall be a qualified citizen with experience in investment management suggested by the Investment Committee and approved by the Commissioners' Court. All members of the investment committee must maintain the required continuing education hours as required by the PFIA. Members shall submit a copy of their respective certificates to the Investment Officer and the TGC Commissioners' Court as a matter of record. The Investment Advisory Committee derives its authority and responsibility from the Commissioners' Court. It will be the responsibility of the committee to oversee the investment of the County's funds and those proprietary and fiduciary funds that Tom Green County has the responsibility and authority to invest. The Investment Officer shall serve as Chair of the Investment Committee and the County Auditor shall serve as Secretary. Meetings may be called, as deemed necessary, by any Investment Advisory member.

## **County's Investment Officer**

In accordance with sec.116.112 (a), Local Government Code and/or Government Code Chapter 2256, the County Investment Officer under the supervision of the Tom Green County Commissioners' Court, may invest County funds that are not immediately required to pay obligations of the County.

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 of 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).

## **Liability of Investment Officer**

In accordance with sec. 113.005, Local Government Code, the County Investment Officer is not responsible for any loss of the County funds through the failure or negligence of a depository. This section does not release the Investment Officer from responsibility for a loss resulting from the official misconduct or negligence of the Investment Officer, including a misappropriation of the funds, or from responsibility for funds until a depository is selected and the funds are deposited. If the Investment Officer is other than the County Treasurer, that person must be fully bonded.

## **Citizen Member of Advisory Committee**

The citizen member of the Investment Advisory Committee shall not be included on the Broker Dealer Listing. The citizen member shall refrain from personal business activity that could conflict with proper execution of the County's investment program or which could impair their ability to make impartial investment decisions.

# **IV. Investment Reporting**

## **Regular Reports**

In accordance with Government Code 2256.023, not less than quarterly, the investment officer shall prepare and submit to the Tom Green County Commissioners' Court a written report of investment transactions for all funds covered by this chapter for the preceding reporting period.

A. The report must:

- (1) describe in detail the investment position of the entity on the date of the report;
- (2) be prepared jointly by all investment officers of the entity;
- (3) be signed by each investment officer of the entity;
- (4) contain a summary statement, prepared in compliance with generally accepted accounting principles, of each pooled fund group that states the:
  - b. beginning market value for the reporting period;
  - c. additions and changes to the market value during the period;
  - d. ending market value for the period; and
  - e. fully accrued interest for the reporting period;
- (5) 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;
- (6) state the maturity date of each separately invested asset that has a maturity date;
- (7) state the account or fund or pooled group fund in the state agency or local government for which each individual investment was acquired; and
- (8) state the compliance of the investment portfolio of the state agency or local government as it relates to:
  - a. the investment strategy expressed in the agency's or local government's investment policy; and
  - b. relevant provisions of this chapter.
- (9) The report shall be presented not less than quarterly to the governing body and the chief executive officer of the entity within a reasonable time after the end of the period.
- (10) If an entity invests in other than money market mutual funds, investment pools or accounts offered by its depository bank in the form of certificates of deposit, or money market accounts or similar accounts, the reports prepared by the investment officers under this section shall be formally reviewed at least annually by an independent auditor, and the result of the review shall be reported to the governing body by that auditor.

## **Annual report**

Annually, the County Investment Officer will prepare a written fiscal year report concerning the County's investment transactions for the preceding year and describing in detail the investment position of all of the funds for which the County has the investment authority and responsibility as of the date of the report.

## **Notification of investment changes**

It shall be the duty of the County Investment Officer of Tom Green County, Texas to notify the Tom Green County Commissioners' Court of any significant changes in current investment methods and procedures prior to their implementation, regardless of whether they are authorized by this policy or not.

## **V. Investment Types**

### **Authorized**

The County Investment Officer shall use any or all of the following authorized investment instruments consistent with governing law (Government Code, Chapter 2256):

- A. Except as provided by Government Code 2256.009, the following are authorized investments:
  1. obligations of the United States or its agencies and instrumentality's;
  2. direct obligations of the state of Texas or its agencies and instrumentalities;
  3. other obligations, the principal of and interest on which are unconditionally guaranteed or insured by or backed by the full faith and credit of, the state of Texas or the United States or their respective agencies and instrumentalities;
  4. obligations of states, agencies, counties, cities, and other political subdivisions of any state having been rated as investment quality by a nationally recognized investment rating firm and having received a rating of not less than "A" or its equivalent;
  
- B. Certificates of deposit if issued by state and/or national banks domiciled in this state or a savings and loan association domiciled in this state and is (Government Code 2256.010):
  1. guaranteed or insured by the federal deposit insurance corporation, or its successor; and
  2. secured by obligations that are described by Section 2256.009(a) of the Public Funds Investment act, 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 Section 2256.009(a) of the Public Funds Investment act.
  
