

AI-15365

4.

Hidalgo County Treasurer

DRAINAGE DISTRICT

Date: 05/12/2009

Submitted By: Fred Zamarripa, TREASURER'S OFFICE

Submitted For: Norma Garcia

Department: TREASURER'S OFFICE

Information

CAPTION

- A. Approval of Hidalgo County Drainage District #1 Investment Policy;
- B. Approval of resolution authorizing participation in First Public – Lone Star Investment Pool and authorized representatives;
- C. Approval of resolution authorizing participation in Texas CLASS Investment Pool and authorized representatives;
- D. Approval of Broker/Dealer list

BACKGROUND

Fiscal Impact

Attachments

Link: [Order 2009](#)

Link: [Resolution - DD#1](#)

Link: [Broker/Dealer List 2009](#)

Link: [Investment Policy](#)

Link: [Texas Class resolution](#)

Form Routing/Status

Route Seq	Inbox	Approved By	Date	Status
1	Budget & Management	Veronica Lopez	05/07/2009 08:39 AM	APRV
2	Sylvia Solis	Sylvia Solis	05/07/2009 11:09 AM	APRV
3	Final Approval		05/08/2009 04:44 PM	NEW

Form Started By: Fred Zamarripa

Started On: 05/06/2009 04:50 PM

Final Approval Date: 05/08/2009

Lone Star Investment Pool Resolution

RESOLUTION APPROVING AND AUTHORIZING EXECUTION OF AN INVESTMENT AGREEMENT FOR PARTICIPATION IN THE LONE STAR INVESTMENT POOL, DESIGNATING THE POOL AS AN AGENCY AND INSTRUMENTALITY, APPROVING INVESTMENT POLICIES OF THE POOL, APPOINTING AUTHORIZED REPRESENTATIVES, AND DESIGNATING INVESTMENT OFFICERS

WHEREAS, the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code, as amended (the "Act"), permits any "local government" to contract with one or more other "local governments" and with agencies of the state to perform "governmental functions and services," including investment of public funds through "public funds investment pools" (as such phrases are defined in the Act);

WHEREAS, the Public Funds Investment Act, Texas Government Code Chapter 2256 (the "Investment Act"), also authorizes local governments, state agencies, and nonprofit corporations acting on behalf of such entities to invest public funds through investment pools;

WHEREAS, the Act also permits the contracting parties to any agreement to create an administrative agency to supervise the performance of such agreement and to employ personnel and engage in other administrative activities and provide other administrative services necessary to execute the terms of such agreement;

WHEREAS, Hidalgo County Drainage District #1 (the "Government Entity") is a local government or an agency of the State of Texas within the meaning of the Act and/or the Investment Act and desires to enter into that certain Investment Agreement (the "Agreement"), a copy of which is presented with this Resolution and is incorporated herein by reference, and become a participant in a public funds investment pool created thereunder and known as the Lone Star Investment Pool (the "Pool") sponsored by the Texas Association of School Boards ("TASB");

WHEREAS, the Government Entity desires to designate the Pool as its agency and instrumentality with authority, through the Pool's Board of Trustees (the "Board"), to supervise performance of the Agreement, employ personnel and engage in other administrative activities, and provide other administrative services necessary to execute the terms of the Agreement;

WHEREAS, each capitalized term used in this Resolution and not otherwise defined has the same meaning assigned to it in the Agreement;

NOW, THEREFORE, BE IT RESOLVED:

1. The Agreement is hereby approved and adopted and, upon execution thereof by an Authorized Representative (defined below) and receipt of the Government Entity's application to join the Pool by the Administrator, the Government Entity shall become a Participant in the Pool for the purpose of investing its available funds therein from time to time in accordance with its terms.
2. The Pool is hereby designated as an agency and instrumentality of the Government Entity, the Board is hereby designated as the governing body of the Pool, and the Pool, through the Board, shall have the authority to supervise performance of the Agreement, employ personnel, and engage in other administrative activities and provide other administrative services necessary to execute the terms of the Agreement.
3. The investment policies of the Pool, as set forth in the Statement of Investment Policy, as summarized in the Information Statement, and as may be amended from time to time by the Board, are hereby adopted as investment policies of the Government Entity with respect to money invested in the Pool, and any existing investment policies of the Government Entity in conflict therewith shall not apply to investments in the Pool.

