

# Chapter 23. Investment Policy and Procedures<sup>1</sup>

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<sup>1</sup> Chapter 23 was replaced by Travis County Commissioners Court on 10/11/2016 Item #8 and replaced to correct scrivener's errors on 1/10/17 Item #8.

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## ***Subchapter A. General Provisions of Chapter***

### **23.001 Authority**

- (a) The Public Funds Investment Act and the Public Funds Collateral Act authorize the Commissioners Court to promulgate this chapter on investment policy and procedures.
- (b) Texas Local Government Code Annotated 116.112(a) (Vernon 1994) authorizes the Commissioners Court to invest county funds in compliance with Texas Local Government Code Annotated chapter 2256.

### **23.002 Application**

This chapter governs the investment of the operating account portfolio, the pooled bond funds portfolio, and the debt service portfolio. The pooled bond funds portfolio is managed in compliance with its governing ordinances and federal laws, including the Tax Reform Act of 1986, as amended, in addition to compliance with this chapter.

### **23.003 Effective Date**

This Chapter 23 is effective upon adoption by the Commissioners Court.

### **23.004 Definitions**

- (a) In this chapter, the following words and phrases have the following meanings:
  - (1) "Auditor" means the Travis County Auditor or her designees.
  - (2) "Investment Officer(s)" means the Travis County Chief Investment Officer and/or the Investment Manager or her designees.
  - (3) "Commissioners Court" means Travis County Commissioners Court.
  - (4) "Treasurer" means the Travis County Treasurer or her designees.
- (b) In this chapter, the words "bond proceeds," "book value," "funds," "investing entity," "entity," "investment pool," "local government," "market value," "separately invested asset," "qualified representative," and "state agency" are used as defined in the Texas Local Government Code Annotated 2256.002.
- (c) Definitions in the Public Funds Investment Act shall be used to interpret this chapter.

### **23.005 Construction and Interpretation**

Despite any other Code provision to the contrary, this Chapter 23 must be construed to meet the following provisions:

- (1) This chapter must be construed liberally to give all of the authorization intended for the investment of all portfolios.

- (2) Throughout the chapter, words defined in this section are shown with an initial capital. The use of an initial capital is construed to mean that the definition of the capitalized word or phrase is the definition in this section.
- (3) All hours stated in this chapter are stated in Central Standard Time or Central Daylight Saving Time as applicable in Austin, Texas at that time of year.

### **23.006 The Public Funds Investment Act**

When this chapter is provided to broker/dealer/financial institutions, the Investment Management Office shall also include a copy of the Public Funds Investment Act.

**[23.007 - 23.010 Reserved for expansion]**

### ***Subchapter B. Investment Authority and Scope of Policy***

#### **23.011 Delegation of Investment Authority**

- (a) Commissioners Court delegates the authority to select investment instruments in which county funds may be placed and to prepare any documentation necessary to evidence the investment of county funds to the Chief Investment Officer, Investment Manager, and Senior Financial Analyst. Occasionally, the Commissioners Court may designate in writing other Travis County personnel authorized to invest county funds as back-ups.
  - (1) The Commissioners Court approves or ratifies the investments, and the Commissioners Court retains ultimate responsibility as fiduciaries of the assets of Travis County.
  - (2) The Chief Investment Officer, Investment Manager, and Senior Financial Analyst advise the Treasurer of the investment instruments purchased and the Treasurer wires the funds.
  - (3) No other person may invest, withdraw, transfer or manage Travis County funds without the express written authority of the Commissioners Court.
  - (4) Authority granted under this section is effective until rescinded by Commissioners Court or until termination of employment by Travis County of persons in the designated positions.
- (b) These designated Investment Officers must perform their duties in compliance with Chapter 23 and Chapter 32, subchapter C Travis County Code and the Texas Government Code Annotated Chapter 2256, known as the Texas Public Funds Investment Act. When these Investment Officers act in good faith and in compliance with these chapters, they have no personal liability for their actions.

- (c) Officers and employees of any regional planning commission created under Texas Local Government Code Annotated Chapter 391 are not eligible to be designated any authority under 23.011.

### **23.012 County Investment Portfolio Structure**

The county funds of Travis County that are entrusted to the Commissioners Court for investment are divided into the following portfolios based on the source of funds:

- (1) The operating account portfolio means funds from the general fund account, the risk management fund account, the employee benefit fund account, the general county reserve account, and all other Travis County funds except capital projects, and debt service.
- (2) The pooled bond funds portfolio means bond funds from all capital projects except road district funds.
- (3) The debt service portfolio means all interest and sinking funds.

### **23.013 Prudence and Ethical Standards**

These standards apply to Investment Officers and anyone acting on their behalf.

- (1) Prudence
  - (A) Investment Officers serve as fiduciaries of Travis County and are responsible for prudently investing its assets. The Investment Officers shall comply with the provisions of this section, the Public Funds Investment Act, and all other applicable laws.
  - (B) Travis County uses the “prudent investor rule” when administering the duties of an investment officer within the applicable legal and policy constraints. The prudent investor rule is restated as follows: The Investment Officers shall invest and manage Travis County assets as a prudent investor would, by considering the purposes, terms, distribution requirements, and other circumstances of the portfolio. In satisfying this standard, the Investment Officers shall exercise professional care, skill, and judgment. Among circumstances that an Investment Officer shall consider in investing and managing Travis County assets include, but are not limited to the following:
    - (i) general economic conditions,
    - (ii) the yield curve,
    - (iii) the role that each investment plays within the overall portfolio, and,
    - (iv) the risk/reward relationship of investments considered.

- (C) In determining whether an Investment Officer has exercised prudence with respect to an investment decision, the determination shall be made as follows:
    - (i) the Investment Officer's investment and portfolio management decisions must be evaluated not in isolation of an individual purchase or sale but in the context of the Travis County portfolio as a whole and as a part of an overall investment strategy having risk and return objectives reasonably suited to the portfolio; and
    - (ii) whether the investment decision was consistent with this chapter 23.
  - (D) Investment Officers must be honest in the exercise of their duties and must not take actions that will discredit Travis County.
  - (E) Investment Officers must comply with the Chapter 33, Travis County Ethics Policy.
- (2) Avoidance of Conflicts of Interest
- (A) Investment Officers shall be loyal to the interests of Travis County, the Travis County Commissioners Court, and to Travis County residents, to the extent that such loyalty is not in conflict with other duties or legal requirements. Officers shall avoid personal, employment, or business relationships that create conflicts of interest. Should they become aware of any conflict of interest, they have an affirmative duty to disclose and remedy the conflict promptly.
  - (B) A conflict of interest exists whenever Investment Officers have personal or private commercial or business relationships that could reasonably be expected to diminish their independence of judgment in the performance of their duties.
  - (C) Serving on the Board of a Local Government Investment Pool shall not be prohibited. However, the Board member should not be allowed to invest funds in that Pool without additional approval from another authorized signer, who does not serve on the board of the proposed investment pool and is not a subordinate of the board member.
- (3) Acceptance of Gifts
- (A) Investment Officers may not personally accept gifts or entertainment from vendors or consultants doing or seeking to do investment or banking related business with Travis County, except as noted below:
  - (B) Gifts, which may be accepted under these guidelines, should not exceed \$50.00 per person, per vendor, in a given fiscal year. If gifts over \$50.00 are provided, they must be returned,

donated to a charitable cause, or shared with other County employees. However, entertainment, food, or goods provided to all persons attending a conference or a continuing education activity and goods or services provided during meetings to conduct business and manage a contract generally do not violate this prohibition.

- (C) Disclosure shall be made to the Director of Economic Development and Strategic Investments of the acceptance of all gifts, entertainment, food, goods, or services no later than 30 days following the calendar quarter in which received.

