

WEBB COUNTY
POLICY FOR THE INVESTMENT OF COUNTY FUNDS
(FY 2021-2022)

This policy for the investment of funds of Webb County is adopted by the Webb County Commissioners Court pursuant to Section 116.112 of the Texas Local Government Code, Chapter 2256 of the Texas Government Code, and Chapter 2257 of the Texas Government Code. This policy will be reviewed and adopted by order at least annually, in accordance with Section 2256.005 (e) of the Texas Government Code.

ARTICLE I. DEFINITIONS

Unless the context requires otherwise, the following terms and phrases used shall mean the following:

- A. “Authorized Investment” -- the types of investments authorized for the investment of the County’s funds listed in Article IV hereof.
- B. “Commissioners Court” -- the Webb County Commissioners Court. Composed of four (4) Commissioners and a County Judge.
- C. “County” – Webb County.
- D. “FDIC” -- The Federal Deposit Insurance Corporation.
- E. “Funds” -- all funds and accounts containing money, investments, or other financial assets belonging to the County, the investment of which is governed by the Public Funds Investment Act.
- F. “Investment Officer” -- the County Treasurer and a County Treasurer’s employee designated as the County’s Investment Officer by the Commissioners Court; such person(s) is/are responsible for the investment of the County’s funds.
- G. “Investment Policy” -- this policy for the funds of Webb County.
- H. “Public Funds Collateral Act” -- Chapter 2257 of the Texas Government Code.
- I. “Public Funds Investment Act” -- Chapter 2256 of the Texas Government Code
- J. “Collateral” means any security or other obligation which the County authorizes to serve as security for the deposit of County funds in Article V hereof.
- K. “Collateral Act” means Chapter 2257, Texas Government Code, as amended from time to time.
- L. “Depository Bank” means the banking institution that is contracted to process the County’s receipts, disbursements, and investments, and to provide safekeeping services.
- M. “Employee” means any person employed by Webb County, but does not include independent contractors or professionals hired by the County as outside consultants.

N. “Investment Act” means Chapter 2256, Texas Government Code, as amended from time to time, also referred to as the Texas Public Funds Investment Act.

ARTICLE II. INVESTMENT POLICY

Section 2.01 Applicability. This Investment Policy applies to all funds. See Sections 3.02 through 3.04.

Section 2.02 Purpose. The Commissioners Court desires to adopt this Investment Policy in order to comply with the Public Funds Investment Act and to set forth the general policies governing investment of the Funds, the specific investment strategies applicable to each particular Fund, the guidelines for the investment of the Funds, including the types of investments authorized for the Funds, and the investment management policies of the County.

Section 2.03 Investment Policy. The primary concern of the Investment Officer in the investment of the Funds shall be the preservation and safety of the principal. To the extent that the principal is protected, the secondary concern of the Investment Officer in investing the Funds shall be the liquidity of the County’s investments. Finally, to the extent that principal is protected and there is liquidity, the Investment Officer shall invest the Funds to yield the market rate of return in accordance with this Investment Policy. The investment of all of the Funds shall be undertaken in accordance with the provisions of the Investment Policy.

Section 2.04 Standard of Care. The Investment Officer shall invest the Funds with the 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 the principal and probable income to be derived.

Section 2.05 Investment Diversification. Investments shall be diversified by security type and issuer. The investments shall also be diversified as to maturity as described in the investment strategies in Article III.

The County recognizes that investment risks can result from issuer defaults, market price changes, or various technical complications leading to temporary illiquidity. Some risks can be managed through portfolio diversification. The diversification maximum limits for portfolio inclusion in the entire portfolio by amortized book value are:

	<u>% of Portfolio</u>
<u>US Obligations</u>	90 %
<u>US Agencies/Instrumentalities</u>	80 %
<u>Mortgage-backed securities</u>	10 %
<u>Depository Certificates of Deposit</u>	40 %
<u>Municipal & State Obligations</u>	40 %
<u>Debt Obligations</u>	20 %
<u>Revenue Obligations</u>	20 %
<u>Repurchase Agreements</u>	40 %
<u>Any one counter-party</u>	10 %

Flex Repo in CIP Funds (in one issue)	100 %
Commercial Paper	25 %
Any one issuer	5 %
Bankers' Acceptances	10 %
Local Government Investment Pools	80 %
Ownership of pool	5 %
Money Market Mutual Funds	80 %
Ownership of fund	5 %

Diversification by maturity and overall weighted average maturity of the portfolio(s) shall be reviewed by the County Treasurer on a monthly basis.