4. The following officers, officials, or employees of the Government Entity are hereby designated as "Authorized Representatives," within the meaning of the Agreement, with full power and authority to execute the Agreement, an application to join the Pool, Vendor Payment Authorization forms, and any other documents required or appropriate to become a Participant; deposit money to and withdraw money from the Government Entity's Pool account from time to time in accordance with the Agreement and the Information Statement; and take all other actions deemed necessary or appropriate for the investment of funds of the Government Entity:

Printed Name Norma G. Garcia

E-mail Address norma.garcia@treasurer.co.hidalgo.tx.us

Signature Norma G. Garcia Title Hidalgo County Treasurer

Printed Name Alfredo Zamarripa

E-mail Address alfredo.zamarripa@treasurer.co.hidalgo.tx.us

Signature Alfredo Zamarripa Title Office Manager

In accordance with Pool procedures, an Authorized Representative shall promptly notify the Pool in writing of any changes in who is serving as Authorized Representatives.

5. In addition to the foregoing Authorized Representatives, each Investment Officer of the Pool appointed by the Board from time to time is hereby designated as an investment officer of the Government Entity and, as such, shall have responsibility for investing the share of Pool assets representing funds of the Government Entity.

PASSED AND APPROVED this _____ day of _____, _____.

ATTEST

By: _____

By: _____

Printed Name and Title

Printed Name and Title

State of Texas, County of _____

Before me, _____, on this day personally appeared _____, known to me (or
(name of notary) (name of President and Secretary)
proved to me on the oath of _____) or through _____ to be the person(s) whose
(person providing oath) (identification item)
name is subscribed to the foregoing instrument and acknowledged to me that he executed the same for the purposes and
consideration therein expressed.

Given under my hand and seal of office this _____ day of _____, 200__.

HIDALGO COUNTY DRAINAGE DISTRICT #1

As per Chapter 2256 Public Funds Investment Act (PFIA), Subchapter A. Authorized Investments For Governmental Entities, section 2256.025, the governing body of an entity shall, at least annually, review, revise, and adopt a list of qualified brokers that are authorized to engage in investment transactions with the entity.

The following list of investment brokers and dealers is being presented to Commissioner's Court for approval on May 12, 2009:

Amherst Securities Group, L.P.

925 South Federal Highway
Boca Raton, FL 33432
John Anthony
(800)856-1111

Estrada Hinojosa & Company, Inc.

1717 Main Street
47th Floor, Lockbox 47
Dallas, Texas 75201
Susan Anderson
(800)676-5352

First National Bank

100 West Cano
Edinburg, Texas 78539
Saul Ortega, CFO
(956)380-8516

First Public – Lone Star Investment Pool

12007 Research Boulevard
Austin, Texas 78759
Steve Orta
(800)558-8875

FNB Wealth Management

50 Morrison Road
Brownsville, Texas 78520
Flavio R. Gonzalez
(956)544-3623

LOGIC

325 North St. Paul, Suite 800
Dallas, Texas 75201
Bill Moritz
(800)895-6442

Lone Star National Bank
100 West Ferguson
Pharr, Texas 78577
David Pinoli
(956)781-4321

Raymond James & Associates, Inc.
5847 San Felipe Road, Suite 1075
Houston, Texas 77057
David McLeroy
(800)869-9966

Security First Credit Union
P.O. Box 4829
McAllen, Texas 78501
Frank Enriquez
(956) 661-4000

Tejas Securities Group, Inc.
8226 Bee Caves Road
Austin, Texas 78746
Michael Velaney
(800)846-6803

Texas CLASS
MBIA Municipal Investors Service Corporation
113 King Street
Armonk, New York 10504
Danny A. King, Regional Director
(800)707-6242

TexPool Participant Services
600 Travis Street, Suite 7200
Houston, Texas 77002
Jerry Landrum
(866) 839-7665

