BURNET COUNTY INVESTMENT POLICY

Approved by Commissioners Court
December 10, 2019

GENERAL STATEMENT

This policy serves to satisfy the statutory requirements of Local Government Code 116.112 and Government Code Chapter 2256 to define and adopt a formal investment policy. See **Attachment A:** Resolution to Adopt Investment Policy. This policy will be reviewed and adopted by resolution at least annually according to Section 2256.005(e).

1.0 POLICY

It is the policy of the County of Burnet, Texas to invest public funds in a manner which will provide the highest investment return with the maximum security while meeting the daily cash flow demands of the County of Burnet and conforming to all state and local statutes governing the investment of public funds.

2.0 SCOPE

This investment policy applies to all financial assets of the County of Burnet, Texas at the present time and any funds to be created in the future and any other funds held in custody by the Burnet County Treasurer, unless expressly prohibited by law or unless it is in contravention of any depository contract between the County of Burnet and any depository bank. These funds are accounted for in the Burnet County Comprehensive Annual Financial Report.

3.0 PRUDENCE

Investments shall be made with judgment and care – under circumstances then prevailing – which persons of prudence, discretion and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived.

A. The standard of prudence to be used by investment officials shall be the **"prudent person"** standard and shall be applied in the context of managing an overall portfolio. Investment officers acting in accordance with written procedures and the investment policy and exercising due diligence shall be relieved of personal responsibility for an individual security's credit risk or market price changes, provided deviations from expectations are reported in a timely fashion and appropriate action is taken to control adverse developments.

4.0 OBJECTIVE

The primary objectives, in priority order, of the County of Burnet's investment activities shall be:

A. **Safety:** Safety of principal is the foremost objective of the investment program. Investments of the County of Burnet shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. To obtain this objective diversification is required in order that potential losses on individual securities do not exceed the income generated from the remainder of the portfolio.

B. **Liquidity:** The County of Burnet's investment portfolio will remain sufficiently liquid to enable the County of Burnet to meet all operating requirements which might be reasonably anticipated.

C. **Return on Investment:** The County of Burnet's investment portfolio shall be designed with the objective of attaining a rate of return throughout budgetary and economic cycles, commensurate with the County of Burnet's investment risk constraints and the cash flow characteristics of the portfolio.

5.0 DELEGATION OF AUTHORITY

In accordance with Sec. 116.112(a), Local Government Code and/or Chapter 2256, Sec. 2256.005 (f) and (g), the Burnet County Investment Officer, under the direction of the Burnet County Commissioners' Court, may invest County funds that are not immediately required to pay obligations of the County of Burnet. The Commissioners' Court shall designate by resolution one or more officers or employees as investment officers. See **Attachment B:** Resolution that designates the Burnet County Investment Officer.

A. It is the County of Burnet'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 Officer through courses and seminars offered by professional organizations and associations in order to insure the quality, capability, and currency of the County Investment Officer in making investment decisions.

6.0 ETHICS & CONFLICTS OF INTEREST

If the 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 Burnet County Commissioners' Court in accordance with Government Code 2256.005(i).

7.0 AUTHORIZED FINANCIAL DEALERS & INSTITUTIONS

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

A. Depository bank;
B. other state or national banks domiciled in Texas that are insured by the FDIC;
C. Public funds investment pools limited to TEXPOOL, LOGIC, TX Class or Lone Star; and
D. Government securities brokers and dealers approved by Burnet County Commissioners' Court. **Attachment C:** Brokers/Dealers approved by Commissioners' Court.

7.1 QUALIFICATIONS FOR APPROVAL OF BROKER/DEALERS

In accordance with 2256.005(k), a written copy of this investment policy shall be presented to any person seeking to sell to the County of Burnet an authorized investment. The registered principal of the business organization seeking to sell an authorized investment shall execute a written instrument substantially to the effect that the registered principal has:

A. received and thoroughly reviewed the investment policy of the County of Burnet; and
B. acknowledged 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 of Burnet and the organization.

