

#16,504

**HUNT COUNTY
INVESTMENT POLICY
2020**

FILED FOR RECORD
at 12:22 o'clock P M
NOV 24 2020
JENNIFER LINDENZWEIG
County Clerk, Hunt County, TX
By Jennifer Lindenzweig

I. INVESTMENT SCOPE

GENERAL STATEMENT

This policy serves to satisfy the statutory requirements of Local Government Code 116.112 and "Public Funds Investment Act" (PFIA) Government Code Chapter 2256 to define and adopt a formal investment policy for Hunt County. See Attachment A: Resolution to Adopt Investment Policy. This policy will be reviewed and adopted annually by the Hunt County Commissioners Court according to Government Code section 2256.05(e).

FUNDS INCLUDED

This investment policy applies to all financial assets of Hunt County, Texas at the present time any funds to be created in the future; and other funds held in custody by the County Treasurer; unless expressly prohibited by law or unless it is in contravention of any depository contract between Hunt County and any depository bank.

II. INVESTMENT OBJECTIVES

GENERAL STATEMENT

Funds of the County will be invested in accordance with federal and state laws, this investment policy and written administrative procedure. The County will invest according to investment strategies for each fund as they are adopted by Commissioner's Court resolution in accordance with 2256.005(d).

SAFETY AND MAINTENANCE OF ADEQUATE LIQUIDITY

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

The County's investment portfolio must be structured in conformance with an asset/liability management plan which provides for liquidity necessary to pay obligations as they become due.

DIVERSIFICATION

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

YIELD

It will be the objective of Hunt County to earn the maximum rate of return allowed on its investments within the policies imposed by its safety and liquidity objectives, investment strategies for each fund, and the state and federal law governing investment of public funds.

MATURITY

Portfolio maturities will be structured to meet the obligations of Hunt County first and then to achieve the highest return of interest. When Hunt County has funds that will not be needed to meet current-year obligations, maturity restraints will be imposed based upon the investment strategy of each fund. The maximum allowable stated maturity of any individual investment owned by Hunt County is thirty-six (36) months.

QUALITY AND CAPABILITY OF INVESTMENT MANAGEMENT

It is the County's policy to provide training as required by the Public Funds Investment Act, Sec. 2256.008 and periodic training in investments for the County Investment Officers through courses and seminars offered by professional organizations and associations in order to insure the quality, capability and competency of the County Investment Officers in making investment decisions. Treasurer, CFO (if treasurer is not CFO) and County Investment Officers must attend at least 1 training session containing at least 10 hours of instruction within 12 months of taking office or assuming duties. Thereafter 10 hours of instruction must be completed not less than once in a two-year period that begins on the first day of the governing body's fiscal year.

INVESTMENT STRATEGIES

In accordance with the Public Funds Investment Act, Sec. 2250.005(d), a separate written investment strategy will be developed for each of the funds under Hunt County's control. Each investment strategy must describe the investment objectives for the particular fund using the following priorities of importance:

- (1) Understanding the suitability of the investment to the financial requirement of Hunt County;
- (2) Preservation and safety of principal;
- (3) Maintaining the required Liquidity;
- (4) Marketability of the investment if the need arises to liquidate the investment before maturity;
- (5) Diversification of the investment portfolio;

- (6) Yield; and
- (7) Maturity restrictions.

Attached hereto as Exhibit "C" are investment strategies for all funds. In accordance with the Public Funds Investment Act, Section 2256.005(e), investment strategies will be reviewed and adopted by resolution at least annually.

III. AUTHORITY TO INVEST

INVESTMENT OFFICER

The County Judge, County Treasurer and County Auditor shall serve as the "Investment Officers" of the County in accordance with Government Code Sec. 2256.005.

The Treasurer will process all investments unless by agreement of both County Judge and County Auditor which will result in a written notification to the Treasurer or his/her first assistant. As Investment Officers, they are authorized to invest, transfer, execute documentation and otherwise manage County funds according to this policy. Subject to Commissioners Court approval, the Investment Officers may also contract with an investment management firm registered under the Investment Advisors Act of 1940 or with the State Services Board to provide for the investment and management of its public funds or other funds under its control. A contract with such may not be for a term longer than two (2) years. A renewal or extension of such contract must be made by the Commissioners Court by order or resolution.

