

Travis County Emergency Services District No. 5

Investment Policy

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1. Definitions

Board – means the Board of Emergency Services Commissioners of the District

District – means Travis County Emergency Services District No. 5

Investment Officer – means a person designated by the Board to handle District Investments

2. Purpose and Objectives

2.1 Purpose

This Investment Policy is adopted in order to comply with the Texas Government Code 2256, the public Funds Investment Act, and to set forth the general policies governing the investment of District Funds.

2.2 Scope

This Investment Policy applies to all transactions involving the investment of funds of the District. No transaction shall be made outside the limits of this Policy.

2.3 Policy

It is the policy of the District to invest all available funds in compliance with applicable federal, state and local statutes, rules or regulations and the guidelines stated in this document. Specifically, investments will be made under the provisions of the Texas Local Government Code Chapter 2256, Public Funds Investment Act (“the Act”), and Chapter 775, Texas Health and Safety Code, specifically including, but not limited to Section 775.043.

3. Investment Objectives

If the district chooses to invest, the investment objective is to earn incremental income from all funds while adhering to the following objectives in order of priority:

- a) **Safety and Principal** The primary objective of the District is to ensure the preservation and safety of principal.
- b) **Liquidity** The District will maintain sufficient liquidity to ensure adequate and timely availability of funds necessary to pay obligations as they become due.
- c) **Yield** The District will seek to attain reasonable yield within the constraints of safety and liquidity.
- d) **Maturity** The maximum stated maturity for any investment is one (1) year. For pooled fund groups, the maximum dollar-weighted average maturity allowed based on the stated maturity date for the portfolio is one (1) year.
- e) **Marketability** The District will not invest in anything that cannot be readily liquidated.
- f) **Suitability of the Investment** Investments which are suitable for the District's safety and liquidity requirements will be used.

4. Investment Strategy

Funds must be available to pay the District's monthly operating expenses as estimated by the annual operating budget adopted by the Board. Investments should be managed to meet expected liabilities, with a liquidity buffer for unexpected liabilities of approximately six (6) months of expenses. A balance equal to three (3) months of expenses must be kept extremely liquid.

5. Authorized Investments

Settlement of all transactions, except investment pool funds and mutual funds, must be on a delivery versus payment basis. The following are the only authorized investments in which the District's funds may be invested:

- 5.1 **Government Code Section 2256.009** – Obligation of, Guaranteed by, Government Entities
Obligations, the principal and interest of which are unconditionally guaranteed or insured by, or backed by the full faith of, this state or the United States or their respective agencies and instrumentalities, excluding mortgage-backed securities or collateralized mortgage obligations. The obligations must be rated not less than A or its equivalent by at least one nationally recognized investment rating firm.
- 5.2 **Government Code Section 2256.010** – Certificates of Deposit and Share Certificates
Certificates of Deposit or Share Certificates issued by a depository institution that has its main office or a branch office in this State and is guaranteed or insured by the Federal Deposit Insurance Corporation or its successor or the National Credit Union Share Insurance Fund or its successor.
- 5.3 **Government Code 2256.016** – Investment Pools
The District may invest its funds and funds under its control through an eligible investment pool if the Board, by resolution, authorizes investment in the particular pool. A public funds investment pool must be continuously rated no lower than AAA or AAA-m or at an equivalent rating by at least one nationally recognized rating service.

- 5-4 In addition to the authority to invest funds in certificates of deposit as detailed above, an investment in certificates of deposit made in accordance with the following conditions is an authorized investment if:
- (1) the funds are invested by the county through a depository institution that has its main office or a branch office in Texas and that is selected by the Board.
 - (2) the depository institution selected by the county arranges for the deposit of the funds in certificates of deposit in one or more federally insured depository institutions, wherever located, for the account of the District.
 - (3) 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;
 - (4) the depository institution selected by the county acts as custodian for the county with respect to the certificates of deposit issued for the account the District; and
 - (5) at the same time that the funds are deposited and the certificates of deposit are issued for the District, the depository institution selected by the District receives an amount of deposits from customers or other federally insured depository institutions, wherever located, that is equal to or greater than the amount of funds invested by the District through the depository institution selected.