Respectfully submitted,



Norma G. Garcia
Hidalgo County Treasurer, CCT, CIO

HIDALGO COUNTY DRAINAGE DISTRICT #1 INVESTMENT POLICY

I. OBJECTIVES

The Objectives of the Hidalgo County Drainage District #1 Investment Policy (hereinafter referred to as the “Policy”) shall be:

1. To set forth the methods, means, and goals of financial investment and debt management operation for Hidalgo County Drainage District #1;
2. To insure the financial security and optimum liquidity of Hidalgo County Drainage District #1 funds in a prudent manner at all times;
3. To assist Hidalgo County in achieving reasonable market investment of Hidalgo County Drainage District #1 funds in a prudent manner at all times; and
4. To assist Hidalgo County Drainage District #1 in achieving the maximum interest yield on Hidalgo County Drainage District #1 funds at all times through methods allowed under federal and state law.

II. STANDARD OF CARE

Hidalgo County Drainage District #1 investments shall be made with judgment and care under circumstances then prevailing that 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 and optimum liquidity required for operations in Hidalgo County Drainage District #1. Safety shall be the first priority, adequate liquidity the second, and yield the third priority. Individual investments shall be made in a manner consistent with this Policy.

III. INVESTMENT STRATEGY

Hidalgo County Drainage District #1 maintains a commingled portfolio, which encompasses three specific fund groups with unique needs and considerations designed to address the unique characteristics of the fund groups represented in the portfolios. Each strategy contains the following elements as required in Chapter 2256, Government Code, also known as the Public Funds Investment Act. These elements are: safety of principal, liquidity, types of investment instruments, and marketability.

General Operating Funds

Hidalgo County Drainage District #1's investment strategy for General Operating Funds shall be made to ensure that anticipated cash flows are matched with adequate investment liquidity for safety of the funds with attainment of market yield. To insure these objectives, investments will be made in short-term, high quality, highly marketable securities.

Debt Service Funds

Hidalgo County Drainage District #1 shall utilize an investment policy for Debt Service Funds to generate a dependable revenue stream for the appropriate debt service funds consistent with the Hidalgo County Drainage District #1 Investment Policy and state law. The primary objective for the investment of Debt Service Funds is to maintain an adequate liquidity to cover the debt service obligation of Hidalgo County Drainage District #1 on required payment dates. Investments shall not have a stated final maturity date which will exceed the appropriate debt service payment date until that next debt service date is fully funded. Liquidity shall be provided for with short-term, high quality, highly marketable securities. The yield of the portfolio will attempt to match the bond yield and not recognize negative arbitrage.

Capital Projects Funds

Hidalgo County Drainage District #1's investment strategy shall be to ensure availability of timely financial resources for the acquisition or construction of major capital facilities. To ensure these funds are available in timely basis, investments will be made with short-term, high quality, highly marketable securities.

General Strategy

Hidalgo County Drainage District #1's investment portfolio shall consist of a variety of securities, which may include any or all of the authorized investments listed in Section VII of this Policy.

It shall be the general practice of Hidalgo County Drainage District #1 to utilize an investment strategy based on Section II of this Policy - which defines yield objectives - as well as Section 2256, Government Code. Hidalgo County Drainage District #1, acting through its County Treasurer shall participate in a daily review of its investment position. Investments shall be made after an evaluation of liquidity needs and market rates. If funds are not placed through contracted brokers and/or banks to obtain the highest and best overall portfolio match, then funds shall be invested directly with the depository bank and all related collateral and confirmations shall be confirmed and received within the required time frames pursuant to the Hidalgo County Drainage District #1's bank depository contract. If funds are used to purchase any investment other than investment pool funds and mutual funds, settlement will be made on a delivery versus payment basis and the securities placed in safekeeping in the depository bank. Hidalgo County Drainage District #1 shall in general be conservative in its investment programs consistent with Section VIII. Implementation of this Policy is administered by a qualified, capable investment staff in the County Treasurer's office. The market value of the collateral for all bank time deposit investments shall be no less than 105% of the face/par value of the deposit increased by the amount of any accrued interest.

