

INVESTMENT POLICY - VICTORIA COUNTY:

(11-17:06)

11. November 23, 2020. County Treasurer Sean Kennedy provided information to the Court. Moved by Kevin M. Janak and seconded by Danny Garcia, the Commissioners Court approved the Victoria County Investment Policy. Motion adopted.

ON THIS, the 23rd day of November 2020 the Commissioners' Court of Victoria County, Texas, being in special session at a regular term of said Court, the following members thereof being present, namely:

BEN ZELLER, County Judge,
DANNY GARCIA, Commissioner Precinct No. 1,
KEVIN M. JANAK, Commissioner Precinct No. 2,
GARY BURNS, Commissioner Precinct No. 3, and
CLINT C. IVES, Commissioner Precinct No. 4,

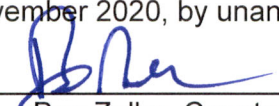
The following proceedings, among others, were had, to wit:

WHEREAS, the Victoria County Commissioners' Court desires to update its investment policy originally adopted January 22, 1988 (Order #3, Vol. 89, page 832); and last updated December 2, 2019; and


WHEREAS, the Court has reviewed the following investment policy, in accordance with Section 2256.005 (e), Texas Government Code, and finds its enactment to be to the financial benefit of Victoria County, Texas:

NOW, THEREFORE, BE IT ADJUDGED, ORDERED AND DECREED THAT THE FOLLOWING AMENDED POLICY BE APPROVED, AND SUPERSEDE ANY AND ALL AMENDMENTS AND POLICIES HERETOFORE ADOPTED.


Adopted on this the 23rd day of November 2020, by unanimous vote of this Court.




Ben Zeller, County Judge



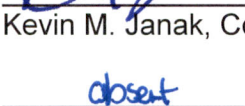
Danny Garcia, Commissioner Pct. 1



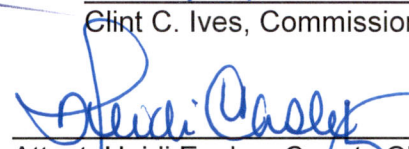
Kevin M. Janak, Commissioner Pct. 2



Gary Burns, Commissioner Pct. 3



Clint C. Ives, Commissioner Pct. 4



Attest: Heidi Easley, County Clerk

FILED FOR RECORD THIS 23 DAY OF NOVEMBER A.D. 2020, and recorded on the 23rd day of November, A.D. 2020.





Heidi Easley, County Clerk and
Ex-Officio Clerk of the Commissioners
Court in and for Victoria County, Texas.

VICTORIA COUNTY INVESTMENT POLICY
NOVEMBER 23, 2020

Policy Statement

It is the policy of Victoria County, Texas (County) to invest cash of all funds under the control and custody of the county treasurer in a manner maintaining the safety of principal and liquidity of invested funds while providing a reasonable rate of return.

Investment Scope

This policy serves to satisfy the statutory requirements of *Texas Local Government Code §116.112* and *Title 10, Chapter §2256, Texas Government Code, Public Funds Investment Act*, as amended, to define and adopt a formal investment policy.

This investment policy applies to all funds of the County, Citizens Medical Center and Victoria County Navigation District under the control of the county treasurer, which Commissioners Court has authority to invest, unless expressly prohibited by law or is in contravention of any depository contract between the County and its depository bank.

This policy does not apply to funds held in trust by court order from County and District Courts *TGC §2256.004(5)*.

Investment Objectives

The investment objectives for all funds in the custody of the county treasurer are to:

1. Ensure safety of principal;
2. Maintain liquidity so that sufficient funds are available throughout the budgetary cycle of the fund;
3. Achieve the best yield or rate of return allowed through the prudent and legal investment of County funds while providing necessary protection of the principal;
4. Pursue an active portfolio management philosophy. All investments will be held until maturity and not purchased with the intent of speculative trading. Securities may be sold or exchanged before maturity if market conditions present an opportunity for the County to benefit from the trade;
5. Provide diversification within each of the funds where permissible to avoid an over concentration in a single investment type.
6. Investments must comply with State law and Victoria County Investment Policy.