Section 2.06 Investment Yield. To the extent that the principal is protected and there is liquidity of the investments, the Funds shall be invested to yield the market rate of return of comparable maturity, taking into consideration the strength of any insured financial institution selling investments to the County, and complying with all applicable laws, rules, or regulations and any bond resolutions or orders adopted from time to time by the Commissioners Court requiring yield restrictions.

Section 2.07 Investment Maturities. The Funds shall be invested to mature to meet the County's cash requirements, but when cash requirements are met, the Funds shall be invested in accordance with the investment strategies developed for individual Funds, as described in Article III.

Fund investment may not exceed the following maturities, or as restricted by specific bond indentures:

<u>Fund Name</u>	<u>Maximum Maturity</u> <u>(In years)</u>
Debt Service Funds	3
General Concentration Pool	3
Custodial & Fiduciary Funds	3
Construction Funds/Capital Project Funds	3
Special Revenue	5
Flood Control	5
Proprietary & Enterprise	6
Public Improvement Contingency Fund	6
District Clerk Registry Funds	7
County Clerk Registry Funds	7
Bond Reserve Funds	<i>Final maturity of bonds</i>

In addition, the weighted average maturity of the overall portfolio shall not exceed three years.

ARTICLE III. INVESTMENT STRATEGIES

Section 3.01 Purpose. The purpose of this Article III is to describe the investment objectives for each separate Fund and to provide investment strategies to obtain such objectives in order to ensure that investments in a particular Fund are suitable for and meet the objectives of the Fund.

Section 3.02 General Fund, Special Revenue Funds, Enterprise Funds, Internal Service Funds, and Fiduciary Funds.

A. The same investment objectives apply to each of the following funds: General Fund, Special Revenue Funds, Enterprise Funds, Internal Service Funds and Fiduciary Funds. They are: (1) preserving the safety of the principal; (2) ensuring that money is available as needed to meet the liabilities of each fund, as estimated on its annual operating budget or cash flow; and (3) ensuring that the investments can be readily liquidated in the event there are unexpected additional operating costs.

B. The Investment Officer shall invest money of the General Fund, Special Revenue Funds, Enterprise Funds, Internal Service Funds and Fiduciary Funds in any Authorized Investment; provided that, however, for money needed for the County's monthly operating expenses, as determined by the annual operating budget and cash flow, investments will mature no later than the date the money will be needed to pay such operating expenses. For any operating reserve, no investment will have a maturity greater than 36 months from date of purchase, unless the Commissioners Court authorizes an investment with a longer maturity.

Section 3.03 Capital Projects Funds.

A. The investment objectives of the Capital Projects Funds are: (1) preserving the safety of the principal; (2) ensuring that money is available as needed to meet the construction needs of the County; and (3) to the extent principal is protected and there is adequate liquidity, obtaining the maximum yield on investments as permitted by market conditions.

B. When applicable, the engineer/architect for a project shall submit to the Commissioners Court and the Investment Officer semi-annual written reports stating the anticipated construction needs of the County for the succeeding 36 months. Unless otherwise directed by the Commissioners Court, the written reports shall be submitted two months prior to the end of the County's fiscal year and six months thereafter.

C. The Investment Officer shall invest money of the Capital Projects Funds in any Authorized Investment; provided, however, that for money needed to meet the construction needs of the County, investments will mature no later than the date the money is expected to be needed to pay for the project. For other monies, investments will mature no later than 36 months after the date of purchase, unless the Commissioners Court authorizes an investment with a longer maturity.

Section 3.04 Debt Service Funds.