If an investment officer has a personal business relationship with an entity, or is related within the second degree by affinity or consanguinity to an individual seeking to sell an investment to the County, the investment officer must file a statement disclosing that personal business interest, or relationship, with the Texas Ethics Commission and the Commissioners' Court in accordance with Government Code Sec. 2256.005(i).

In the administration of the duties of the Investment Officers, the people designated as Investment officers shall exercise the judgment and care, under prevailing circumstances that a prudent person would exercise in the management of the person's own affairs but the governing body of the county retains ultimate responsibility as fiduciaries of the assets of the County.

In accordance with Texas Local Government Code Sec 113.005, the County Investment Officers are not responsible for any loss of the County funds through the failure or negligence of a depository. This section does not release the Investment Officers from responsibility for a loss resulting from the official misconduct or negligence of the investment officer, including misappropriation of funds, or from responsibility for funds until a depository is selected and the funds are deposited.

INVESTMENT ADVISORS

The County may designate, with approval from the Commissioners Court, a professional investment advisory firm, registered with the Securities and Exchange Commission under the 1940 Investment Advisors Act, as well as the State Securities Board to assist the County in the management of its funds. This investment advisor shall act solely in an advisory and administrative capacity within the guidelines of this policy. The County's relationship with the advisor shall be governed by a formal management contract between the two parties.

AUTHORIZED INVESTMENT TYPES

The Hunt County Investment Officers shall use any or all of the following authorized investment instruments consistent with Government Code 2256.

- (1) Obligations, including letters of credit, of the United States or its agencies and instrumentalities;
- (2) Direct obligations of this state or its agencies and instrumentalities;
- (3) Other obligations, the principal and interest of which are unconditionally guaranteed or insured by, or backed by the full faith and credit of, this state or the United States or their respective agencies and instrumentalities, including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation 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) Certificates of deposits and Share Certificates are authorized investments if the certificate is issued by a depository institution that has its main office or a branch office in this state and is:
 - a. Guaranteed or insured by the Federal Deposit Insurance Corporation ("FDIC") or its successor, or the National Credit Union Share Insurance Fund ("NCUSIF") or its successor; or
 - b. Secured in any other manner and amount provided by law for deposits of the county.
- (6) In addition to the authority to invest funds in certificates of deposit as detailed in (5) above, an investment in certificates of deposit made in accordance with the following conditions is an authorized investment if:
 - a. The funds are invested by the county through a depository institution that has its main office or a branch office in Texas and that is selected by Hunt County;
 - b. 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 Section 2256.025;
 - c. The depository institution or broker selected by the county arranges for the deposit of the funds in certificates of deposit in one or more federally insured depository institutions, wherever located, for the account of Hunt County;
 - d. The full amount of the principal and accrued interest of each of the certificates of deposit is insured by the United States or an instrumentality of the United States;
 - e. The depository institution selected by the county, or a clearing broker-dealer registered with the Securities and Exchange Commission and operating pursuant to

the Securities and Exchange Commission Rule 15c3-3 (17 C.F.R. Section 240.15c3-3) acts as custodian for the county with respect to the certificates of deposit issued for the account of Hunt County; and