Investment Strategies (TGC§ 2256.005)

Operating Fund

Victoria County operating funds shall be invested with an emphasis on safety of principal and liquidity, matching maturities with expected cash flow. All investments of operating funds shall have a stated final maturity of three years or less.

Citizens Medical Center operating funds shall be invested with an emphasis on safety of principal and liquidity, matching maturities with expected cash flow as directed by the Chief Financial Officer of the hospital. All investments of operating funds shall have a stated final maturity of four years or less.

Victoria County Navigation District (Port of Victoria) operating funds shall be invested with an emphasis on safety of principal and liquidity, matching maturities with expected cash flow as directed by the Board of Navigation District Directors. All investments of operating funds shall have a stated final maturity of four years or less.

Debt Service Fund

All investments of debt service funds approved by Commissioners Court shall not have a stated final maturity which exceeds the next debt service payment date. Excess balances of debt service funds invested will have a maximum stated maturity of less than 365 days.

Capital Projects Fund

Bond funds of Victoria County, Citizens Medical Center and Victoria County Navigation District shall be invested in marketable, short-term investments whose maturities match the projected draw down schedule for each project. If no draw down schedule is available or the project has exceeded the draw down schedule, all investments must be in the shortest-term possible to maintain liquidity.

Unreserved – Unassigned Fund

Unreserved- Unassigned funds of Victoria County, Citizens Medical Center and Victoria County Navigation District shall be invested with an emphasis on safety of principal and may be invested in securities exceeding four (4) years only if the maturity of such investments is made to coincide with the expected use of the funds.

Other Funds

Other funds including; Special Revenue, Agency, Enterprise and Internal Service funds will be invested to meet projected cash flow needs of the individual accounts and are suitable for these funds.

Prudence and Ethical Standards

The standard of prudence to be applied by the investment officer is the "prudent investor" rule as stated in *Texas Government Code §2256.006(a)*, "Investments shall be made 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 capital and the probable income to be delivered."

As stated in *Texas Government Code §2256.006(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.

The investment officer, acting in accordance with written procedures and exercising due diligence, shall not be personally responsible for a specific investment's credit risks or market price changes, provided that these deviations are reported immediately and that appropriate action is taken to control adverse developments.

Quality and Capability of Investment Management

Victoria County insures the quality and capability of the county's investment personnel by providing periodic training in investments for all personnel involved in the investing process through courses and seminars offered by professional organizations and associations, in accordance with *Texas Government Code §2256.008(a)*.

Disclosure of Personal Business

An investment officer for Victoria County who has a personal business relationship with a business organization offering to engage in an investment transaction with the County shall file a statement disclosing that personal interest with the Texas Ethics Commission and the Commissioners Court, in accordance with *Texas Government Code §2256.005(i)*. An investment officer has a personal business relationship with a business if:

1. The investment officer owns 10 percent or more of the voting stock or shares of the business organization or owns \$5,000 or more of the fair market value of the business organization;
2. Funds received by the investment officer from the business organization exceed 10 percent of the investment officer's gross income for the previous year; or

Disclosure of Personal Business (continued)

3. The investment officer has acquired from the business organization during the previous year investments with a book value of \$2,500 or more for the personal account of the investment officer.
4. An investment officer who is related within the second degree of affinity or consanguinity, as determined under *Texas Government Code §573*, to an individual seeking to sell an investment to the county shall file a statement disclosing that relationship with the Texas Ethics Commission and Commissioners Court.

Methods of Investing

In order to facilitate investing funds, the county treasurer is authorized to utilize electronic banking for the investing of such funds with the depository bank, investment firm or investment pool (*TGC §2256.051*).

It is the policy of Victoria County that all securities shall be purchased using the "Delivery vs. Payment" (DVP) method through the Federal Reserve System. County funds will not be released until the county has received the purchased securities. *TGC §2256.005(E)*

A minimum of three bidders will be contacted in all investment transactions. Bids may be solicited in any manner by law and must be documented and filed for auditing purposes.

Authority to Invest Funds

Texas Local Government Code §116.112, authorizes Commissioners Court to invest county funds in accordance with *Texas Government Code §2256.003(a)*.