It is Hidalgo County Drainage District #1's intent to hold purchased securities to the stated maturity date and to have invested in such a manner to insure both the safety and liquidity of such transaction. In the event, however, the need arises to sell securities before the stated maturity date,

said securities shall be analyzed to determine the appropriate time to liquidate and minimize any potential real or book value loss to Hidalgo County Drainage District #1.

The Hidalgo County Drainage District #1 investment portfolio shall not exceed an average weighted maturity life of one year for the entire investment portfolio and not more than 20% of the portfolio may exceed two years in maturity.

IV. DEPOSIT OF FUNDS

All funds received by officials of Hidalgo County Drainage District #1 shall be officially deposited with the County Treasurer upon receipt or the next day after receipt and in accordance with prescribed policy and procedure; however, without exception, all funds shall be deposited within three (3) days from the date of collection by said officer, in accordance with state law.

V. INVESTMENT OFFICER

As chief custodian of Hidalgo County Drainage District #1 funds, the County Treasurer of Hidalgo County Drainage District #1 shall be the investment officer for Hidalgo County Drainage District #1 funds. Unless otherwise authorized by law or order of the Board of Directors', a person other than the investment officer of Hidalgo County or his designated representative acting under Section VI of these Policies, may not deposit, withdraw, invest, transfer or manage in any other manner funds of Hidalgo County Drainage District #1. In the administration of the duties of an investment officer, the County Treasurer shall exercise the judgment and care, under prevailing circumstances, that a prudent person would exercise in the management of person's own affairs.

Should at any time the County Treasurer (i) have a personal business relationship with a business organization offering to engage in an investment transaction with Hidalgo County Drainage District #1, as defined in the Section 2256.005(i), Government Code, or (ii) be related with the second degree by affinity or consanguinity, as determined under Chapter 573, Government Code, to an individual seeking to sell an investment to Hidalgo County Drainage District #1, the County Treasurer shall file a statement with the Board of Directors' and the Texas Ethics Commission disclosing that personal business interest or relationship.

It is understood at all times that the control and general fiduciary responsibility of Hidalgo County Drainage District #1 funds is vested in the Board of Directors' of Hidalgo County Drainage District #1 and said right of investment or management is extended by the Commissioners Court to the County Treasurer in its behalf.

VI. INVESTMENT AUTHORIZATION

In order to allow the maximum flexibility for the investment of Hidalgo County Drainage District #1 funds, the Hidalgo County Drainage District #1 Board of Directors' extends the County Treasurer full authority for the investment of Hidalgo County Drainage District #1 funds between meetings of the Board of Directors', official approval of which shall be made by said Court in court order form at the next official meeting of the Board of Directors'.

The County Treasurer is hereby authorized to utilize internal and external electronic means or Hidalgo County Drainage District #1 checks for between Court investments transactions and to release same as required.

VII. AUTHORIZED INVESTMENTS

In accordance with the authorizing federal and state laws, Hidalgo County Drainage District #1's depository banking services contract, and appropriate approved collateral provisions, Hidalgo County Drainage District #1 may utilize the following methods for the investment of Hidalgo County Drainage District #1 funds:

1. Obligations of the United States or its agencies and instrumentalities with a 2 year maximum maturity.
2. Obligations of the State of Texas or its agencies and instrumentalities with a 2 year maximum maturity.
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, with a 10 year stated maximum maturity. In accordance with the provisions of Section 2256.009(b), Government Code, the following (a-d) are **not** authorized investments under this section:
 - 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 ten years.
 - d. Collateralized mortgage obligations the interest rate of which is determined by an index that adjusts opposite to the changes in a market index.
4. Other obligations, the principal of and interest of 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 with a 2 year maximum maturity.
5. 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 with a 2 year maximum maturity.
6. Certificates of deposit issued by a state or national bank, doing business in the State

of Texas and insured by the Federal Deposit Insurance Corporation, or its successor; or secured by obligations described in Section 2256.009(a), Government Code, including mortgage-backed securities directly issued by federal agency or instrumentality, that have a market value of not less than the principal amount of the certificate but excluding those mortgage-backed securities of the nature described by Section 2256.009(b) Government Code; or secured in any other manner and amount provided by law for deposits of the investing entity with a 1 year maximum maturity.