A. The Investment objectives of the Debt Service Funds are: (1) preserving the safety of the principal; (2) ensuring that money is available as necessary to meet the debt service needs of the County; and (3) to the extent that principal is protected and there is adequate liquidity, obtaining the maximum yield as permitted by market conditions.

B. The Investment Officer shall invest money in the Debt Service Funds in any Authorized Investment for such Funds, and in accordance with any covenants made regarding the investment of these Funds as provided in any applicable bond order or resolution; provided, however, that for money needed for the County's next debt service payments, the investments will mature no later than the date the debt service payment is due. Once the immediate succeeding debt service payment is funded, investments will be purchased for the next debt service payment. If the next two debt service payments are fully funded, excess funds can be used for investments with maturity dates not to exceed two years from date of purchase unless otherwise authorized by the Commissioners Court.

ARTICLE IV. INVESTMENT GUIDELINES

Section 4.01 Purpose. The purpose of this Article IV is to set forth the types of Authorized Investments in which the Funds may be invested and the manner in which certain investments may be made.

Section 4.02 Authorized Investments. The Investment Officer is authorized to invest the Funds in the following types of investments:

1. **Obligations of, or Guaranteed by, the United States Government.** The Funds may be invested in obligations of, or guaranteed by, the United States or one of its agencies or instrumentalities. This includes "pass-through" mortgage-backed securities issued by such agencies or instrumentalities, with the exception of mortgage-backed securities listed in Section 4.03.
2. **Certificates of Deposit.** The Funds may be invested in certificates of deposit issued by a federally insured state or national bank or credit union domiciled in Texas or by a savings bank domiciled in Texas. Principal and accrued interest on certificates issued by a savings bank shall not exceed FDIC and NCUA limits. Principal and accrued interest on certificates issued by a state or national bank domiciled in Texas shall not exceed FDIC and NCUA limits and /or the collateral pledged as security for the County's investments as set forth in Section 4.04. In addition, the funds may be invested in certificates of deposit anywhere in the United States through a broker that has its main office or branch office in Texas and is selected by the County as an authorized broker/dealer, the broker arranges for the deposit of funds in certificates of deposit in one or more federally insured depository institutions, wherever located, for the County's account, and the full amount of the principal and accrued interest of each of the certificates of deposit is federally insured.
3. **Investment Pools.** The Funds may be invested in investment pools authorized by the Public Funds Investment Act, Section 2256.016 ("eligible investment pools"), if the Commissioners Court by resolution or order authorizes investment in the particular eligible investment pool. An eligible investment pool shall invest the funds it receives from the

County in authorized investments permitted by the Public Funds Investment Act. The County by contract may delegate to an eligible investment pool the authority to hold legal title as custodian of investments purchased with its local funds. Authorized Investments in eligible investments pool may constitute up to 100% of the portfolio.

4. Mutual Funds and Money Market Mutual Funds. The Funds may be invested in mutual funds and AAA-rated money market mutual funds permitted by and in conformance with the Public Funds Investment Act, Section 2256.014, Texas Government Code. Authorized Investments in mutual funds are restricted to 15% of the monthly average fund balance in accordance with the Public Funds Investment Act, Section 2256.014 (c) (1). No more than 80% of the County's monthly average fund balance may be invested in the aggregate separately or collectively in money market funds and mutual funds. In accordance with the Public Funds Investment Act, Section 2256.014 (c) (2), no bond proceeds, reserves or debt service funds may be placed in mutual funds.
5. Repurchased Agreements. The Funds may be invested in fully collateralized repurchase agreements if the repurchase agreement 1) has a defined termination date; 2) is secured by obligations described by Section 2256.009 (a) (1) of the Public Funds Investment Act; 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; and 4) is placed through a primary government securities dealer, as defined by the Federal Reserve, or a financial institution doing business in this state. In this section, "repurchase agreement" means a simultaneous agreement to buy, hold for a specified period of time, and sell back at a future date, obligations described by Section 2256.009 (a) (1) of the Public Funds Investment Act, at a market value at the time funds are disbursed of not less than the principal amount of the funds disbursed. Authorized investments in repurchase agreements shall not constitute more than 50% of the portfolio.