Delegation of Authority

According to *Texas Government Code §2256.005(f)*, the Commissioners Court, by order expressly designates the county treasurer as investment officer to be responsible for the investment of county funds consistent with its investment policy.

In order to allow the maximum flexibility for the investment of county funds, the Commissioners Court extends to the county treasurer full authority for the investment of county funds between meetings. Official approval shall be made in the form of a court order at the next official meeting of Commissioners Court.

Authorized Investments

As provided in the *Public Funds Investment Act*, except those specifically not authorized in *Texas Government Code § 2256.009(b)*, the following investments may be made:

- Obligations of, or guaranteed by, governmental entities, (*TGC § 2256.009*)
- Certificates of Deposit and Share Certificates, guaranteed by FDIC (Federal Deposit Insurance Corporation) or fully collateralized (*TGC § 2256.010*)
- Repurchase agreements, fully collateralized, not to exceed 90 days (*TGC § 2256.011*)
- Commercial Paper, with a stated maturity of 270 days or fewer (*TGC § 2256.013*)
- No load Money Market Mutual Fund, not to exceed 90 days (*TGC § 2256.014*)
- Local Government Investment Pools as approved by Commissioners Court (*TGC § 2256.016*) and (*TGC § 2256.019*) rated no lower than AAA.

The county investment officer may invest the County's idle funds in:

- United States Treasury bills, notes and bonds
- Fully insured and/or collateralized Certificates of Deposit
- Authorized Local Government Investment Pools (LGIP)
- Securities from the United States Agencies that are backed by the full faith and credit of the United States of America;

Government National Mortgage Association (GNMA)
Small Business Administration (SBA)
Farmers Home Administration (FmHA)
General Services Administration (GSA)

- Securities from the United States that are backed by the full faith and credit of the of the instrumentality and have an "implied" backing of the United States of America;

Federal National Mortgage Association (FNMA)
Federal Home Loan Bank (FHLB)
Federal Home Loan Mortgage Corporation (FHLMC)
Federal Farm Credit Bank (FFCB)

- Commercial paper through an authorized investment pool.
- State and Local Government bonds issued by the State of Texas or a local government entity within the State of Texas with a bond rating of AA or better. This type of investment may not exceed 10 percent of the unreserved-unassigned fund balance of the general fund and the maximum maturity of an individual bond is not to exceed 3 years.

Safety of Principal

Safety of principal is the primary objective of the County's Investment Policy. To achieve this objective the County seeks to mitigate its exposure to credit and interest rate risk.

Credit Risk – the county minimizes credit risk, the risk that an issuer or other counterparty to an investment will not fulfill its obligation, by;

1. Limiting investment to the safest types of investments allowed under PFIA and approved by Commissioners' Court.
2. Pre-qualifying the financial institutions and Broker/dealers with which the County will do business.
3. Diversifying and/or collateralizing the investment portfolio to minimize potential losses on individual issuers.
4. All security investments are executed on a Delivery-Versus-Payment basis (TGC §2256.005(E) and held by the County's custodial agent, in the County's name and evidenced by receipts. The only exception is investments made into an investment pool(s) approved by Commissioners' Court.

Interest Rate Risk – the risk that changes in interest rates will adversely affect the County's investments is minimized, by;

1. Structuring the investment portfolio so that investment maturities match cash flow needs.
2. Investing in the highest yield and maturity that will meet the County's cash flow needs.
3. Diversifying maturities and purchase dates to minimize the impact of markets over time.

Ineligible Investments

The following investments are not authorized investments for Victoria County;

- Obligations whose payment represents the coupon payments on the outstanding principal balance of the underlying mortgage backed security collateral and pay no principal.
- Obligations whose payment represents the principal stream of cash flow from the underlying mortgage backed security collateral and bears on interest.
- Collateralized mortgage obligations that have a stated final maturity date of greater than 10 years.
- Collateralized mortgage obligations which the interest rate is determined by an index that adjusts opposite to the changes in a market index.