- f. At the same time that the funds are deposited and the certificates of deposit are issued for the account of the county, the depository institution the broker selected by the county receives an amount of deposits from customers or other federally insured depository institutions, wherever located, that is equal to or greater than the amount of the funds invested by the country through the depository institution selected.
- (7) A fully collateralized repurchase agreement, as defined in the Public Funds Investment Act, if it:
- a. Has a defined termination date;
 - b. Is secured by obligations described by Section 256.009(a)(1) of the Public Funds Investment Act; and
 - c. Requires the securities being purchased by the county to be pledged to the county, held in the county's name, and deposited at the time the investment is made with the county or with a third party selected and approved by the county; and
 - d. Is placed through a primary government securities dealer, as defined by the Federal Reserve, or a financial institution doing business in this state.
 - e. Notwithstanding any law, the term of any reverse security repurchase agreement may not exceed 90 days after the date the reverse security repurchase agreement is delivered.
 - f. Money received by a county under the terms of a reverse security repurchase agreement shall be used to acquire additional authorized investments, but the term of the authorized investments acquired must mature not later than the expiration date stated in the reverse security repurchase agreement.
- (8) A banker's acceptance if it:
- a. Has a stated maturity of 270 days or fewer from the date of its issuance;
 - b. Will be, IAW its terms, liquidated in full at maturity
 - c. Is eligible for collateral for borrowing from a Federal Reserve Bank; and
 - d. Is accepted by a bank organized and existing under the laws of the United States or any state if the short term obligations of the bank, or of a bank holding company of which the bank is the largest subsidiary, are rated not less than A-1 or P-1 or an equivalent rating by at least one nationally recognized credit rating agency.
- (9) Mutual Funds and Money Market Funds with limitations as described below:
- a. No-load money market mutual fund is authorized if it:
 - i. Is registered with and regulated by the Securities and Exchange Commission ("SEC");
 - ii. Has a dollar-weighted average stated maturity of 90 days or fewer;
 - iii. Includes in its investment objectives the maintenance of a stable net asset value of \$1 for each share; AND
 - iv. Provides investment officer with an annual prospectus IAW Section 2256.014. AND
 - b. No-load mutual fund is authorized if it:
 - i. Is registered with the SEC

- ii. Has an average weighted maturity of less than two (2) years
- iii. Is invested exclusively in obligation approved by this subchapter
- iv. Is continuously rated as to investment quality by at least one national recognized investment rating form of not less than AAA or its equivalent; and
- v. Conforms to the requirements set forth in PFIA Sections 2256.016(b) and (c) regulating to the eligibility of investment pools to receive and invest funds of investing entities such as Hunt County.

(10) Investment Pools

- a. Hunt County may invest its funds and funds under its control through an eligible investment pool if the Commissioner's Court by rule, order, ordinance, or resolution, as appropriate, authorizes investment in the particular pool. An investment pool shall invest the funds it receives from entities in authorized investments permitted by this subchapter.
- b. To be eligible to receive funds from and invest fund on behalf of an entity under this chapter, an investment pool must furnish to the investment officer or other authorized representative of Hunt County an offering circular or other similar disclosure instrument that contains, at a minimum, the following information:
 - i. The types of investments in which money is allowed to be invested;
 - ii. The maximum average dollar-weighted maturity allowed, based on the stated maturity date, of the pool;
 - iii. The maximum stated maturity date of any investment security within the portfolio has;
 - iv. The objectives of the pool;
 - v. The size of the pool;
 - vi. The names of the members of the advisory board of the pool and the dates their terms expire;
 - vii. The custodian bank that will safekeep the pool's assets;
 - viii. Whether the intent of the pool is to maintain a net asset value of one dollar and the risk of market price fluctuation;
 - ix. Whether the only source of payment is the assets of the pool at market value or whether there is a secondary source of payment such as insurance or guarantees, and a description of the secondary source of payment;
 - x. The name and address of the independent auditor of the pool;
 - xi. The requirements to be satisfied for an entity to deposit funds in and withdraw funds from the pool and any deadlines or other operating policies required for the entity to invest funds in and withdraw funds from the pool; and
 - xii. The performance history of the pool, including yield, average dollar-weighted maturities, and expense ratios.
- c. To maintain eligibility to receive funds from and invest funds on behalf of an entity under this chapter, an investment pool must furnish to the investment officer or other authorized representative of the entity:
 - i. Investment transaction confirmations; and
 - ii. A monthly report that contains, at a minimum, the following information:

1. The types and percentage breakdown of securities in which the pool is invested;
 2. The current average dollar-weighted maturity, based on the stated maturity date, of the pool
 3. The current percentage of the pool's portfolio in investments that have stated maturities of more than one year
 4. The book value versus the market value of the pool's portfolio, using amortized cost valuation
 5. The size of the pool;
 6. The number of participants in the pool;
 7. The custodian bank that is safekeeping the assets of the pool;
 8. A listing of daily transaction activity of the entity participating in the pool;
 9. The yield and expense ratio of the pool;
 10. The portfolio managers of the pool; and
 11. Any changes or addenda to the offering circular.
- d. An entity by contract may delegate to an investment pool the authority to hold legal title as custodian of investments purchased with its local funds.
 - e. In this section, "yield" shall be calculated in accordance with regulations governing the registration of open-end management investment companies under the Investment Company Act of 1940, as promulgated from time to time by the federal SEC.
 - f. To be eligible to receive funds from and invest funds on behalf of an entity under this chapter, a public funds investment pool created to function as a money market mutual fund must mark its portfolio to market daily, and, to the extent reasonably possible, stabilize at \$1 net asset value. If the ratio of the market value of the portfolio divided by the book value of the portfolio is less than 0.995 or greater than 1.005, portfolio holdings shall be sold as necessary to maintain the ratio between 0.995 and 1.005.
 - g. To be eligible to receive funds from and invest funds on behalf of an entity under this chapter, a public funds investment pool must have an advisory board composed:
 - i. Equally of participants in the pool and other persons who do not have a business relationship with the pool and are qualified to advise the pool, for a public funds investment pool created under Chapter 791 and managed by a state agency; or
 - ii. Of participants in the pool and other persons who do not have a business relationship with the pool and are qualified to advise the pool, for other investment pools.
 - h. To maintain eligibility to receive funds from and invest funds on behalf of an entity under this chapter, an investment pool must be continuously rated no lower than AAA or AAA-m or at an equivalent rating by at least one nationally recognized rating service;

- (11) Interest-bearing banking deposits that are guaranteed or insured by the Federal Deposit Insurance Corporation (or its successor) or the National Credit Union Share Insurance Fund (or its successor);
- (12) Other interest-bearing banking deposits if: (A) the funds invested in the banking deposits are invested through a broker w/ a main office or branch in this state that the County selects from a list that the Commissioner's Court or investment committee adopts as required by Texas Government Code Sec. 2256.025 or a depository institution with a main office or branch office in this state that the County selects;
- (13) Certificates of deposit if issued by a state or national bank domiciled in this state or a savings and loan association domiciled in this state and is:
 - (a) Guaranteed or insured by the Federal Deposit Insurance Corporation or its successor;
 - (b) Secured by obligations that are described by Section 2256.009(a) of the Public Funds Investment Act, including mortgage backed securities directly issued by a federal agency or instrumentality that have a market value of not less than the principal amount of the certificates, but excluding those mortgage backed securities of the nature described by Section 2256.009(b) of the Public Funds Investment Act; or
 - (c) Secured in any other manner and amount provided for by law for deposits of the county.

IV. INVESTMENT RESPONSIBILITY AND CONTROL

INVESTMENT INSTITUTIONS DEFINED

The Hunt County Investment Officer shall invest County funds with any or all of the following institutions or groups consistent with federal and state law and the current Depository Bank contract:

- (1) Depository and/or sub-depository bank;
- (2) Other state or national banks or credit unions, or branches thereof, domiciled in Texas that are insured by the FDIC or NCUSIF, or their successors;
- (3) Public funds investment pool; or
- (4) Government securities broker and dealers.

QUALIFICATIONS FOR APPROVAL OF BROKERS/DEALERS

In accordance with 2256.005(k), a written copy of this investment policy shall be presented to any person offering to engage an investment transaction with Hunt County. The qualified representative of the business organization offering to engage in an investment transaction with Hunt County shall execute a written instrument that the business organization has;

- (1) Received and thoroughly reviewed the investment policy of Hunt County; and acknowledges that the organization has implemented reasonable procedures and controls in an effort to preclude imprudent investment activities arising out of investment transactions conducted between the County and the organization.
- (2) On an annual basis, the Investment Officers shall review, revise and adopt a list of qualified brokers authorized to engage in investment transactions with the County.

STANDARDS OF OPERATION

The County Investment Officers shall develop and maintain written administrative procedures for the operation of the investment program consistent with this investment policy.

DELIVERY VS. PAYMENT

It will be the policy of Hunt County that all Treasury Bills, Notes and Bonds and Government Agencies' securities shall be purchased using the "Delivery vs. Payment" ("DVP") method through the Federal Reserve System. By so doing, county funds are not released until the County has received, through the Federal Reserve wire, the securities purchased.