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

Travis County shall provide periodic training in investments for the Chief Investment Officer, Investment Manager, and Senior Financial Analyst through courses and seminars offered by professional organizations and associations, in order to insure the quality and capability of the Investment Officers.

### **23.015 Disclosure of Personal Business**

- (a) Investment Officers who have a personal business relationship, as described in Texas Government Code 2256.005(i), with any qualified representative offering to engage in an investment transaction with Travis County, shall file a statement disclosing that personal business interest with the Texas Ethics Commission and the Commissioners Court. (See Subchapter L, Forms.)
- (b) Investment Officers who are related within the second degree by affinity or consanguinity, as determined under Texas Local Government Code Annotated Chapter 573, to an individual seeking to engage in an investment transaction with Travis County shall file a statement disclosing that relationship with the Texas Ethics Commission and the Commissioners Court. (See subchapter L, Forms.)

[23.016 - 23.020 Reserved for expansion]

### ***Subchapter C. Investment Objectives***

#### **23.021 Safety of Principal**

The primary investment objective of Travis County is to ensure the safety of principal in all portfolios. (See Subchapter E, Safety of Principal.)

#### **23.022 Maintenance of Adequate Liquidity**

The secondary investment objective of Travis County for all portfolios is to provide the liquidity necessary to pay obligations as they become due. (See Subchapter F, Liquidity.)

### **23.023 Return on Investments**

- (a) Travis County must invest its portfolios in eligible investments that yield the highest possible rate of return while providing the necessary protection of the principal. Travis County seeks to optimize return on investments in all portfolios. The average minimum rate of return for the entire portfolio must be at least equal to the Federal Reserve constant maturity treasury rate with a comparable maturity. The only exception to the average minimum rate of return is that the portfolios, during a period of rapidly rising interest rates, will not be able to meet or exceed the rate of return indicator. If funds are subject to yield restrictions due to federal arbitrage regulations, those funds are excluded from the yield calculation.
- (b) Travis County may only invest in a particular eligible investment if its yields are equal to or greater than the Treasury Convention or Street Convention yield provided by the Bloomberg Financial Information System or the Interactive Data Corporation yield on United States Treasury obligations of comparable maturity. The Chief Investment Officer and the Investment Advisory Committee may establish additional appropriate criteria for investment performance measures.

### **23.024 Additional Objectives for Pooled Bond Funds Portfolio**

The major objectives for the pooled bond funds portfolio governed by Federal arbitrage regulations are to maximize permitted market yield and to minimize investment costs.

**[23.025 - 23.030 Reserved for expansion]**

### ***Subchapter D. Investment Strategies***

#### **23.031 Operating Account Portfolio**

- (a) The primary objective of the investment strategy for the operating account portfolio is to create a diversified structure (see 23.048 through 23.051) which will experience minimal volatility during economic cycles, thus providing for preservation and safety of principal.
- (b) The secondary objective is to assure that anticipated cash expenditures are matched with adequate liquidity.
- (c) The tertiary objective is to ensure that the portfolio is invested in eligible securities that yield the highest possible rate of return while providing the necessary protection of principal. The suitable securities to accomplish these objectives are high quality, marketable, short-to-medium term securities that complement each other in a laddered maturity structure. All eligible securities described by this chapter 23 are suitable for this fund. The dollar weighted average maturity of two and one-half years or less will be calculated using the stated final maturity dates of each security.

### **23.032 Debt Service Portfolio**

The primary, secondary, and tertiary objectives of the investment strategy for the debt service portfolio are the same as the operating account portfolio. The suitable securities to accomplish these objectives are high quality, marketable, short-term securities that mature on or before the debt service payment dates. The securities suitable for this fund are described in 23.042.

### **23.033 Pooled Bond Funds Portfolio**

The primary, secondary, and tertiary objectives of the investment strategy for the pooled bond funds portfolio are the same as the operating account portfolio. The suitable securities to accomplish these objectives are high quality, marketable, short-to-medium term securities that match forecasted project expenditures to investment maturities. In addition, a three month historical cash expenditure balance is maintained in highly liquid securities to cover unexpected project outlays. All eligible securities described by this Chapter 23 are suitable for this fund.

**[23.034 - 23.040 Reserved for expansion]**

### ***Subchapter E. Safety of Principal***

#### **23.041 Protection of Principal**

- (a) Travis County seeks to control the risk of loss due to the failure of a security issuer or grantor.
  - (1) To control that risk, Travis County purchases only eligible investments, requires prior approval of qualified representatives/business organizations with which it transacts business, diversifies investments in all portfolios based on maturity and type, monitors the market price of investments by way of independent sources such as market telecommunication services and financial publications, when possible, or through an approved Broker/Dealer other than the one that sold Travis County the security, and collateralizes deposits.
  - (2) The quarterly report will identify the method and source used to monitor the market price of investments. The quarterly report will also indicate whether the method and source changed from the previous quarterly report.
- (b) The ratings of all investments held by Travis County are monitored on a regular basis to ensure that the investments remain eligible. If an investment is downgraded to a level lower than the minimum rating required by Chapter 23, the Investment Officers will take prudent action as described in 23.013(1).
- (c) In addition, Travis County must execute the purchase of individual eligible investments only on the “delivery versus payment” (DVP) method with the exception of investment pools and money market mutual funds to ensure that

county funds are not released until Travis County has received the securities purchased.

- (d) Investment securities must be held in Travis County's name by a third party custodian, as evidenced by safekeeping receipts from the institution with which the securities are deposited.
- (e) All investments made by Travis County must comply with all federal, state, and local statutes, rules, and regulations.

**23.042 Purchasing Only Eligible Investments**

- (a) Ineligible Investments: The following investments, which are legal investments under the Public Funds Investment Act, are ineligible investments for Travis County:
  - (1) Collateralized mortgage obligations.
  - (2) Any security the interest rate of which is determined by an index that adjusts opposite to the changes in a market index.
- (b) Eligible Investments: The following investments, which do not include all of the securities allowed by the Public Funds Investment Act, are the only eligible investments for all of Travis County's portfolios:
  - (1) Obligations of the United States or its agencies and instrumentalities;
  - (2) Direct obligations of the State of Texas or its agencies and instrumentalities;
  - (3) Other obligations, the principal 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, including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation or by the explicit full faith and credit of the United States;
  - (4) Obligations of states, agencies, counties, cities, and other political subdivisions of any state, rated as to investment quality by a nationally recognized investment rating firm not less than A or its equivalent.
  - (5) Domestic commercial paper, including commercial paper issued in the United States by corporations doing business and having a significant market presence in the United States, which are wholly owned by foreign entities, and with a stated maturity of 270 days or less from the date of its issuance that is rated not less than A-1 by Standard and Poor's, and P-1 by Moody's, two nationally recognized credit rating agencies.
  - (6) Fully collateralized repurchase agreements including direct security repurchase agreements and reverse security repurchase agreements that:

- (A) have a defined termination date that does not exceed 90 days after delivery,
  - (B) are placed either through a primary government securities dealer as defined by the Federal Reserve, or a financial institution doing business in this state,
  - (C) are secured by a combination of cash and obligations described by 23.042(b)(1), that are pledged to Travis County, held in Travis County's name, and deposited with a third party selected and approved by Travis County, and
  - (D) have a market value at the time funds are disbursed of not less than the principal amount of the funds disbursed. (See 23.056, Collateral Requirements for Repurchase Agreements.)
- (7) Certificates of deposit issued by a depository institution that has its main office or a branch office in this state that are:
- (A) guaranteed or insured by the Federal Deposit Insurance Corporation, or its successor; or
  - (B) secured by obligations that are described by 23.042(b)(1), 23.042(b)(2), 23.042(b)(3) or 23.042(b)(4) that have a market value of not less than 102% of the principal amount plus accrued interest of the certificates. (See 23.052 Collateral Requirements for All Deposits.)
  - (C) secured in any other manner and amount provided by law for deposits of the investing entity.
- (8) Certificates of deposit when:
- (A) the funds are invested through a broker that has its main office or a branch office in this state and is selected from a list adopted by the investing entity as required by 23.043 through 23.047 or
  - (B) the broker or the County depository 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 Travis County;
  - (C) the full amount of principal and accrued interest of each of the certificates of deposit is insured by the United States or an instrumentality of the United States; and
  - (D) Travis County appoints one of the following as its custodian for these certificates of deposit
    - (i) the County depository,
    - (ii) the Texas Treasury Safekeeping Trust Company;
    - (iii) a Federal Reserve Bank or a branch of a Federal Reserve Bank; or
    - (iv) a Federal Home Loan Bank.