7. Fully collateralized repurchase agreements authorized under Section 2256.011, Government Code, if the repurchase agreement has a six month maximum maturity unless using a flex repurchase for bond proceeds in which case the maximum maturity should equal the maturity of the bond expenditure plan. Repurchase agreements must be secured by obligations described by Section 2256.009(a)(1); and must require the securities being purchased by the entity to be pledged to the entity, held in the entity's name, and deposited at the time the investment is made with the entity or with a third party selected and approved by the entity; and must be placed through a primary government securities dealer, as defined by the Federal Reserve, or a financial institution doing business in the State of Texas. "Repurchase agreement" means a simultaneous agreement to buy, hold for a specified time, and sell back at a future date, obligations described by Section 2256.009(a)(1) at a market value at the time the funds are disbursed of not less than the principal amount of the funds disbursed. The term includes a direct security repurchase agreement and reverse security repurchase agreement.
8. Repurchase agreements, as stated above, include reverse repurchase agreements. A reverse repurchase agreement's maturity may not exceed 90 days after the date the reverse security repurchase agreement is delivered.
9. A bankers' acceptance (i) is an authorized instrument under Subchapter 2256.012 Government Code, which has a stated maturity of 180 days or fewer from the date of its issuance; (ii) will be, in accordance with its terms liquidated in full at maturity; (iii) is eligible for collateral for borrowing from a Federal Reserve Bank; and (iv) 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 of at least one nationally recognized credit rating agency. Such transactions shall not exceed 10% of the total Hidalgo County Drainage District #1 Investment Portfolio, and all such endorsing banks shall come only from a list of entities who are constantly monitored as to financial solvency.
10. No-load AAA rated money market mutual funds registered with and regulated by the Securities and Exchange Commission which have a dollar-weighted average stated maturity of 90 days or fewer, include in their investment objectives the maintenance of a stable net asset value of \$1 for each share and provide Hidalgo County Drainage District #1 with a prospectus and other information required by the Securities Exchange Act of 1934 (15 U.S.C., Section 78a, et. seq.) or the Investment

Company Act of 1940 (15 U.S.C., Section 80a-1, et seq.) Hidalgo County Drainage District #1 is not authorized to invest in the aggregate more than 80% of its monthly average fund balance, excluding bond proceeds and reserves and other funds held for debt service, in money market mutual funds as set forth collectively; invest in the aggregate more than 15% of its monthly average fund balance, excluding bond proceeds and reserves and other funds held for debt service, in mutual funds as hereinabove described; invest any portion of bond proceeds, reserves and funds held for debt service, in mutual funds herein described above; or 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 as herein set out above in an amount that exceeds 10% of the total assets of the mutual fund.

11. Hidalgo County Drainage District #1 may invest its funds and funds under its control through an eligible constant dollar investment pool if the Board of Directors' by official court order authorizes investment in the particular pool. An investment pool shall invest the funds it receives from entities in authorized investments permitted by state statutes. When selecting an investment pool, the Board of Directors' shall consider the following criteria:
- a. The types of investment in which money is allowed to be invested;
 - b. The maximum average dollar-weighted maturity allowed, based on the stated maturity allowed, based on the stated maturity date, of the pool;
 - c. The maximum stated maturity dated any investment security within the portfolio has;
 - d. The objectives of the pool;
 - e. The size of the pool;
 - f. The names of the members of the advisory board of the pool and the dates their terms expire;
 - g. The custodian bank that will safe keep the pool's assets;
 - h. Whether the intent of the pool is to maintain a net asset value of \$1 and the risk of market price fluctuation;
 - i. 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;
 - j. The name and address of the independent auditor of the pool;
 - k. 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;

1. The performance history of the pool, including yield, average dollar-weighted maturities, and expense ratios.

To be eligible to receive funds from and investments on behalf of Hidalgo County Drainage District #1, 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 or no lower than investment grade by at least one nationally recognized rating service with a weighted average maturity no greater than 90 days.