Section 4.03 Prohibited Investments. The Funds are strictly prohibited from being invested in any of the following investment instruments:

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.
4. Collateralized mortgage obligations the interest rate of which is determined by an index that adjusts opposite to the changes in a market index.

Section 4.04 Security of Funds/Collateral Policy.

- A. All Funds held by an insured state or national bank domiciled in Texas in demand deposits or in certificates of deposit shall be secured by the FDIC and /or by 102% in pledged

collateral. All Funds held in certificates of deposit by a savings bank domiciled in Texas must be fully secured by the FDIC. The County recognizes that the FDIC insurance is only available up to a maximum of \$250,000 per public unit.

- B. To the extent the Funds held by banks domiciled in Texas are not insured by the FDIC, they shall be secured in the manner provided by law for the security of funds by the Public Funds Collateral Act. There shall be pledged as collateral for such funds, at a rate of 102% collateral, any of the following book entry securities: (1) government securities or obligations issued by the State of Texas, its agencies or political subdivisions, and approved by the Attorney General of Texas, payable from taxes; or (2) obligations of the United States or its agencies and instrumentalities, excluding mortgage backed securities; or (3) any other obligations or securities authorized to be collateral securing the funds of counties under the laws of the State of Texas that are approved by the Commissioners Court. All collateral shall be placed with an independent third party financial institution for safekeeping, with original safekeeping receipts issued to the County.

Section 4.05 Authorized Financial Dealers and Institutions. A list will be maintained by the Investment Officer of creditworthy financial institutions and dealers authorized to sell investments to the County. All financial institutions and dealers who would like to become qualified to bid/offer on investments other than certificates of deposit and repurchase agreements must submit the following to the investment officer: (1) audited financial statements; (2) proof of Financial Industry Regulatory Authority (FINRA) certification, or for financial institutions, a statement from a senior bank official that the institution is registered as a government securities dealer; (3) proof of state registration; and (4) certification required by the Public Funds Investment Act. Compliance with these requirements must be verified by the Investment Officer before any transaction can be completed. An annual review of the financial condition and registration of qualified dealers and institutions will be conducted by the Investment Officer.

Section 4.06 Electronic Wire Transfers. Electronic means may be used to transfer or invest all Funds.

Section 4.07 Delivery vs. Payment. All investments, except certificates of deposit, investment pool funds and mutual funds, will be executed by delivery vs. payment (DVP) to ensure that investments purchased are deposited in the County's financial institution prior to the release of money in payment therefore.

Section 4.08 Loss of Required Rating. An investment under Section 4.02 that requires a minimum rating does not qualify as an Authorized Investment during the period that the investment does not have the minimum rating. The Investment Officer shall take all prudent measures that are consistent with this Investment Policy to liquidate any investment that does not comply with a minimum rating requirement. Credit rate information will be obtained from a nationally recognized rating agency for the issuer or other independent sources. If any security falls below the minimum rating required by Policy, the Treasurer and Auditor shall be informed of the loss of the required rating, conditions affecting the rating and possible loss of principal with

liquidation options available, within two days of the loss of the required rating for a measured decision on liquidation

ARTICLE V. INVESTMENT MANAGEMENT

Section 5.01 Designation of Investment Officer. The Commissioners Court may designate the County Treasurer, and/or one or more County Treasurer's employees to serve as the Investment Officer for the County. The Investment Officer has the authority to invest the Funds in accordance with this Investment Policy and applicable law.

Section 5.02 Investment Training. The Investment Officer (s) shall attend at least one training session relating to such person's responsibilities under the Public Funds Investment Act within 12 months after taking office or assuming duties and attend an investment training yearly to obtain not less than 10 hours of instruction relating to investment responsibilities from an independent source approved by the Webb County Commissioners Court. Training must include education in investment controls, security risks, strategy risks, market risks, diversification of investment portfolio, and compliance with this chapter.

Section 5.03 Compliance Audit. The County, in conjunction with its annual financial audit, shall perform a compliance audit of management controls on investments and adherence to this Investment Policy.