- C. A fully collateralized direct repurchase agreements as defined in the Public Funds Investment Act, if it (Government Code 2256.011):
  1. has a defined termination date;
  2. is secured by obligations described by Section 2256.009(a)(1) of the Public Funds Investment Act; and
  3. requires the securities being purchased by the County to be pledged to the County, held in the County's name, and deposited at the time the investment is made with the county or with a third party selected and approved by the county.

- D. A prime domestic bankers' acceptance if it (Government Code 2256.012):
1. has a stated maturity of 270 days or less from the date of its issuance;
  2. will be, in accordance with its terms, liquidated in full at maturity;
  3. is eligible for collateral for borrowing from a Federal Reserve Bank; and
  4. is accepted by a bank organized and existing under the laws of the United States or any state, the short-term obligations 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.
- E. Commercial paper is an authorized investment if the commercial paper (Government Code 2256.013):
1. has a stated maturity of 270 days or less from the date of its issuance
  2. is rated not less than A-1, P-1, or the equivalent rating by at least:
    - a. two nationally recognized credit rating agency; 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 thereof.
- F. Mutual funds and money market mutual funds with limitations described below (Government Code 2256.014):
1. A no-load money market mutual fund is authorized if it:
    - a. is regulated by the Securities and Exchange Commission;
    - b. has a dollar-weighted average stated portfolio maturity of 90 days or less;
    - c. included in its investment objectives the maintenance of a stable net asset value of \$1 for each share.
  2. A no-load mutual fund is authorized if it:
    - a. is registered with the Securities and Exchange Commission;
    - b. has an average weighted portfolio maturity of less than 2 years;
    - c. is invested exclusively in obligations approved by this subchapter;
    - d. is continuously rated as to investment quality by at least one nationally recognized investment rating firm or not less than AAA or it equivalent; and
    - e. conforms to the requirements set forth in Sections 2256.016(b) and (c) relating to the eligibility of investment pools to receive and invest funds of investing entities.
  3. Relative to mutual funds and money market mutual funds, the county may not:
    - a. invest in the aggregate more than 80% of Tom Green County's monthly average fund balance, excluding bond proceeds, reserves and other funds held for debt service, in money market mutual funds or mutual funds, either separately or collectively;
    - b. invest in the aggregate more than 15 percent of its monthly average fund balance excluding bond proceeds, reserves and other funds held for debt service, in mutual funds; or
    - c. invest any portion of bond proceeds, reserves and funds held for debt service in mutual funds; or
    - d. 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 or money market mutual fund in an amount that exceeds 10 percent of the total assets of the mutual fund or money market mutual fund.
- G. Eligible investment pools (as discussed in the Public Funds Investment Act, Government Code Section 2256.016-2256.019) if the Commissioner' Court by resolution authorizes investment in the particular pool. An investment pool shall invest the funds it receives from entities in authorized investments permitted by the Public Funds Investment Act. A county, by contract, may delegate to an investment pool the authority to hold legal title as custodian of investments purchased with its local funds.
- H. In addition to investment in obligations, certificates, or agreements authorized herein, bond proceeds of the County, may be invested in common trust funds or comparable investment devices owned or administered by banks domiciled in this state and whose assets consist exclusively of all or a combination of the obligations authorized herein. Common trust funds of banks domiciled in this state may be used if allowed under applicable federal regulations governing the investment of bond proceeds; and meet the cash flow requirements and the investment needs of the County. Competitive, written bids for common trust fund investments must be solicited initially from at least three banks in Tom Green County. If there are not three banks available for the investments within Tom Green County, the County may solicit such bids from any bank within the state in addition to those banks, if any that are located within the boundaries of the County.

## **Prohibited**

The Tom Green County Investment Officer has no authority to purchase and is prohibited from purchasing any of the following investment instruments which are strictly prohibited:

- A. obligations whose payment represents the coupon payments on the outstanding principal balance of the underlying mortgage-backed security collateral and pays no principal;
- B. obligations whose payment represents the principal stream of cash flow from the underlying mortgage-backed security collateral and bears no interest;
- C. collateralized mortgage obligations.