Diversification of the Investment Portfolio

Diversifying the Investment Portfolio by Type

The county investment officer minimizes the risk of loss of principal in the investment portfolio by diversifying investments by type and maturity. Diversity of in the types of eligible investments is maintained by limiting the maximum percentage that may be invested in each type of eligible investment to the percentages listed as follows;

Type of Investment

Obligations of the U.S. Treasury; Bills, Bonds and Notes..... 100%

Obligations of U.S. Agencies and Instrumentalities..... 100%

Certificates of Deposit issued by a state or national bank domiciled in Texas or a savings and loan association domiciled in Texas..... 100%

State or local government bonds issued by the State of Texas or a local government within the State of Texas, limited to 10% of the unreserved fund balance of the general fund as reported in the prior years' CAFR..... 10%

Local Government Investment Pools (LGIP)..... 100%

Diversifying the Investment Portfolio by Maturity

The county investment officer monitors the maturity of all investments in the portfolio to minimize the risk of loss from interest rate fluctuations and to ensure that the maturities do not exceed the projected cash flow requirements within the portfolio. The maximum allowable stated maturity of any individual investment in the portfolio is provided for in the Investment Strategy Section.

Competitive Selection of Investment Instruments

The County requires competitive bids on all securities purchases, except for transactions in LGIP's, Government securities purchased at a favorable rate that requires quick action in order to secure the rate at the discretion of the county investment officer or government securities purchased through an approved broker/dealer at the auction price. The county accepts the bid, which provides the highest rate of return within the maturity, required and is submitted within the deadline specified on the bid sheet and within the parameters of this policy. Bids that do not meet the County's time deadline will not be considered.

Broker/Dealer

A copy of this investment policy will be presented to any person offering to engage in an investment transaction with Victoria County. The investment officer may not purchase securities from any person who has not filed a written Broker/Dealer Certification signed by a qualified representative of the organization offering to engage in an investment transaction with Victoria County. The Broker/Dealer certification must include that the policy has been received and reviewed and acknowledge that Victoria County implemented reasonable procedures and controls in an effort to preclude investment transactions conducted between the entity and the organization that are not authorized by Victoria County, in accordance with *TGC § 2256.005 (k)*.

A list of financial institutions authorized to provide investment services to Victoria County will be maintained by the county treasurer. In addition, a list will be maintained of approved broker/dealers selected by credit worthiness who are authorized to provide investment services in the State of Texas. These may include "Primary" Dealers or secondary dealers that qualify under the Securities and Exchange Commission.

All financial institutions and broker/dealers who desire to become qualified bidders for investment transactions with Victoria County must supply the county treasurer with a current audited financial statement.

Commissioners Court or the designated investment committee of the county shall, at least annually review, revise and adopt a list of qualified brokers that are authorized to engage in investment transactions with the county, in accordance with *TGC § 2256.025*.

Removal from Broker/Dealer List.

The treasurer may review and reevaluate the broker/dealers currently on the approved list at any time when there is good cause. The broker/dealer may be immediately removed from the approved list for the following reasons;

1. Placing the County's funds at risk;
2. Failure to maintain the requirements of this investment policy;
3. Failure to comply with the Texas Public Funds Investment Act;
4. Consistently causing an administrative burden by inaccurate documentation, attempting to submit oral bids, or late verification of trade.

Loss of Required Rating

If an investment becomes ineligible because of loss of the minimum required rating or possible default, then it no longer qualifies as an authorized investment. The investment officer shall take all prudent measures consistent with this policy to liquidate that investment (*TGC §2256.021*).

Investment Committee

There may be a Victoria County Investment Committee, which may consist of the county treasurer as Chairperson, along with the County Judge, and County Auditor. The County Financial Advisor may serve as an Ex-Officio member of the committee.

Safekeeping and Custody

All purchased securities, certificates of deposit, insured by FDIC, and all pledged securities shall be held in safekeeping by the County or a county account in a third party financial institution, primarily the Federal Reserve Bank under the direction of the Victoria County Commissioners Court, through the county treasurer and subject to the review of the county auditor.

Reporting

Not less than quarterly, the investment officer shall prepare and submit to the Commissioners Court a written report detailing the investment position of Victoria County in compliance with *TGC § 2256.023*.