- (9) A no-load money market mutual fund (“MMMMF”) that is registered with and regulated by the Securities and Exchange Commission and:
  - (A) has a dollar-weighted average stated maturity of 90 days or less,
  - (B) whose investment objectives include maintenance of a stable net asset value of \$1 per share, and
  - (C) provides Travis County with a prospectus and other information required by the Securities and Exchange Act of 1934 (15 United States Code § 78a et seq.) or the Investment Company Act of 1940 (15 United States Code § 80a-1 et seq.)
  
- (10) Public funds and local government investment pools (“LGIP”) if the following conditions are met:
  - (A) the LGIP is organized under the Interlocal Cooperation Act, as amended,
  - (B) the Commissioners Court has authorized investment in that particular LGIP by an order,
  - (C) the assets of the LGIP consist exclusively of obligations that are authorized investments in the Texas Government Code Annotated Chapter 2256, known as the Texas Public Funds Investment Act,
  - (D) the LGIP meets all eligibility acts including disclosure and reporting,
  - (E) the LGIP meets all management requirements of the Public Funds Investment Act, including existence and reliance on maintenance of advisory board, net asset value and maintenance ratings, and
  - (F) the LGIP must be continuously rated no lower than AAA or AAA-m or at an equivalent rating by at least one nationally recognized rating service.
  
- (11) A securities lending program in which the loan meets the following conditions:
  - (A) The loan may be terminated at any time;
  - (B) The loan is placed through
    - (i) a primary government securities dealer, as defined by 5 C.F.R. Section 6801.102(f), as that regulation existed on September 1, 2003, or
    - (ii) a financial institution doing business in this state that is rated no less than A or its equivalent by two nationally recognized rating services.
  - (C) The loan agreement has a term of one year or less and complies with the provisions of section 1058 of the Internal Revenue Code;

- (D) The loan is secured by
    - (i) cash invested in accordance with subsections (1), (2), (3), (4), (5), (8), or (9) of section 23.042 for a term that ends no later than the expiration date of the loan agreement,
    - (ii) pledged irrevocable letters of credit issued by a bank that is organized and exists under the laws of the United States or any other state and is continuously rated by at least one nationally recognized investment rating firm at not less than A or its equivalent, or
    - (iii) pledged securities issued by the United States government or its agencies and instrumentalities as described in Section 23.042 (1) through (4) inclusive;
  - (E) The loan agreement requires securities being held as collateral to be pledged to Travis County, held in Travis County's name, and deposited at the time the investment is made with a third party approved by Travis County.
  - (F) The amount of the collateral is not be less than 102% of the market value of securities loaned, including accrued income with the market value of securities determined daily.
- (c) Purchasing Eligible Investments
- (1) The Chief Investment Officer and the Investment Manager may invest all portfolios in the eligible investments described by 23.042. When contemplating a new type of investment instrument, the Chief Investment Officer will submit a description to the Travis County Attorney to ensure that the proposed investment instruments are eligible investments described by 23.042.
  - (2) If an investment that was eligible at the time of purchase becomes ineligible during the holding period, consistent with the Public Funds Investment Act, Section 2256.017, the Investment Officer is not required to liquidate the investment. The Investment Officer shall take all prudent measures that are consistent with this Policy to analyze the investment and determine the most prudent course of action to minimize any potential loss.

***Requiring Approval of Broker/Dealer/Financial Institutions***

**23.043 Applications for Approval as Broker/Dealer/Financial Institutions**

- (a) When a primary broker/dealer/financial institution applies for approval, the Investment Management Office provides a copy of this chapter 23 to the qualified representative of that institution. To qualify for approval, the qualified representative of the primary broker/dealer/financial institution must comply with the following requirements:

- (1) Provide the most recent audited financial statements of the institution,
  - (2) Sign the Certification in 23.132,
  - (3) Acknowledge receipt, thorough review and understanding of this chapter 23, and
  - (4) Acknowledge that the primary broker/dealer/financial institution has implemented reasonable procedures and controls in an effort to preclude investment transactions conducted between it and Travis County that are not authorized by this chapter 23, except to the extent that this authorization is dependent on an analysis of the makeup of Travis County's entire portfolio or requires an interpretation of subjective investment standards.
- (b) When a non-primary broker/dealer/financial institution doing business that is regulated by or registered with a securities commission applies for approval, the Investment Management Office provides a copy of this chapter 23, to the qualified representative of that institution. To qualify for approval, the qualified representative of the broker/dealer/financial institution must submit a written application that complies with the following requirements:
- (1) Provides references by public fund investment officers, preferably in Texas,
  - (2) Gives evidence of capital adequacy (See 23.044(b)(3)),
  - (3) Signs the Certification in 23.132,
  - (4) Acknowledges receipt, thorough review and understanding of this chapter 23,
  - (5) Acknowledges broker/dealer/financial institution has implemented reasonable procedures and controls in an effort to preclude investment transactions conducted between it and Travis County that are not authorized by this chapter 23 except to the extent that this authorization is dependent on an analysis of the makeup of Travis County's entire portfolio or requires an interpretation of subjective investment standards, and
  - (6) Includes a completed Broker/Dealer Questionnaire in 23.133.
- (c) Travis County strives to include in the application process broker/dealers located in Travis County who are currently serving institutional clients.

**23.044 Qualifications for Approval as Broker/Dealer/Financial Institutions**

The Investment Management Office reviews the applications of the broker/dealer/financial institutions for compliance with this policy and recommends broker/dealer/financial institutions for approval. Although having an office in Texas is not a required criteria, Travis County prefers working with broker/dealer/financial institutions with offices located in Texas.

- (a) To be recommended for approval, the qualified representative of the primary broker/dealer/financial institution must provide the information and comply with the requirements set forth in 23.043 (a).
- (b) To be recommended for approval, a non-primary broker/dealer/financial institution and/or its qualified representative(s) must demonstrate possession of the following criteria:
  - (1) Institutional investment experience,
  - (2) Good references from public fund investment officers, preferably in Texas, with the exception of incumbents,
  - (3) Adequate capitalization in compliance with the Capital Adequacy Guidelines for Government Securities Dealers published by the New York Federal Reserve Bank for banks or adequate capitalization in compliance with the Securities and Exchange Commission for broker/dealers,
  - (4) Acknowledgement of a thorough review and understanding of this Investment Policy and Procedures Chapter,
  - (5) Regulation by the Comptroller of the Currency for banks or regulation by the Securities and Exchange Commission (“SEC”) for broker/dealers,
  - (6) Membership in good standing in the Financial Industry Regulatory Authority (FINRA) by broker/dealers and subsidiaries of national banks,
  - (7) Valid licensure from the State of Texas, except for national banks, and
  - (8) Acknowledgement of implementation of reasonable controls and procedures in an effort to preclude investment transactions conducted between it and Travis County that are not authorized by this chapter 23, except to the extent that this authorization is dependent on an analysis of the makeup of Travis County’s entire portfolio or requires an interpretation of subjective standards.
- (c) To be recommended for approval, broker/dealer/financial institutions previously approved by Commissioners Court will also be evaluated based on the following criteria:
  - (1) Performance since the last review based on participation in competitive bids documented on bid sheets, and
  - (2) Activity level based on proposals presented since the last review.