## **VI. Investment Responsibility and Control**

### **Investment Institutions Defined**

The 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:

- A. depository bank;
- B. other state or national banks domiciled in Texas that are insured by FDIC;
- C. public funds investment pool; or
- D. primary 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 seeking to sell to the County an authorized investment. The registered principal of the business organization seeking to sell an authorized investment shall execute a written instrument (Attachment "A") substantially to the effect that the registered principal has:

- A. received and thoroughly reviewed the investment policy of the County; and
- B. acknowledged that the organization has implemented reasonable procedures and controls in an effort to preclude imprudent investment activities arising out of investment transactions conducted between the County and the organization

The Investment Officer may not purchase any securities from a person who has not delivered to the County an instrument in substantially the form provided above according to Section 2256.005(l).

The Investment Committee shall, at least annually, review, revise, and adopt a list of qualified brokers that are authorized to engage in investment transactions with Tom Green 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**

It will be the policy of the County that all Treasury Bills, Notes and Bonds and Government Agencies' securities shall be purchased using the "Delivery Vs. Payment" (DVP) method 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 County Investment Officer will establish liaison with the Tom Green County Auditor in preparing investment forms to assist the County Auditor for accounting and auditing control.

The County Investment Officer is subject to audit by the Tom Green County Auditor. In addition, it is the policy of the Tom Green County Commissioners' Court, at a minimum to have an annual audit of all County funds, investments and investment procedures by an independent auditing firm. The County Investment Officer and the County's investment procedures shall be subject to an annual compliance audit of management controls on investments and adherence to the County's established investment policies in accordance with Government Code 2256.005(m).

## **Standard of Care**

A, In accordance with Government Code 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:

- (1) preservation and safety of principal;
- (2) liquidity; and
- (3) yield.

B, 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 entity'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 entity.

## **VII. Investment Collateral and Safekeeping**

### **Collateral or Insurance**

The Investment Officer 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:

- A. FDIC insurance coverage;
- B. obligations of the United States or its agencies and instrumentalities;
- C. direct obligations of the state of Texas or its agencies;
- D. 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;
- E. 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
- F. any other manner allowed Government Code Chapter 2257 (Public Funds Collateral Act).

### **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 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.

## 2010 Education Schedule

<b>Member</b>	<b>Hours</b>	<b>Period Begins</b>	<b>Period Ends</b>
County Treasurer	<b>15 hours</b>	01/01/11	12/31/11
County Judge	10 hours	01/01/10	12/31/11
County Auditor	10 hours	01/01/10	12/31/11
County Commissioner	10 hours	01/01/11	12/31/12
Citizen	10 hours	01/01/11	12/31/12

### **Texas Association of County Investment Officer (CIO)**

Investment training helps county investment officers get the most return on the taxpayer's dollar.

Since 1992, Texas Association of Counties has provided formal education for county investment officers, including an optional certification program, which allows investment officers to earn and maintain the certified County Investment Officer (CIO) credential. The Texas Association of County Investment Officer (CIO) program was developed using criteria established by the National Commission for Certifying Agencies for Approval of Certification Programs.

In 1997, the Texas Legislature expanded continuing education requirements for most public fund investment officers, including those in county government, to ten hours biennially. The following year, the CIO Certification Committee expanded the training program to provide for the needs of all officers involved in public funds investing on the local level by hosting the first Texas Public Funds Investment Conference in Houston. The Association and Certification Committee continue to expand opportunities for the highest quality education while making it easily accessible to all county and county-related entities.

#### TAC CIO Certification Program Changes Effective January 1, 2006

First Year	20 Hours	No Outside Hours Allowed	05 Additional Hours Allowed Carryover
Year 2-4	20 Hours	10 Outside Hours Allowed	10 Additional Hours Allowed Carryover
Year 5-10	15 Hours	05 Outside Hours Allowed	05 Additional Hours Allowed Carryover
Year 10+	10 Hours	No Outside Hours Allowed	No Additional Hours Allowed Carryover

### **Commissioner Rotating Year Assignment**

Commissioner Precinct #1	1/01/13	12/31/14
Commissioner Precinct #2	1/01/15	12/31/16
Commissioner Precinct #3	1/01/09	12/31/10
<b>Commissioner Precinct #4</b>	<b>1/01/11</b>	<b>12/31/12 Current</b>

# TOM GREEN COUNTY - FUND INVESTMENT STRATEGY

**GENERAL FUNDS** - Accounts for all financial resources traditionally associated with governments which are not required legally to be accounted for in another fund. Shall be invested to insure funds are available to meet operating demands.

**SPECIAL REVENUE FUNDS** - Accounts that are legally restricted to expenditure for a particular purpose. Usually grant funds under the direction of a certain department. Maturity no longer than twelve (12) months except on special projects for which the department can provide cash flow projections.