AUDIT CONTROL

The Hunt County Commissioner's Court will have an annual financial audit of all County funds by an independent auditing firm, as well as an annual compliance audit of management controls on investments and adherence to the County's established investment policies in accordance with Government Code 2256.005(M)

STANDARD OF CARE:

In accordance with Government Code 2256.006, investments shall be made with judgment and care, under prevailing circumstances, that a person of prudence, discretion and intelligence would exercise in the management of the person's own affairs, not for speculation, but for investment, considering the probable safety of capital and the probable income to be derived. Investment of funds shall be governed by the following investment objectives, in order of priority: preservation and safety of principal, liquidity, and yield.

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 county's control, over which the officer has the 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 Hunt County.

V. INVESTMENT REPORTING AND PERFORMANCE EVALUATION

QUARTERLY REPORT

In accordance with Government Code 2256.023, not less than quarterly, the investment officer(s) shall prepare and submit to the governing body of the entity a written report of investment transactions for all funds covered by this chapter for the preceding reporting period. The report must:

- (1) describe in detail the investment position of the entity on the date of the report;
- (2) be prepared jointly by all investment officers of the entity;
- (3) be signed by each investment officer of the entity;

- (4) contain a summary statement of each pooled fund group that states the:
 - a. beginning market value for the reporting period;
 - b. ending market value for the period; and
 - c. fully accrued interest for the reporting period;
- (5) state the book value and market value of each separately invested asset at the end of the reporting period by the type of asset and fund type invested;
- (6) state the maturity date of each separately invested asset that has a maturity date;
- (7) state the account or fund or pooled group fund in the state agency or local government for which each individual investment was acquired; and
- (8) state the compliance of the investment portfolio of the state agency or local government as it relates to:
 - a. the investment strategy expressed in the agency's or local government's investment policy; and
 - b. relevant provisions of this chapter.

METHODS TO MONITOR MARKET VALUE

In accordance with Government Code 2256.005(b)(4)(D), the investment policy must include methods to monitor market value of County investments. The County Investment Officer(s) will obtain the market value for each security held in all portfolios and for collateral pledged to the County for bank deposits from recognized market pricing sources.

Market valuation of the County's investments shall be performed at least quarterly. Valuations of pledged collateral should be done at least monthly.

NOTIFICATION OF INVESTMENT CHANGES

It shall be the duty of the County Investment Officer(s) of Hunt County, Texas to notify the Hunt County Commissioner's Court of any significant changes in current investment methods and procedures prior to their implementation.

VI. INVESTMENT COLLATERAL AND SAFEKEEPING

COLLATERAL OR INSURANCE

The Hunt County Investment Officer(s) shall insure that all the County funds are fully collateralized or insured consistent with federal and state law and the current Bank Depository Contract in one or more of the following manners:

- (1) FDIC insurance coverage;
- (2) Obligations of the United States or its agencies and instrumentalities.

Hunt County requires collateralization for all uninsured balances, plus accrued interest, if any.

SAFEKEEPING

All purchased securities shall be held in safekeeping by the County, or a County account in a third party financial institution, or with the Federal Reserve Bank and held in Hunt County's name as evidenced by safekeeping receipts of the institution with which the securities are deposited

All certificates of deposit, insured by the FDIC, purchased outside the Depository Bank shall be held in safekeeping by either the County or a County account in a third party financial institution.

All pledged securities by the Depository Bank shall be held in safekeeping by the County, or a County account in a third party financial institution, or with the Federal Reserve Bank. The Hunt County Commissioner's Court shall be notified of the acceptance, substitution, release, and valuation of the collateral.

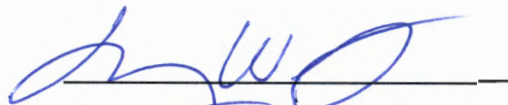
RESOLUTION

WHEREAS, the Public Funds Investment Act requires Commissioner's Courts to annually adopt an Investment Policy; and


WHEREAS, the Commissioner's Court of Hunt County wishes to comply with the Act and faithfully safeguard and properly invest taxpayers' dollars;

NOW THEREFORE IT BE RESOLVED, that the Hunt County Commissioners Court hereby adopts the attached Investment Policy for the County of Hunt.