**23.045 Approval of Broker/Dealer/Financial Institutions**

The Commissioners Court reviews the recommendations of the Chief Investment Officer and may approve any number of broker/dealer/financial institutions. Travis County and the Investment Officers may only purchase securities, except for commercial paper,

from qualified broker/dealer/financial institutions. Commercial paper shall be purchased in compliance with 23.101, Competitive Bidding. The Chief Investment Officer may limit the number of institutions with which Travis County does business.

**23.046 Annual Review of Approved Broker/Dealer/Financial Institutions**

Each year new applicants and broker/dealer/financial institutions currently on the approved list must comply with 23.043 and 23.044 and submit applications to the Investment Office. The Chief Investment Officer's recommended changes to the approved list must be submitted to the Commissioners Court for approval on an annual basis.

**23.047 Removal from Approved List**

When the Investment Management Office reviews and reevaluates the broker/dealer/financial institutions currently on the approved list and at any other time when the Chief Investment Officer discovers good cause, the Chief Investment Officer may recommend that a broker/dealer/financial institution be removed from the approved list for any of the following reasons:

- (1) Placing Travis County's funds at risk,
- (2) Inactivity of the broker/dealer/financial institution,
- (3) Failure to maintain one or more of the criteria in 23.044,
- (4) Offering to sell investments other than eligible investments described by 23.042(b),
- (5) Consistently causing an administrative burden by inaccurate documentation or late verification of trade,
- (6) Consistently offering/bidding securities at non-competitive prices, or
- (7) Undergoing material change through divestiture, merger, purchase, or other similar corporate transformations.

***Diversifying Portfolios***

**23.048 Diversifying Operating Account Portfolio by Type**

The Investment Officer must minimize loss of principal in the operating account portfolio by diversifying investments by type and maturity. The Investment Officer must maintain diversity in the types of eligible investments purchased for all Travis County portfolios combined (see 23.042(b) for full description of eligible investments) by limiting the percentage for each type of eligible investment to the percentage listed in this section. These percentages will be applied to all Travis County portfolios in aggregate. The limits will be tested each Friday and the Investment Officer will have 30 days following the test to bring the percentage back within the limits as described below:



- (C) the assets of TexPool consist exclusively of obligations that are authorized investments in the Texas Government Code Annotated Chapter 2256, known as the Texas Public Funds Investment Act,
  - (D) TexPool meets all eligibility requirements of the Public Funds Investment Act including disclosure and reporting, and
  - (E) TexPool meets all management requirements of the Public Funds Investment Act, including existence and reliance on maintenance of advisory board, net asset value and maintenance ratings .....50%
- Public funds and local government investment pools (LGIP's).(See 23.042(b) for full description.).....30%
- All LGIP's in total.....60%

**23.049 Diversifying All Other Portfolios by Type**

- (a) Within the pooled bond funds portfolio and the debt service portfolio the proceeds of a single bond issue may be segregated and invested in a single eligible investment or group of eligible investments designed to facilitate compliance with arbitrage regulations if the Investment Officers or Travis County's arbitrage advisors determine that this type of strategy is necessary to comply with federal arbitrage restrictions or to facilitate arbitrage recordkeeping and calculation.
- (b) In all other cases, the Investment Officers must apply the diversification and measurement requirements to the pooled bond funds portfolio combined with all Travis County portfolios in accordance with 23.048.

**23.050 Diversifying Operating Account Portfolio by Maturity**

- (a) The Investment Officers must monitor the maturity dates of all investments in the operating account portfolio to minimize risk of loss from interest rate fluctuations and to ensure that the maturities do not exceed the anticipated cash flow requirements of the operating account portfolio. The Investment Manager must also monitor the maturity dates of all investments in the operating account portfolio to ensure that the dollar-weighted average maturity does not exceed two and one-half years. The weighted average maturity is calculated as of the end of each month using the stated final maturity dates for each security.
- (b) If these levels are exceeded, the Investment Manager shall take all prudent measures that are consistent with this Policy to analyze the investment and determine the most prudent course of action to minimize any potential economic loss.
- (c) The maximum allowable stated maturity of any individual investment owned by the operating account portfolio is as follows (see 23.042(b) for full description of eligible investments):

| <b>Investment Type</b>  | <b>Maturity Limit</b> |
|---|-----------------------|
| Obligations of the U.S. – Treasury Notes/Bonds/Bills .....  | 7 years               |
| Obligations of U.S. Agencies.....   | 5 years               |
| Direct obligations of the State of Texas or its agencies and instrumentalities  | 5 years               |
| Other obligations, the principal 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 their respective agencies and instrumentalities, including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation or by the explicit full faith and credit of the United States..... | 5 years               |
| Obligations of states, agencies, counties, cities, and other political subdivisions of any state (See 23.042(b) for full description).....  | 5 years               |
| Domestic commercial paper(See 23.017 for full description.) .....   | 270 days              |
| Fully collateralized repurchase agreements (See 23.042(b) for full description.) ....<br>.....  | 90 days               |
| Certificates of Deposit (See 23.042(b) for full description) .....  | 18 months             |
| A no-load money market mutual fund (“MMMM”) (See 23.042(b) for full description)<br>.....<br>.....  | 1 day                 |
| Public funds and local government investment pools (LGIP’s) (See 23.042(b) for full description).....   | 1 day                 |
| TexasTERM local government investment pool .....  | 365 days              |

**23.051 Diversifying All Other Portfolios by Maturity**

- (a) The Investment Officers may limit the maturity of the pooled bond funds portfolio, the debt service portfolio and the agency funds portfolio to the “temporary period” as defined by the Internal Revenue Code, § 148, during which bond proceeds may be segregated and invested at an unrestricted yield. After the temporary period ends, the Investment Officers must consider the anticipated cash flow requirements of the funds and invest the portions of the pooled bond funds portfolio, the debt service portfolio and the agency funds portfolio subject to yield restriction within limits permitted by Federal arbitrage regulations.
- (b) The Investment Officers must monitor the maturity dates of all investments in the pooled bond funds portfolio and the debt service portfolio to ensure that the dollar-weighted average maturity for each portfolio does not exceed one and one-half years. The weighted average maturity is calculated as of the end of each month using the stated final maturity dates for each security.
- (c) If these levels are exceeded, the Investment Officers shall take all prudent measures that are consistent with this Policy to analyze the investment and determine the most prudent course of action to minimize any potential economic loss.
- (d) The maximum allowable stated maturity of any individual investment owned by the pooled bonds fund portfolio and the debt service portfolio, that is not subject to the temporary period, is the same as the operating portfolio (See 23.050); except for the following:

| <b>Investment Type</b>                                     | <b>Maturity Limit</b> |
|--|-----------------------|
| Obligations of the U.S. – Treasury Notes/Bonds/Bills ..... | 5 years               |
| Obligations of U.S. Agencies.....                          | 3 years               |

***Collateralizing Deposits***

**23.052 Collateral Requirements for All Deposits**

- (a) Certificates of deposit and bank deposits in financial institutions must be either federally insured or collateralized only with the following securities:
  - (1) Direct obligations of the United States or its agencies and instrumentalities;
  - (2) Other obligations, the principal and interest on which are unconditionally guaranteed or insured by or backed by the full faith and credit of the United States or its agencies and instrumentalities, including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation or by the explicit full faith and credit of the United States;

- (3) Letters of credit issued to Travis County by the Federal Home Loan Bank, if approved in advance by Travis County.
- (b) If an event causes an increase in Collateral of more than \$50 million to be needed after noon on any business day, the market value of collateral must be equal to or greater than 100% of the par value of the certificates of deposit, plus accrued interest, and equal to or greater than 100% of the bank deposits plus accrued interest, less the amount insured by the Federal Deposit Insurance Corporation and may remain at that level until the next business day when additional collateral can be obtained. At all other times, the market value of collateral must be equal to or greater than 105% of the par value of the certificate of deposits plus accrued interest and equal to or greater than 105% of the bank deposits plus accrued interest, less the amount insured by the Federal Deposit Insurance Corporation.