**DEBT SERVICE FUNDS** - Accumulated for payment of general obligation bond principal and interest from governmental resources and special assessment bond principal and interest from special assessment levies when the government is obligated in same manner for payment. Invested to meet obligation payments on 2/1 and 8/1 each year.

**CAPITAL PROJECT FUNDS** - Acquisition and construction of major capital facilities. Invested to meet needs over the length of the project. Based on cash flow projections provided by the appropriate entity.

**TRUST AND AGENCY FUNDS** - Assets held by the County in a fiduciary capacity for other governmental entities. If invested, such funds shall be invested to insure funds are available when reports and funds are disbursed.

**SURPLUS FUNDS** - funds not expended during a budget year. Shall be maintained and accounted for using generally accepted accounting principles. May be used to increase yields to defer taxes.

**TAX ASSESSOR/COLLECTOR** - Funds that are collected for the state and county. Tom Green County tax funds are collected and invested until the receipts are balanced or as soon as practical. Maturities range from over-night or until needed. Funds collected and invested for the state shall have a maturity of no longer than thirty-four days.

**COUNTY CLERK TRUST FUNDS** - Funds that are deposited in the registry of the County Courts and the Commissioners' Court. Usually invested in a pooled fund, no-load money market mutual fund, insured certificates of deposit, savings accounts and money market checking accounts. Shall provide for immediate liquidity except when ordered invested with a longer maturity by the Court.

**DISTRICT CLERK TRUST FUNDS** - Funds that are deposited in the registry of the Districts Courts. Usually invested in a pooled fund, no-load money market mutual fund, insured certificates of deposit, savings accounts and money market checking accounts. Need immediate liquidity except when ordered invested with a longer maturity by the Court.

**CAPITAL CAMPAIGN FUNDS (Library)** - Funds that are received by the San Angelo Area Foundation in compliance with the Capital Campaign Fund Agreement will be invested in accordance with the PFIA and Tom Green County's Investment Policy. (ref: PFIA Chapter 2256.003). Funds shall be available for immediate liquidity as necessary to complete project. Tom Green County Treasurer requires monthly investment reports by the San Angelo Area Foundation as investments pertain to the Capital Campaign Fund.

**INVESTMENT POLICY**  
**TOM GREEN COUNTY, TEXAS**  
**For the year beginning January 1, 2011**

The Tom Green County Investment Committee, having reviewed the Investment Policy on January 05, 2011 respectfully requests the Commissioners' Court of Tom Green County approve said policy as presented. The committee recommends Matt Lewis; President & CEO of the San Angelo Area Foundation remain as the Citizen Member of the Investment Committee for 2011.

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Dianna Spieker, CCT CIO, Tom Green County Treasurer

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Approved by the Commissioners' Court of Tom Green County this 11<sup>th</sup> day of January 2011

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Michael D. Brown, County Judge

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Ralph Hoelscher  
Commissioner Precinct 1

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Aubrey De Cordova  
Commissioner Precinct 2

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Steve Floyd  
Commissioner Precinct 3

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Yantis Green  
Commissioner Precinct 4

## Tom Green County Certification

I hereby certify that I have personally read and understand the investment policy of Tom Green County, Texas, and have implemented reasonable procedures and controls designed to fulfill said policy's objectives and conditions. Transactions between this firm and Tom Green County will at all times reflect due concern for the preclusion of imprudent investment activities.

All sales personnel of this firm dealing with Tom Green County's account have been informed of the County's investment horizons, limitations, strategies, and risk constraints. Sales personnel will be updated on these guidelines whenever material changes to the County's policy are communicated to our by Tom Green County Investment Officer.

This firm will notify Tom Green County immediately by phone and in writing in the event of a material adverse change in our financial condition. This firm pledges to exercise due diligence in informing Tom Green County of all foreseeable risks associated with financial transactions conducted with our firm.

Firm: \_\_\_\_\_

Registered Principal: \_\_\_\_\_

Dealer Registration Number: \_\_\_\_\_

Title: \_\_\_\_\_

Signature / Date: \_\_\_\_\_

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I, Dianna Spieker, have provided Tom Green County's policies and copies of the Texas Government Code Title 10 Chapter 2256 which regulates public funds investments with \_\_\_\_\_ (name) of \_\_\_\_\_ (firm) and will maintain this agreement on file.

\_\_\_\_\_  
Dianna Spieker, Tom Green County Treasurer  
Tom Green County Investment Officer

Date: \_\_\_\_\_