To maintain eligibility to receive funds from and invest funds on behalf of Hidalgo County Drainage District #1, an investment pool must furnish to the investment officer the following:

- a. Investment transaction confirmations; and
- b. A monthly report that contains, at a minimum, the following information:
 - 1) The types and percentage breakdown of securities in which the pool has 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 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;
 - 11) Any changes or addenda to the offering circular.

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.

For purposes of investment in an investment pool, "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 Securities and Exchange Commission.

12. To be eligible to receive funds from and invest funds on behalf of Hidalgo County Drainage District #1, 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, stabilized at a \$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 .0995 and 1.005.

To be eligible to receive funds from and invest funds on behalf of Hidalgo County Drainage District #1, a public investment pool must have an advisory board composed:

- a. 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 crated under Chapter 791, Government Code and managed by a state agency; or
- b. 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.

VIII. INVESTMENT IMPLEMENTATION

The County Treasurer may solicit offers for investment of funds from contracted financial brokers and/or banks orally, in writing, electronically, or by any combination of these methods. Hidalgo County funds will generally be placed for investment periods of 1 to 365 days. Funds placed for investment for longer than 365 days shall be upon consultation between the County Treasurer and County Judge or a representative of the Board of Directors'. A report of all investments made since the last formal meeting of the Court; will be presented for each regular meeting of the Hidalgo County Drainage District #1 Board of Directors', for review, acknowledgment, and approval by the Board of Directors'. Hidalgo County Drainage District #1 funds will be invested in time deposits within any bank with which an agreement has been executed, in securities purchased from contracted broker/dealers, or from time to time in pools or money funds as authorized in this Policy. The Treasurer will utilize controlled disbursement, cash flow analysis and portfolio analysis or similar cash management techniques in the County Treasurer's Office to maximize interest yield on Hidalgo County Drainage District #1 funds, with funds becoming available as needed to meet the financial needs of Hidalgo County Drainage District #1. All investment transactions will be made on the basis of competitive bids and all securities will be

cleared on a delivery versus payment basis.

At maturity, investments or time deposits shall be returned to their designated Hidalgo County Drainage District #1 fund, unless otherwise instructed by official court order or as required for immediate re-investment.

IX. INVESTMENT INSTITUTIONS

The County Treasurer is authorized to utilize the following institutions or groups to facilitate the investment of Hidalgo County funds, consistent with federal and state law and Hidalgo County Drainage District #1's banking services depository contract:

1. Authorized depositories.
2. SEC and state or NASD registered broker/dealers.
3. Public Funds Investment Pools based in the State of Texas.
4. Money Market Mutual Funds.

The County Treasurer is authorized to place investment orders on an "as needed" basis with designated financial brokerage firms, banks or contractors with which Hidalgo County Drainage District #1 maintains a current written contract, authorized by Board of Directors' order, and consistent with the Investment Policy of Hidalgo County Drainage District #1.

Hidalgo County Drainage District #1 will generally use a request for proposal (RFP) method of securing the services of Hidalgo County Drainage District #1 and/or Texas based securities and investment firms to serve as contracted financial brokers for Hidalgo County Drainage District #1, or may negotiate a contract for such services if recommended by the Hidalgo County Drainage District #1 Financial Review Committee and approved by the Board of Directors'. Hidalgo County Drainage District #1 will from time to time add or delete such firms, to further seek to enhance Hidalgo County Drainage District #1's financial position as qualified firms become known to and are recommended by the Hidalgo County Drainage District #1 Investment Review Committee. All firms selected as financial brokers for Hidalgo County Drainage District #1 shall sign an officially approved contractual agreement which must be officially approved by the Board of Directors' and comply with the Hidalgo County Drainage District #1 Investment Policy as set forth hereinafter in this Section. The Investment Review committee shall, at least annually, review, revise, and recommend for adoption by the Board of Directors' a list of qualified brokers that are authorized to engage in investment transactions with Hidalgo County Drainage District #1.