The Investment Officer may not buy any securities from a person who has not delivered to the County of Burnet an instrument in substantially the form provided above according to Sec. 2256.005(l).

8.0 AUTHORIZED AND SUITABLE INVESMENTS

The Burnet County Investment Officer shall use any or all of the following authorized investment instruments consistent with governing law (Government Code 2256);

A. Except as provided by Government Code 2256.009(b), the following are authorized investments:
   (1) obligations of the United States or its agencies and instrumentalities, including the Federal Home Loan Banks;
   (2) direct obligations of this state or its agencies and instrumentalities;
   (3) collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States:
   (4) 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; and
   (5) obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized rating firm not less than A or its equivalent.

B. Certificates of deposit if issued by a state or national bank domiciled in this state and is:
   (1) guaranteed or insured by the Federal Deposit Insurance Corporation or its successor:
   (2) secured by obligations that are described by Sec.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 Sec. 2256.009(b) of the Public Funds Investment Act; or
   (3) secured in accordance with Chapter 2257 or in any other manner and amount provided by law for deposits of the County of Burnet

C. A fully collateralized repurchase agreement, as defined in the Public Funds Investment Act if it:
   (1) has a defined termination date;
   (2) is secured by obligations described by Sec. 2256.009(a)(1) or 2256.013 of the Public Investment Act; and
   (3) requires the securities being purchased by the county to be pledged to the county, held in the county's name, and deposited at the time the investment is made with the county or with a third party selected and approved by the county; and
   (4) is placed through a primary government securities dealer, as defined by the Federal Reserve, or a financial institution doing business in this state.

Not withstanding any law, the term of any reverse security repurchase agreement may not exceed 90 days after the date the reverse security purchase agreement is delivered.

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.

D. A banker's acceptance if it:
   (1) has a stated maturity of 270 days or fewer from the date of its issuance:
   (2) will be, in accordance with its terms, liquidated in full at maturity;
   (3) is eligible for collateral for borrowing from a Federal Reserve Bank; and
   (4) 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.

E. Commercial paper is an authorized investment under this subchapter if the commercial paper:
   (1) has a stated maturity of 365 days or fewer from the date of its issuance; and
   (2) is rated not less than A-1 or P-1 or an equivalent rating by at least:
      (a) two nationally recognized credit rating agencies; or
      (b) one nationally recognized credit rating agency and is fully secured by an irrevocable letter of credit issued by a bank organized and existing under the laws of the United States or any state.

F. Mutual funds and money market mutual funds with limitations described below:

   (1) A no-load money market mutual fund is authorized if it:
      (a) is regulated by the Securities and Exchange Commission;
      (b) has a dollar weighted average stated maturity of 90 days or fewer; and
      (c) includes in its investment objectives the maintenance of a stable net asset value of $1 for each share.

   (2) A no-load mutual fund is authorized if it:
      (a) is registered with the Securities and Exchange Commission;
      (b) has an average weighted maturity of less than two years;
      (c) is invested exclusively in obligations approved by this subchapter;
      (d) is continuously rated as to investment quality by at least one nationally recognized investment rating firm of not less than AAA or its equivalent; and
      (e) conforms to the requirements set forth in Sections 2256.016(b) and (c) relating to the eligibility of investment pools to receive and invest funds of investing entities.

   (3) Relative to mutual funds and money market mutual funds, the County of Burnet may not:
      (a) invest in the aggregate more than 80 percent of its monthly average fund balance, excluding bond proceeds and reserves and other funds held for debt service, in money market mutual funds or mutual funds, either separately or collectively;

(b) invest in the aggregate more than 15 percent of its monthly average fund balance, excluding bond proceeds and reserves and other funds held for debt service, in mutual funds;

(c) invest any portion of bond proceeds, reserves and funds held for debt service, in mutual funds; or

(d) invest its funds or funds under its control, including bond proceeds and reserves and other funds held for debt service, in any one mutual fund or money market mutual fund in an amount that exceeds 10 percent of the total assets of the mutual fund or money market mutual fund.