Section 5.04 Internal Management Reports. Not less than quarterly, the Investment Officer shall prepare and submit to the Commissioners Court a written report of investment transactions for all Funds as required by the Public Funds Investment Act, Section 2256.023 (b), Texas Government Code.

Section 5.05 Conflicts of Interest. In the event that the Investment Officer has a personal business relationship with an entity seeking to sell an investment to the County, the Investment Officer shall file a statement with the Commissioners Court and the Texas Ethics Commission disclosing that personal business relationship prior to purchasing such investment. An Investment Officer who is related within the second degree by affinity or consanguinity, as determined under Chapter 573 of the Texas Government Code, to an individual seeking to sell an investment to the County shall file a statement with the Commissioners Court and the Texas Ethics Commission disclosing that relationship.

Section 5.06 Disclosure of Investment Policies.

A. The Investment Officer shall provide a copy of this Investment Policy to any person offering to engage in an investment transaction with the County. The qualified representative of the business organization or senior bank official offering to engage in an investment transaction with the County shall execute a written acknowledgment in the form set forth in Appendix "A" hereto, to the effect that the qualified representative or senior bank official has received and reviewed the Investment Policy of the County and acknowledged that the business organization has implemented reasonable procedures and controls in an effort to preclude the investment transactions conducted between the County and the organization that are not authorized by the County's investment policy. The Investment Officer shall not acquire or otherwise obtain any authorized investment described in the investment policy of the County from a person who has not

delivered to the County a written acknowledgement substantially to the effect as set forth in Appendix "A".

B. The County shall present the Investment Officer with a copy of this Investment Policy and the Investment Officer shall execute a written statement in the form set forth in Appendix "B" to the effect that the Investment Officer has reviewed the Investment Policy and has implemented procedures and controls to comply with this Investment Policy.

ARTICLE VI. MISCELLANEOUS

Section 6.01 Open Meeting. The Commissioners Court officially finds, determines, and declares that this Investment Policy was reviewed, carefully considered, and adopted at a regular meeting of the Commissioners Court beginning at 9:00 a.m. on **August 23, 2021** and that a sufficient written notice of the date, hour, place, and subject of this meeting was posted at a place readily accessible and convenient to the public within the County and on a bulletin board located at a place convenient to the public in the Webb County Courthouse for the time required by law preceding this meeting, as required by the Open Meetings Act, Texas Government Code, Section 551, as amended, and that this meeting had been open to the public as required by law at all times during which this Investment Policy was discussed, considered, and acted upon. The Commissioners Court further ratifies, approves and confirms such written notice and the contents and posting thereof.

Section 6.02.Effective Date. This Investment Policy shall be effective as of **August 23, 2021**.

(SEAL)

Tano E. Tijerina
Webb County Judge

Margie Ramirez Ibarra
Webb County Clerk

**WEBB COUNTY COMMISSIONERS COURT
ORDER**

WHEREAS, the Commissioners Court of Webb County, Texas, desires to adopt an Investment Policy in order to comply with the Public Funds Investment Act as outlined under chapter 2256 of the Texas Government Code; and

WHEREAS, the Commissioners Court of Webb County, Texas, is desirous in its Investment Policy to set forth the general policies governing investment of Public Funds, the specific investment strategies applicable to each particular Fund, the guidelines for the investment of the Funds, and the investment management policies of Webb County; and

WHEREAS, the Commissioners Court of Webb County, pursuant to Texas Government Code section 2256.005, must review its Investment Policy on annual basis; and

WHEREAS, the Commissioners Court of Webb County, Texas has reviewed its Investment Policy and Investment Strategies for Fiscal Year 2021-2022.

NOW THEREFORE, be it **ORDERED** that the Commissioners Court of Webb County, Texas adopts Webb County Investment Policy for Fiscal Year 2021-2022.

Passed and Approved on this the 23rd day of August, 2021

Honorable Tano E. Tijerina
Webb County Judge

ATTESTED:

Margie Ramirez Ibarra
Webb County Clerk