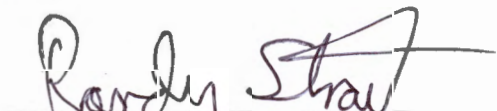
UNANIMOUSLY APPROVED this the 24th day of November, 2020.



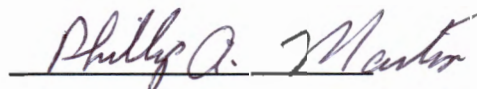
Bobby Stoyall, Hunt County Judge



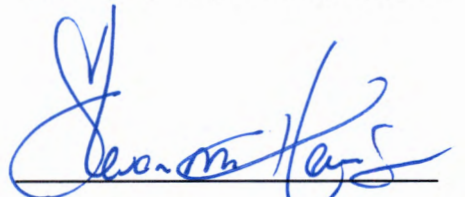
Eric Evans, Comm., Pct #1



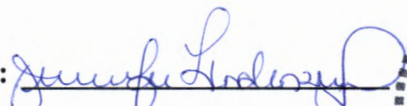
Randy Strait, Comm., Pct #2



Phillip Martin, Comm., Pct #3



Steven Harrison, Comm., Pct #4

Attest: 

Jennifer Lindenzweig, County Clerk



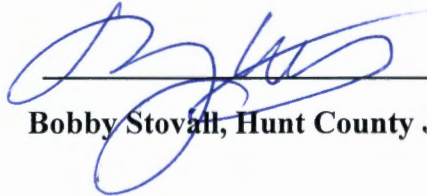
RESOLUTION

WHEREAS, the Public Funds Investment Act requires Commissioner's Courts to appoint one or more County Investment Officers; and

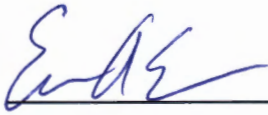
WHEREAS, the Commissioner's Court of Hunt County wishes to comply with the Act and faithfully safeguard and properly invest taxpayers' dollars;

NOW THEREFORE IT BE RESOLVED, that the Hunt County Commissioners Court hereby appoints the County Treasurer, or their successor and the County Judge, or their successor and the County Auditor, or their successor as County Investment Officers for the County of Hunt.

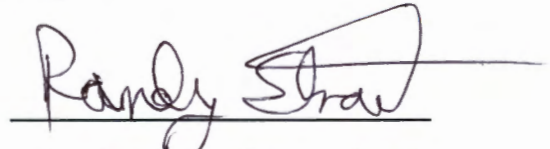
UNANIMOUSLY APPROVED this the 24th day of November, 2020.



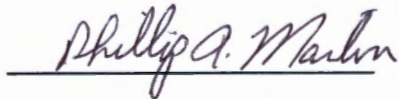
Bobby Stovall, Hunt County Judge



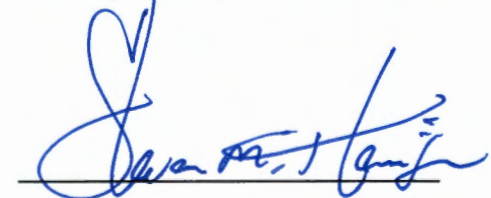
Eric Evans, Comm., Pct #1



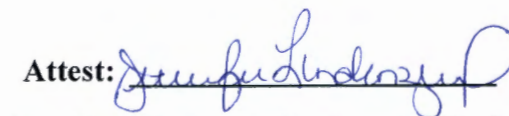
Randy Strait, Comm., Pct #2



Phillip Martin, Comm., Pct #3



Steven Harrison, Comm., Pct #4

Attest: 

Jennifer Lindenzweig, County Clerk



EXHIBIT “C”

INVESTMENT STRATEGIES BY TYPE

- (1) Funds of the General Fund, Road & Bridge, Farm to Market & Lateral Roads, Right of Way, Capital Projects, Debt Service, and proceeds from Bonds will be invested in the following types of Instruments
 - Local Government Investment Pools in accordance with current Hunt County Investment Policy;
 - Certificates of Deposit or Share Certificates in accordance with current Hunt County Investment Policy.

- (2) Funds that are listed daily in the Combined Statement of Current Assets and provided to Commissioner’s Court in the Treasurer’s Monthly Report will be invested in Local Government Investment Pools and Certificates of Deposit or Share Certificates.