8.1 PROHIBITED

The Burnet County Investment Officer has no authority to use any of the following investment instruments which are strictly prohibited:

A. obligations whose payment represents the coupon payments on the outstanding principal balance of the underlying mortgage-backed security collateral and pays no principal;

B. obligations whose payment represents the principal stream of cash flow from the underlying mortgage-backed security collateral and bears no interest;

C. collateralized mortgage obligations that have a stated final maturity date of greater than 10 years; and

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

9.0 INVESTMENT POOLS

The County of Burnet Commissioners' Court authorizes the Investment Officer to invest county funds in Local Government Investment Cooperative (LOGIC, TEXPOOL, TX Class, and Lone Star, in accordance with the Public Funds Investment Act, Sec.2256.016-2256.019.

10.0 COLLATERALIZATION

Collateralization will be required on two types of investments: certificates of deposit and repurchase (and reverse) agreements. Burnet County's depository contract requires the same collateralization as stated herein. In order to anticipate market changes and provide a level of security for all funds, the collateralization level will be 102% of market value of principal and accrued interest.

Collateral will always be held by an independent third party with whom the entity has a current custodial agreement. A clearly marked evidence of ownership (safekeeping receipt) must be supplied to the entity and retained.

The right of collateral substitution is granted.

11.0 SAFEKEEPING AND CUSTODY

All security transactions, including collateral for repurchase agreements, entered into by the County of Burnet shall be conducted on a delivery vs. payment (DVP) basis. By so doing, County of Burnet funds are not released until the County has received, through the Federal Reserve wire, the securities purchased.

12.0 DIVERSIFICATION

It will be the policy of the County of Burnet to diversify its portfolio to eliminate 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 the County of Burnet shall always be selected that provide for stability of income and reasonable liquidity.

13.0 MAXIMUM MATURITIES

To the existent possible, the County of Burnet will attempt to match its investments with anticipated cash flow requirements. Unless matched to a specific cash flow, the County of Burnet will not directly invest in securities maturing more than two years from the date of purchase.

Reserve funds may be invested in securities exceeding two years if the maturities of such investments are made to coincide as nearly as practicable with the expected use of the funds.

14.0 NON – COUNTY FUNDS

The County Clerk and District Clerk Funds fall into this category. These funds are not considered funds that belong to the County of Burnet but could be considered a liability for the County of Burnet. All investments of these funds shall be in compliance with the Public Funds Investment Act and the County of Burnet's Investment Policy except when a court order is issued to follow a different procedure. The County Clerk and District Clerk are responsible for these investments.

A. **County Clerk Trust Funds** – County Clerk Trust funds are received by court order from either Commissioners' Court or County Court. These funds must be deposited in the County depository and then invested according to the court orders. A court order is required from the County Court prior to disbursement of funds.

B. **District Clerk Trust Funds** – District Clerk Trust Funds are received by court order from the District Court. These funds must be deposited in the county depository and then invested according to the court orders. A court order is required from the District Court prior to the disbursement of the funds.

15.0 INTERNAL CONTROL

The Burnet County Investment Officer will establish liaison with the Burnet County Auditor in preparing investment forms to assist the County Auditor for accounting and auditing control. The Investment Officer is subject to audit by the Burnet County Auditor. In addition, the Burnet County Commissioners' Court, at a minimum, will have an annual financial audit of all County funds by an external auditor, as well as an annual compliance audit of management controls on investments and adherence to the County of Burnet's established investment policies in accordance with Sec.2256.005(m)

16.0 PERFORMANCE STANDARD

The investment portfolio shall be designed with the objective of obtaining a rate of return throughout budgetary and economic cycles, commensurate with the investment risk constraints and the cash flow needs.

A. **Market Yield (Benchmark)** – The County of Burnet's investment strategy is active. Given this strategy, the basis used by the Investment Officer to determine whether market yields are being achieved shall be the six-month Treasury Bill.