A written copy of the Hidalgo County Drainage District #1 Investment Policy shall be presented to any financial institution offering to engage in an investment transaction with Hidalgo County Drainage District #1. The qualified representative of the financial institution offering to engage in an investment transaction with Hidalgo County Drainage District #1 shall execute a written instrument, which shall indicate the following:

1. The representative and sales personnel have received and reviewed the Hidalgo County Drainage District #1 Investment Policy; and
2. Acknowledged in writing as approved by Hidalgo County Drainage District #1 that the financial institution has implemented reasonable procedures and controls in an effort to preclude investment transactions conducted between Hidalgo County Drainage District #1 and the financial institution that are *not* authorized by this Policy.

The County Treasurer of Hidalgo County Drainage District #1 may not acquire or otherwise obtain any authorized investment described in this Policy from a financial institution, bank, or pool which has not delivered to Hidalgo County Drainage District #1 a written instrument as set forth hereinabove.

X. METHODS OF INVESTMENT

Internal Investments

The County Treasurer is authorized to internally electronically move funds for Hidalgo County Drainage District #1 investments from currently established funds, plus any newly established Hidalgo County Drainage District #1 funds, within the banking services depository.

The County Treasurer is authorized to utilize an internal electronic banking system for the investment of such funds by means of Customer Direct Link (CDL) program, or Hidalgo County Drainage District #1 checks, with the banking services depository.

The purpose of the internal electronic banking system shall be to allow the County Treasurer to shorten float time on investments, for elimination of checks to make investments of funds within Hidalgo County Drainage District #1 accounts, and to return funds to primary Hidalgo County Drainage District #1 accounts.

The County Treasurer is authorized to internally electronically move and credit principal, plus interest earnings, to Hidalgo County Drainage District #1 funds currently established, plus any newly established Hidalgo County Drainage District #1 funds, as such investments mature.

External Investments

Hidalgo County Drainage District #1 will generally disburse all funds for investments from the Hidalgo County Drainage District #1 banking services depository bank by means of a properly authorized check. In accordance with Section 2256.051, Government Code, Hidalgo County Drainage District #1 may use an electronic funds transfer to invest all funds collected or controlled by Hidalgo County Drainage District #1. Such program shall be under guidelines established and mutually agreeable between the County Auditor, County Treasurer, and banking services depository bank wire transfer agreement.

The County Treasurer is authorized to electronically wire Hidalgo County Drainage District

#1 funds for investment purposes from currently established Hidalgo County Drainage District #1 funds, plus any newly established Hidalgo County Drainage District #1 funds, to authorized investment institutions as indicated under Section IX of this Policy, and in accordance with procedures mutually established with the County Auditor on a delivery versus payment basis. The County Treasurer is further authorized to accept electronically all Hidalgo County Drainage District #1 maturities including principal and interest, as such investments mature, for the proper internal disbursement to Hidalgo County Drainage District #1 funds.

XI. AUTHORIZED COLLATERAL AND COLLATERAL PROCEDURES

The Hidalgo County Drainage District #1 Board of Directors' shall select the type of securities pledged to secure Hidalgo County Drainage District #1 funds. Additionally, withdrawal, or substitution of collateral for Hidalgo County Drainage District #1 funds shall be subject to prior official approval of the Hidalgo County Drainage District #1 Board of Directors' Court.

The investment of any Hidalgo County Drainage District #1 funds shall be collateralized consistent with Federal and state law, Hidalgo County Drainage District #1's banking services depository contract, and the Hidalgo County Drainage District #1 Investment Policy without exception, in one or more of the following manners:

1. A Direct Obligation, including letters of credit, of the United States;
2. An Obligation that in the opinion of the Attorney General of the United States is a general obligation of the United States and backed by its full faith and credit;
3. An Obligation, the principal of and interest of which are unconditionally guaranteed by the United States;
4. An Obligation of an Agency or Instrumentality of the United States, including a mortgage-backed security of the agency or instrumentality; however, obligations of the nature described in Section 2256.009(b), Government Code, shall not be eligible for use as collateral for any Hidalgo County Drainage District #1 funds; or
5. A general or special obligation issued by a public agency, payable from taxes, revenues, or a combination of taxes and revenues that has been rated as to investment quality by a nationally recognized rating agency that has current rating of not less than A or its equivalent.