### **23.053 Monitoring Collateral Adequacy for All Deposits**

Financial institutions with which Travis County has certificates of deposit or bank deposits must provide Travis County with monthly reports that state the market values of collateral. The Investment Officers monitor the adequacy of collateral at least weekly. If the value of the collateral falls below the required level, the financial institution must pledge additional collateral no later than the end of the next business day after the value falls below the required level.

### **23.054 Substituting Collateral for All Deposits**

If the financial institution collateralizing certificates of deposit and bank deposits wants to substitute new collateral, the financial institution must contact the Treasurer for approval. The Investment Officer must calculate the value of the substituted collateral and determine that the substituted collateral is within the requirements of this Investment Policy and the Depository Bank Contract. The value of the new collateral must equal at least the value of the original collateral. If the collateral has sufficient value, the Treasurer may approve the substitution. The Treasurer must notify the financial institution or the safekeeping agent holding the collateral when any substitution is approved. Although substitution is allowable, it should be limited to minimize a potential administrative burden. The Treasurer may limit substitutions and assess reasonable fees if requests for substitution become excessive or abusive.

### **23.055 Agreements and Safekeeping for All Deposits**

Financial institutions serving as county depositories must enter agreements for the safekeeping of collateral with both Travis County and its safekeeping agent, or agree to cooperate with the Federal Reserve Bank under the terms of its Pledgee Agreement Form, to define Travis County's rights to the collateral in case of default, bankruptcy, or bank closing. All collateral securing deposits is held by the safekeeping agent.

### **23.056 Collateral Requirements for Repurchase Agreements**

Issuers of repurchase agreements must collateralize them with obligations of the United States or its agencies. These issuers must wire transfer the collateral to the safekeeping agent designated by Travis County through the Federal Reserve System. If the collateral matures in one year or less, the value of the collateral must be at least 101% of the par value of the repurchase agreement plus accrued interest. If the collateral matures in one to two years, the value of the collateral must be at least 102% of the par value of the repurchase agreement plus accrued interest. Collateral maturity is limited to two years.

### **23.057 Monitoring Collateral Adequacy for Repurchase Agreements**

The Investment Officer must monitor all collateral underlying repurchase agreements weekly. More frequent monitoring may be necessary during periods of market volatility. If the value of the collateral for a repurchase agreement falls below the required level, the Investment Officer must make a margin call unless the repurchase agreement matures within five business days and the difference between the value of the collateral and the required level is immaterial.

### **23.058 Substituting Collateral for Repurchase Agreements**

Seller shall obtain written consent of Travis County prior to substitution. The duration (or maturity) of securities offered as substitutes may not exceed the duration or maturity of the originally purchased securities.

### **23.059 Safekeeping of Repurchase Agreement Collateral**

Issuers of repurchase agreements must transfer collateral for repurchase agreements to the safekeeping agent with which Travis County has established a safekeeping agreement.

**[23.060 - 23.070 Reserved for expansion]**

## ***Subchapter F. Liquidity***

### **23.071 Achieving Liquidity**

Investments are selected to meet anticipated cash needs. The Investment Officers must achieve liquidity by purchasing eligible investments described by 23.042(b) with active secondary markets, eligible MMMF's and LGIP's.

### **23.072 Liquidating Investments**

The Investment Officers may liquidate an investment to meet unanticipated cash requirements, to redeploy cash into other investments expected to outperform current holdings, or to adjust the portfolios for other reasons.

[23.0073 - 23.080 Reserved for expansion]

***Subchapter G. Investment Return Achievement***

**23.081 Priority of Investment Goals**

- (a) The Investment Officers must consider legality, safety, liquidity, diversification, risk and rate of return in investment selection for all portfolios.
  - (1) Investments are made in securities with maturities corresponding to anticipated cash requirements.
  - (2) Investments are to take advantage of yield curves and earn additional returns.
  - (3) The Investment Officers must actively manage all Travis County portfolios to enhance total income in compliance with the “prudent investor rule” described by 23.013.
- (b) The Investment Officers may use bond swaps to achieve these management goals.

**23.082 Bond Swaps**

If the demand for a bond from a particular agency creates a situation where the yields in that agency’s bonds are the same or less than an equivalent treasury security, swapping the agency’s bond for a treasury security can improve the quality of Travis County’s portfolios. If bonds in a particular maturity range are limited in the market, swapping a bond in demand for a similar bond in a different maturity range may be advantageous.

- (1) The Investment Officers may swap a bond held in any Travis County portfolio for a comparable bond in the market to improve portfolio yield even if the transaction results in an accounting loss.
- (2) The Investment Officers may swap a bond held in any Travis County portfolio if the overall yield of the portfolio will not decrease after the swap and the date of maturity of the new security is less than 181 days after the maturity date of the old security.
- (3) The Investment Officers must solicit competitive bids for bond swaps. All bids received are documented and filed for auditing purposes.

[23.083 - 23.090 Reserved for expansion]

***Subchapter H. Investment Responsibilities By Office***

**23.091 Training**

- (a) The Treasurer, the Chief Investment Officer, Investment Manager, Senior Financial Analyst and Auditor shall attend at least one training session from an independent source approved by Commissioners Court and containing at least 10 hours of instruction relating to his/her responsibilities under the Public Funds Investment Act within twelve months after taking office.
- (1) These persons shall also attend an investment training session not less than once in a two-year period that begins on the first day of Travis County's fiscal year and consists of two consecutive fiscal years after that date, and receive not less than 8 hours of instruction relating to investment responsibilities under the Public Funds Investment Act from an independent source approved by Commissioners Court.
  - (2) Training must include education in investment controls, security risks, strategy risks, market risks, diversification of investment portfolio, and compliance with the Public Funds Investment Act.
- (b) The independent sources approved by Commissioners Court are:
- Government Finance Officers Association
  - Government Finance Officers Association of Texas
  - Government Treasurers Organization of Texas
  - Texas Association of Counties
  - Austin Treasury Management Association
  - Alliance of Texas Treasury Associations
  - Texas Municipal League
  - Texas Society of CPAs
  - Association of Government Accountants
  - University of North Texas
  - University of Texas
  - Texas A&M University
  - County Treasurers Association of Texas
  - Texas Association of County Auditors
  - Western CPE
  - First Southwest Company

### **23.092 Treasurer's Office**

The Treasurer is the chief custodian of county funds. The Treasurer receives funds due to Travis County, makes disbursements authorized by the Commissioners Court after the checks are co-signed by the Auditor, and keeps proper records of county finances. In the investment function, the Treasurer has the following responsibilities:

- (1) Notifying of Controlled Disbursement Requirements. The Treasurer notifies the Investment Officers if additional funds are required for the daily controlled disbursement to ensure that investments are liquidated in time to meet the controlled disbursement requirements.
- (2) Processing Investments. The Treasurer may transact wire transfers for investment purposes for Travis County. The Investment Officers notify the Treasurer of the amount to be transferred. The Treasurer transfers funds to the safekeeping account to purchase the investment. In addition, the Treasurer and the Investment Officers approve the wire transfer form. The Treasurer records investments in the HTE investment module at par value.
- (3) Depositing Investment Principal and Interest. The Treasurer deposits principal and interest at maturity to the funds bank account indicated by the Investment Officers.
- (4) Ensuring Security of Investments. The Treasurer accesses the depository's files daily to verify Travis County's account balances. The Treasurer adds the certificates of deposit purchased by the Investment Officers, Tax Office, County Clerk, and District Clerk to the total county cash balances to obtain the total county balance. The Treasurer compares the total county balance to the total collateral purchased by the depository banks.
  - (A) The collateral must be 105% of Travis County's total balances held with the depository.
  - (B) If the collateral is less than 105% of Travis County's total balances, the Treasurer -must contact the depository bank to verify that the depository bank has increased the collateral to the required level.
- (5) Collateral. The Treasurer safekeeps any Letters of Credit provided by the depository bank as collateral.
- (6) Reporting Accounts. The Treasurer provides to the Auditor copies of monthly statements of all fund bank accounts which include beginning balances, deposits, disbursements, and ending balances. The Treasurer prepares and submits to the Auditor a monthly report of all outstanding checks for the Jury and CAPSO funds.

**23.093 Investment Management Office**

- (a) The Chief Investment Officer is the primary manager of county investment portfolios.
- (b) The Chief Investment Officer and the Investment Manager make investment decisions, and keep proper records of county investments. In the investment function, the Investment Officers have the following responsibilities:
  - (1) Developing Investment Strategies. The Investment Officers develop an investment strategy to administer investments of Travis County. The Investment Officers use the following procedures in the investment strategy:
    - (A) summarize the economic and market analysis;
    - (B) forecast available cash for investment;
    - (C) formulate strategies for asset mix, investment instruments, maturities, and target yields;
    - (D) monitor performance against the current investment strategy and evaluating reasons for variances;
    - (E) report portfolio performance for the previous quarter to the Investment Advisory Committee and the Commissioners Court; and
    - (F) revise the investment strategy based on recommendations by the Investment Advisory Committee.
  - (2) Selecting and Processing Investments. The Investment Officers review the composition of the current portfolio and determine whether the securities under consideration maintain the portfolio within policy guidelines. The Investment Officers and the Treasurer approve the wire transfer form authorizing the transfer of funds for a specific investment transaction.
  - (3) Documenting Investments and Providing Details. The Investment Officers retain documentation of all investment transactions, including bond swaps. The Investment Officers provide information and supporting documentation for all investment transactions to the Auditor's Financial Reporting Division for entry in the General Ledger. The Investment Officers provide information and back-up documentation of all investment transactions to the Treasurer to ensure accurate calculation of cash position and accurate posting to appropriate fund bank accounts.
  - (4) Developing Cash Flow Projections for All Portfolios. The Investment Officers analyze prior period data and meet with Travis County department staff to develop and amend cash flow projections of Travis County cash requirements. The Investment Officers use cash flow projections to match assets and liabilities in addition to maximizing the return on investments.

- (5) Determining Cash Available for Investment. The Investment Officers determine the amount of county funds available for investment each business day. All funds that can be legally invested and that are not required for that day's controlled disbursement are considered funds available for investment.
- (6) Monitoring Investment Performance.
  - (A) The Chief Investment Officer must routinely perform market and economic analysis to forecast probable market conditions for the investment period by assembling and analyzing current and trend data to develop and plan investment strategy. This analysis uses information obtained from investment advisors, brokers, investment industry publications, and investment industry information systems.
  - (B) The Chief Investment Officer monitors the current and expected yield curves for interest rate movements. When interest rates are expected to decline, maturity ranges are extended within portfolio and policy constraints. When interest rates are expected to increase, maturity ranges are shortened. The Chief Investment Officer monitors yield spreads between various government agency issues and United States notes and bonds to determine the best value. The Chief Investment Officer summarizes economic and market trend information and presents it at each regular meeting of the Investment Advisory Committee. The Chief Investment Officer also presents recommendations for investment strategy based on economic and market conditions.
  - (C) If a Securities Lending agreement is executed, the Investment Officers will monitor the securities lending reports frequently or as needed, but not less than weekly, to reconcile safekeeping reports with lending reports. In addition to the Investment Officer's monitoring of the securities, regular valuation of the collateral also needs to be made to insure that the collateral held by the Lending Agent (the institution with which the securities lending agreement has been executed) is in compliance with the Travis County Investment Policy and remains above the 102% market value of the securities that were borrowed.
- (7) Reconciling Investment Records and General Ledger. The Investment Officers provide the Auditor's Financial Reporting Division with a monthly report that states investments at par value, the identifying cusip number, the premium or discount and the interest purchased. The report includes monthly and year-to-date interest accruals and amortization/accretion of premium/discount. The Auditor reconciles this report to the investment accounts in the general ledger.

- (8) Providing Revenue Estimates for All Portfolios. The Chief Investment Officer provides an estimate of the investment revenue for the annual budget.

#### **23.094 Auditor's Office**

The Auditor is the primary monitor of county transactions. The Auditor prepares the general ledger and makes all entries in it, and performs internal audits of the controls of county departments. In the investment function, the Auditor has the following responsibilities:

- (1) Posting Investments and Reconciling to General Ledger. The Auditor's Financial Reporting Division posts investment transactions, investment interest revenue received, and accrued interest income to the General Ledger. The Auditor's Financial Reporting Division performs the monthly reconciliation of investments, investment interest revenue received, and accrued interest income to the General Ledger. The Auditor's Financial Reporting Division notifies the Investment Manager if there are any discrepancies between the monthly investment report described in 23.042 (7) and the general ledger so that these two departments can work together to reconcile the differences.
- (2) Confirming Balances and Performing Compliance Audit. The Auditor's Internal Audit Division, in conjunction with its annual financial audit, shall perform a compliance audit of management controls on investments and adherence to this chapter 23 and Texas Government Code Annotated Chapter 2256, known as the Texas Public Funds Investment Act.
- (3) Monitoring Arbitrage. The Auditor monitors Travis County's arbitrage responsibilities and provides the bond fund transaction information required by Travis County's arbitrage advisors.
- (4) Reconciling Safekeeping Reports with Investments. On a monthly basis, the Investment Management Office reconciles Travis County's current investment holdings with the Safekeeping records, provided by the custodian bank. The account is reviewed monthly by the Auditor's Financial Reporting Division.
- (5) Allocating Budget from Interest Revenue. The Auditor's General Ledger Division allocates the interest revenue earned from investments proportionately to all funds that participate in the investment function.