17.0 REPORTING

Not less than quarterly, the Investment Officer shall prepare and submit to the Commissioners' Court a written report of investment transactions for all funds covered by this chapter for the preceding period in accordance with the Public Funds Investment Act, Sec.2256.012.

A. **Notification of Investment Changes**

It shall be the duty of the Investment Officer of Burnet, County, Texas to present to the Burnet County Commissioners' Court for approval of any significant changes in current investment methods and procedures prior to their implementation, regardless of whether they are authorized by this policy or not.

18.0 INVESTMENT POLICY ADOPTION

The Investment Policy of the County of Burnet shall be adopted by resolution of the Burnet County Commissioners' Court. Public Funds Investment Act, Sec. 2256.003 (e) states that governing body review Investment Policies and Strategies annually and shall record any changes made to either.

INVESTMENT STRATEGIES

OPERATING FUNDS: All financial resources traditionally associated with governments which are not legally required to be accounted for in another fund. Investments are matched with projected cash flow needs. These investments shall have a final maturity of no longer than 365 days.

CAPITAL PROJECT FUNDS: Funds for acquisition and construction of major capital facilities. Invested to meet cash flow needs, based on the projections provided by the appropriate entity, over the length of the project. Maturity not to exceed 365 days.

DEBT SERVICE FUNDS: Accumulated for payment of General Obligation Bond principal and interest. Invested to meet obligation payments on 1/15, 2/1, 7/15 and 8/1 of each year. Maturity not to exceed 365 days.

SPECIAL PURPOSE FUNDS: Funds reserved for specific purposes (ex. County Clerk Records Preservation, Law Library, etc.). Investments are matched with projected cash flow needs. Maturity shall be no greater than 365 days.

THE ABOVE LISTED FUNDS SHALL BE INVESTED AS A SINGLE POOLED FUND GROUP.

PROBATION FUNDS: Funds belonging to the Adult Probation Department, Intermediate Sanction Facility and the Juvenile Probation Department. Invested according to the instruction of the fiscal officer of each department and in compliance with the Burnet County Investment Policy.

Attachment A

STATE OF TEXAS
COUNTY OF BURNET

IN THE COMMISSIONERS COURT
OF BURNET COUNTY, TEXAS

WHEREAS, the Commissioners Court has reviewed the attached investment policy and believes that said policy is in compliance with Local Government Code 116.112 and Government Code Chapter 2256;

NOW, THEREFORE, it is hereby ADJUDGED AND DECREED that the attached investment policy revised December 10, 2019, came before the Burnet County Commissioners Court for review and that said policy be adopted on this the 10th day of December, 2019.

James Oakley
Burnet County Judge

Billy Wall
Commissioner, Precinct #3

Jim Luther, Jr.
Commissioner, Precinct #1

Joe Don Dockery
Commissioner, Precinct #4

Damon Beierle
Commissioner, Precinct #2

ATTEST:
Janet Parker
Burnet County Clerk

Attachment B

STATE OF TEXAS
COUNTY OF BURNET

IN THE COMMISSIONERS COURT
OF BURNET COUNTY, TEXAS

December 10, 2019

BE IT REMEMBERED AT A MEETING OF Commissioners Court of Burnet County, Texas, held on the 12th day of July, 2011, Karrie Crownover, Burnet County Treasurer was named Investment Officer for the County of Burnet. In addition, DeAnne Fisher, Burnet County Chief Deputy Treasurer is hereby given authority to make investments under the direction of the Investment Officer, and in compliance with the Burnet County Investment Policy.

James Oakley
Burnet County Judge

Billy Wall
Commissioner, Precinct #3

Jim Luther, Jr.
Commissioner, Precinct #1

Joe Don Dockery
Commissioner, Precinct #4

Damon Beierle
Commissioner, Precinct #2

ATTEST:
Janet Parker
Burnet County Clerk

ATTACHMENT C

BROKERS/DEALERS APPROVED BY COMMISSIONERS' COURT

Edward D. Jones
First State Bank of Burnet
BancorpSouth
Merrill Lynch
MBS, Inc. (Multi-Bank Securities, Inc.)