6. Investment Officer

6.1 Designation of Investment Officer

The District's Treasurer will serve as the investment Officer for the District and is so designated by this resolution of the Board. The Board may authorize additional individuals as Investment Officers by resolution.

The Investment Officer(s) has the authority to deposit, withdraw, invest, transfer, and manage the District's funds in accordance with these investment policies. However, the District Board of Commissioners retains the ultimate fiduciary responsibility for investment of the District's funds.

6.2 Use of Investment Management Firm

The District may contract with an investment management firm, registered under the Investment Advisers Act of 1940 or with the State Securities Board, to assist in the management of the District funds.

6.3 Standard of Care

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:

- (6) preservation and safety of principal;
- (7) liquidity; and
- (8) yield.

An investment officer must not have a personal business relationship with a business organization, as specified in 2256.005(i). Each Investment Officer shall disclose to the Board any personal or business relationship with any firm or individual attempting to sell an investment to the District.

6.4 Training

Health and Safety Section 775.043 states that Government Code Section 2256.008, Investment Training, does not apply to an officer or employee of the District. District investments are limited to investments set forth under Government Code Section 2256.009

(obligations of, or guaranteed by governmental entities), 2256.010 (certificates of deposit and share certificates), or 2256.016 (investment pools), unless the treasurer, chief financial officer (if not the treasurer), and the Investment Officer of the District attend and successfully complete the training requirements under Section 2256.008, Government Code.

7. Board Responsibilities

The ultimate responsibility and fiduciary responsibility for oversight of investments to insure compliance with this investment policy remains that of the District Board of Commissioners.

The board shall

- a) review any proposed changes to the Investment Policy.
- b) no less than annually review and adopt the Investment Policy and Strategy by written resolution and record any changes made to either the Policy or Strategy.
- c) accept and review quarterly investment reports.
- d) monitor the investments made by the District.

8. Investment Controls

8.1 Reporting

Not less than quarterly, the Investment Officer shall prepare and submit to the District's board a written report of investment transactions for all funds for the preceding reporting period. The quarterly report must comply with the requirements of the PFIA Sections 2256.023, Internal Management Reports, and be signed by the Investment Officer(s). The report shall be presented within a reasonable time after the end of the period.

8.2 Audits

In conjunction with the District's annual financial audit, an internal compliance audit of management controls on investments and adherence to this resolution will be performed by the Investment Officer and one additional Board member with a report of the results made to the Board. If the District 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 quarterly investment reports 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.

8.3 Monitoring of Investment Ratings

The rating of District investments that have a minimum required rating will be checked at least quarterly by the Investment Officer using at least one nationally recognized rating service. The District shall take all prudent measures that are consistent with its investment policy to liquidate an investment that does not have the minimum rating.

8.4 Monitoring of Investment Market Prices

The price of investments that fluctuate in the market will be checked at least quarterly by the Investment Officer using independent sources. The market value must be included in the quarterly investment reports.

8.5 Written Copy of Investment Policy

A written copy of this investment policy shall be presented to any person or organization offering to engage in an investment transaction with the District or its investment management firm. The person or organization must certify that they have received and reviewed the investment policy and acknowledge that they have implemented reasonable procedures and controls in an effort to preclude investment transactions that are not authorized by the entity's investment policy.

8.6 Qualified Bidders List

In the event the District decides to use brokers, the Investment Officer will create a list of qualified brokers that are authorized to engage in investment transactions with the District. This list, once created, will be reviewed, revised and adopted at least annually by the Board.

PASSED AND APPROVED this _____ day of _____ 2016

For the Board of Emergency Services Commissioners of Travis County Emergency Services District
No. 5:

Dennis B. Wright, President

Brian Vance, Board Secretary