***Subchapter I. Investment Purchasing Procedures***

**23.101 Competitive Bidding**

- (a) Travis County requires competitive bidding for all individual security purchases except for those transactions with MMMFs, LGIPs, treasuries purchased through the Federal Reserve Treasury Direct Accounts, and for government securities purchased at issue through an approved broker/dealer at the auction price. The Investment Officers may rely not only on yield in selecting MMMFs and LGIPs but also on adherence to applicable Securities and Exchange Commission (SEC) guidelines for MMMFs and other criteria determined by her.
- (b) At least three bids or offers must be solicited in all transactions involving individual securities. For those situations where it may be impractical or unreasonable to receive three bids for an agency transaction due to secondary market availability, bids may be considered comparable for agencies with comparable structures and having maturities within 15 calendar days before and after the requested security. Competitive bidding for security swaps is also required. Bids may be solicited in any manner provided by law. All bids received must be documented and filed for auditing purposes.
- (c) At least three bids or offers must be solicited in transactions involving domestic commercial paper. These bids shall be obtained from approved broker/dealers or from a financial information source, such as Bloomberg. When bids are obtained from a financial information source, the commercial paper selected may be purchased directly from the issuer. Different issuers may be compared to select the highest yielding, domestic commercial paper. The Investment Officers may rely not only on yield in selecting commercial paper but also on other criteria determined by her. The criteria to follow when soliciting bids are as follows:
  - (1) The maturity dates must be the same, and
  - (2) The method of settlement must be the same whether regular settlement next day or cash settlement same day.

**23.102 Preliminary Requirements for Repurchase Agreements**

Before Travis County enters into a repurchase agreement with any issuer, that issuer must sign a Master Repurchase Agreement approved by Commissioners Court and return it to the Investment Officers for filing. All Repurchase Agreements are recommended by the Investment Officers, reviewed by Travis County Attorney's Office, and approved by Commissioners Court.

### **23.103 Wire Transfer Procedures**

- (a) In executing investment transactions, the Treasurer must use pre-formatted repetitive wire transfers, whenever possible, to restrict transfers of funds to pre-authorized accounts.
- (b) For transfer of investment funds via wire to non-county accounts, the agreement with the depository bank must require the depository bank to call the Investment Officer for confirmation that this transfer is authorized prior to the transfer.

**[23.104 - 23.110 Reserved for expansion]**

## ***Subchapter J. Performance Evaluation And Reporting***

### **23.111 Levels of Evaluation**

Evaluation is conducted at several levels. The Investment Officers continually monitor and evaluate the investment performance. The Investment Advisory Committee evaluates the investment strategies and portfolio performance. The Director of Economic Development and Strategic Investments or the County Executive for Planning and Budget evaluates the Chief Investment Officer's entire performance.

### **23.112 Investment Advisory Committee**

The Investment Advisory Committee reviews investment policies and procedures, investment strategies, and investment performance. Travis County members of the Committee include: two designated members of Commissioners Court, one of whom acts as Chair, the County Executive of Planning and Budget, the Chief Investment Officer, the Treasurer, and the Auditor. Outside expertise is provided by at least six persons from the Austin Metropolitan Area, who have demonstrated knowledge and expertise in the area of investment portfolio management. The Chair calls annual meetings of the committee or more often as needed.

### **23.113 Performance Analysis and Reporting**

The Chief Investment Officer determines the level and content of daily and weekly performance analysis and reporting. The Chief Investment Officer and the Commissioners Court jointly decide the level and content of monthly performance analysis and reporting.

### **23.114 Quarterly Performance Analysis and Reporting**

- (a) The Chief Investment Officer and the Investment Manager must prepare, provide, and sign a quarterly summary report, for each fund group, that describes in detail the investment position of Travis County and evaluates investment performance based on investment policy objectives. The quarterly report will identify the method and source used to monitor the

market price of investments and also will indicate whether the method and source changed from the previous quarterly report. This report must be submitted to the Investment Advisory Committee and Commissioners Court. A comparison of the performance of Travis County's portfolio to appropriate benchmarks selected by the Chief Investment Officer is presented. The report addresses compliance with the investment policy in diversification by type and maturity. The report also includes the following information:

- (1) Cash availability,
  - (2) Market review,
  - (3) Investment strategy – next quarter,
  - (4) Performance measurement: the standard used by Travis County to measure its investment return is based on the yield to maturity of all investments in the portfolio, using the stated final maturity date of each security,
  - (5) Portfolio statistics,
  - (6) Collateral adequacy for repurchase agreements,
  - (7) Collateral adequacy for bank deposits and certificates of deposit,
  - (8) Investment activity,
  - (9) Market valuation:
    - (A) at beginning of quarter, and
    - (B) at end of the quarter, for each portfolio,
  - (10) Distribution of investments by broker/dealer/financial institution,
  - (11) Distribution of investments by type of investment,
  - (12) Fully accrued interest for the reporting period,
  - (13) For each separately invested asset,
    - (A) state book value and market value at the beginning and end of the quarter by the type of asset and fund type,
    - (B) state maturity date, and
    - (C) state the fund for which it was acquired, and
  - (14) Signatures of the Chief Investment Officer and the Investment Manager certifying compliance of the Travis County investment portfolios with the Travis County investment strategy, policy and the Public Funds Investment Act.
- (b) The reference to Generally Accepted Accounting Principles in 23.113 (a) relates only to internal reporting of investments by the Chief Investment Officer as required under Texas Government Code 2256.023, and does not apply to annual financial statements and other external reports of Travis County as a whole.

**23.115 Annual Performance Analysis and Reporting**

- (a) The Chief Investment Officer compiles the quarterly reports into an annual report at the end of each fiscal year and submits it to the Investment Advisory Committee and the Commissioners Court by the end of the first quarter of the following fiscal year.
- (b) An independent auditor chosen to audit the County’s annual financial statements must formally review the quarterly investment reports that are prepared in compliance with the Public Funds Investment Act. In conjunction with this audit, Travis County shall perform a compliance audit of management controls on investments and adherence to this Investment Policy. This review should be performed at least annually and the results reported to Commissioners Court.

**[23.116 - 23.120 Reserved for expansion]**

***Subchapter K. Investment Policy Review And Amendment***

**23.121 Review Procedures**

The Chief Investment Officer and the Investment Advisory Committee must review this chapter 23 annually to make revisions due to legislative actions and changing market conditions. This review must be done by the third quarter of the calendar year after each legislative session. The Chief Investment Officer must present a summary report of the review with changes recommended by the Investment Advisory Committee to the Commissioners Court. The Commissioners Court must review the investment policy and strategies at least annually.

**23.122 Changes to the Investment Policy**

After adoption of this chapter 23, the Commissioners Court must approve any revisions to the policy manual before they become effective, by adopting a written instrument stating it has reviewed the Investment Policy and investment strategies. This written instrument must record any changes made to either the policy or strategies.

**[23.123 - 23.130 Reserved for expansion]**

**Subchapter L. Forms**

**23.131 Disclosure**

Investment Officers required by 23.015 to make disclosure shall report in a manner that is substantially similar to the forms in 23.131 (1) and (2).

- (1) Personal business interests which require disclosure should be reported in a format similar to the following:

**Disclosure of Required Personal Business Interest Form**

Date

Texas Ethics Commission  
201 E. 14<sup>th</sup> Street (or current address)  
Sam Houston Building, 10<sup>th</sup> Floor  
Austin, Texas 78701

Dear Sir or Madam:

This letter is a disclosure statement to comply with the 1999 Public Funds Investment Act passed by the Texas Legislature, which requires, in § 2256.005 (i), that an investment officer of an entity who has a personal business relationship with a business organization offering to engage in an investment transaction with the entity shall file a statement disclosing that personal business interest.

Travis County purchases investments through *Name of Business Organization*. As an Investment Officer of the Travis County Investment Management Office, I hereby disclose that I use *Name of Business Organization* for personal investment transactions.

Sincerely,

Signature of Travis County Investment Officer

Name of Travis County Investment Officer

CC: Travis County Commissioners Court  
Travis County, County Executive, Planning and Budget  
Travis County Chief Investment Officer

- (2) Investment Officers who have a relationship within the second degree by affinity or consanguinity must use a form similar to the following example:

**Disclosure of Relationship Within Second Degree of Affinity or Consanguinity**

Date

Texas Ethics Commission  
201 E. 14<sup>th</sup> Street (or current address)  
Sam Houston Building, 10<sup>th</sup> Floor  
Austin, Texas 78701

Dear Sir or Madam:

This letter is a disclosure statement to comply with the 1999 Public Funds Investment Act passed by the Texas Legislature, which requires, in § 2256.005 (i), that an investment officer who is related within the second degree by affinity or consanguinity, as determined under Chapter 573, to an individual seeking to sell an investment to the investment officer's entity shall file a statement disclosing that relationship.

Travis County purchases investments through *Name of Individual* with *Name of Business Organization*. As an Investment Officer of the Travis County Investment Management Office, I hereby disclose that I am related to *Name of Individual* with *Name of Business Organization* within the second degree of affinity or consanguinity.

Sincerely,

Signature of Travis County Investment Officer

Name of Travis County Investment Officer

CC: Travis County Commissioners Court  
Travis County, County Executive, Planning and Budget  
Travis County Chief Investment Officer

**23.132 Certification**

**TEXAS PUBLIC FUNDS INVESTMENT ACT  
CERTIFICATION BY BUSINESS ORGANIZATION**

This certification is executed on behalf of Travis County and (the Business Organization) pursuant to the Texas Public Funds Investment Act, Chapter 2256, Government Code, Texas Codes Annotated (the Act), in connection with investment transactions conducted between Travis County and the Business Organization.

The undersigned Qualified Representative of the Business Organization hereby certifies on behalf of the Business Organization that:

- (i) Public Funds Investment Act Section 2256.005 (k): Nothing in this Certification relieves Travis County of the responsibility for monitoring the investments made by Travis County to determine that they are in compliance with the Travis County Investment Policy.
- (ii) The undersigned is a Qualified Representative of the Business Organization offering to enter into an investment transaction with Travis County as such terms are used in the Public Funds Investment Act, Chapter 2256, Texas Government Code;
- (iii) The Qualified Representative of the Business Organization has received and thoroughly reviewed the Investment Policy furnished by the Travis County Investment Officer;
- (iv) Public Funds Investment Act Section 2256.005 (k) (2): The Qualified Representative of the Business Organization has implemented reasonable procedures and controls in an effort to preclude investment transactions conducted between Travis County and the Business Organization that are not authorized by Travis County's Investment Policy, except to the extent that this authorization is dependent on an analysis of the makeup of Travis County's entire portfolio or requires an interpretation of subjective investment standards.

Qualified Representative of the Business Organization

Signature \_\_\_\_\_

Name \_\_\_\_\_

Title \_\_\_\_\_

Date \_\_\_\_\_

**23.133 Broker/Dealer/Financial Institution Questionnaire**

Non-Primary Broker/Dealer/Financial Institutions must complete a Broker/Dealer Questionnaire in the following form to comply with 23.019 and 23.020:

TRAVIS COUNTY, TEXAS

**BROKER/DEALER/FINANCIAL INSTITUTION QUESTIONNAIRE**

Travis County operates under the laws of the State of Texas, including the State of Texas Public Funds Investment Act. Travis County manages an investment portfolio ranging in size from \$500 million to \$900 million, which is comprised mainly of U.S. Treasury and Agency obligations, Commercial Paper, and Local Government Investment Pools. Travis County has adopted a written Investment Policy which regulates the standards and procedures used in its cash management activities. A copy of the Investment Policy is included, as well as a copy of the Public Funds Investment Act.

Travis County will review and substantiate information and references requested in this Questionnaire; therefore, please answer all questions as thoroughly as possible. Travis County will notify Broker/Dealers of their approval/non-approval in writing. No transactions will be conducted with a Broker/Dealer who has not signed the Travis County Certification. Travis County solicits competitive bids and offers on the majority of its transactions. All securities will be delivered against payment to the third party custodian named by Travis County.

Note that instructions in bold print require information to be provided in addition to the completed questionnaire.

1. Name of Firm \_\_\_\_\_

2. Local Address \_\_\_\_\_

\_\_\_\_\_

3. National Address \_\_\_\_\_

\_\_\_\_\_

4. Local telephone number ( \_\_\_\_\_ ) \_\_\_\_\_

National telephone number( \_\_\_\_\_ ) \_\_\_\_\_

5. Primary representative (the person Travis County will be primarily doing business with)

Name \_\_\_\_\_

Title \_\_\_\_\_

Telephone number ( \_\_\_\_\_ ) \_\_\_\_\_

CRD # \_\_\_\_\_

6. Secondary representative

Name \_\_\_\_\_

Title \_\_\_\_\_

Telephone number (\_\_\_\_\_) \_\_\_\_\_

CRD # \_\_\_\_\_

7. Identify all personnel who will be trading with or quoting securities to the Travis County Investment Management staff (additional back-ups)

Name

Title

CRD Number

| Name  | Title | CRD Number |
|-------|-------|------------|
| _____ | _____ | _____      |
| _____ | _____ | _____      |
| _____ | _____ | _____      |
| _____ | _____ | _____      |

**PLEASE ATTACH RESUMES of all the above persons.**

8. Have all of the above personnel read our investment policies and procedures and signed our certification?

Yes [ ] No [ ]

If above answer is no, please explain:

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

9. (A) If you are a broker/dealer or subsidiary of a national bank, is your firm licensed to do business in Texas?

Yes [ ] No [ ]

(B) If you are a broker/dealer or subsidiary of a national bank, is your firm a member of Financial Industry Regulatory Authority (FINRA) and in good standing?

Yes [ ] No [ ]

Please provide your firm's CRD number \_\_\_\_\_

10. What was your firm's trading volume in United States Government and Agency securities for the most recent fiscal year?

Firm-wide \$ \_\_\_\_\_

Number of Transactions \_\_\_\_\_

Local office \$ \_\_\_\_\_

Number of Transactions \_\_\_\_\_

11. Which instruments are offered regularly by your local desk?

Treasury Bills

Treasury notes/bonds

Agencies – specify

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Commercial paper

Other – specify

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

12. Please identify at least three of your most directly comparable public sector clients in Texas who have done business with the primary representative listed in question 5.

| Entity | Contact Person | Telephone No. | Client Since |
|--------|----------------|---------------|--------------|
| _____  | _____          | ( ) _____     | _____        |
| _____  | _____          | ( ) _____     | _____        |
| _____  | _____          | ( ) _____     | _____        |
| _____  | _____          | ( ) _____     | _____        |

13. Has your firm or any of your employees ever been investigated by a regulatory or state agency for alleged improper, fraudulent, disreputable, or unfair business practices in the sale of securities or money market instruments? If yes, please explain.

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14. Please provide the information listed below as well as the most recent AUDITED financial statements for your firm.

Your Firm's Total Liabilities \_\_\_\_\_

Your Firm's Total Shareholder Equity \_\_\_\_\_

15. Are you representing a parent corporation or a subsidiary of another corporation?

Parent [  ]

Subsidiary [  ]

**If you are a SUBSIDIARY, please provide the most recent audited financial statements for your PARENT corporation.**

16. If your institution is a bank,

(A) Has your bank consistently complied with the Federal Reserve Bank's capital adequacy guidelines?

(B) Is your bank in compliance with these guidelines on the date of this questionnaire?

(C) Has your capital position ever fallen short of these guidelines?

(D) Does your bank presently exceed the capital adequacy guidelines' measure of risk? If so, by what factor? Example: 1.5X, 2X, etc.

(E) Please provide certified documentation of your capital adequacy as measured by the Federal Reserve Bank standards.

17. If your institution is a broker/dealer or a subsidiary of a national bank, please provide your most recent FOCUS report.

18. What portfolio information do you require from your clients?

19. What reports, transactions, confirmations and paper trail will we receive?