Furthermore, all collateral must have a 10 year maximum stated maturity.

XII. LEVEL OF COLLATERAL

The market value of the pledged securities securing the time and demand deposits of public funds for Hidalgo County Drainage District #1 shall be in an amount at least equal to 105% of the amount of the deposits of public funds increased by the amount of any accrued interest and reduced to the extent that the deposits are insured by an agency or instrumentality of the United States

Government. The County Treasurer will maintain a monitoring program to establish the market value of such collateral, as best available, for the security of Hidalgo County Drainage District #1 funds.

XIII. POSSESSION OF COLLATERAL

All Securities pledged to secure time and demand deposits of Hidalgo County Drainage District #1 funds shall be held at an independent third party bank outside of the pledging bank and approved by Hidalgo County Drainage District #1 as defined in Hidalgo County Drainage District #1 banking services depository contracts. For investments made with an external broker or outside the bank depository, securities and collateral will be held by an independent third party. Delivery of collateral shall be made to the party holding such on Hidalgo County Drainage District #1's behalf for safekeeping not later than 1:00 P.M. CST on the same day of a trade. All brokers and/or banks shall indicate "Hidalgo County Drainage District #1" on all transaction details.

The independent third party safekeeping bank used for bank collateral and the depository bank acting as safekeeping agent for securities purchased externally shall immediately provide an original safekeeping receipt of the securities and/or surety bonds to the County Treasurer on behalf of the Board of Directors' evidencing the deposit of said securities. When the pledged securities and/or surety bonds held by the custodians are deposited, the permitted institution may apply book entry procedures to the securities. The records of the permitted institution shall at all times reflect the name of the custodian depositing the pledged securities. The trust receipts that the custodians issue to Hidalgo County Drainage District #1 through the County Treasurer shall indicate that the custodian has deposited with the permitted institution the pledged securities held in trust for the party pledging the securities. All participants in the investment or holding of collateral for Hidalgo County Drainage District #1 investments must provide the County Treasurer with a confirmation of trade and safekeeping receipt for county securities and collateral on the same day of the transaction without exception. Banks shall not hold collateral for Hidalgo County Drainage District #1 investments made at or through said institution.

XIV. INVESTMENT REPORTS

Not less than quarterly the County Treasurer shall prepare and submit to the Board of Directors' a written report of Hidalgo County Drainage District #1's investment transactions for the preceding reporting period, in addition to other information that may be required by Hidalgo County Drainage District #1. The report shall contain:

1. A detail of the investment position of Hidalgo County Drainage District #1 on the date of the report;
2. A summary statement, prepared in compliance with generally accepted accounting principles, of each pooled fund group that states the beginning market value for the reporting period, additions and changes to the market value during the period, the ending market value for the period, and fully accrued interest for the reporting period;
3. The book value and market value of each separately invested asset at the beginning and end of the reporting period by the type of asset and fund type invested;

4. The maturity date of each separately invested asset that has a maturity date;
5. The account or fund or pooled group fund of Hidalgo County Drainage District #1 from which each individual investment was acquired; and
6. Compliance of the Hidalgo County Drainage District #1 Investment Portfolio as it relates to the investment strategy expressed in Section III, Investment Strategy of this Policy, as well as other relevant provisions of the Policy.

The report shall be signed by the County Treasurer and by all designated investment officers of Hidalgo County Drainage District #1.

Hidalgo County Drainage District #1 shall have performed as a part of its annual external financial audit a compliance audit of management controls on investments and adherence to Hidalgo County Drainage District #1's established investment policies. The External Auditor shall also formally review the quarterly investment report and the results of the review shall be reported to the Board of Directors' by the auditor.

XV. CONTINUING EDUCATION

It is recommended that each member of Board of Directors' shall attend at least one training session relating to the person's responsibilities under Chapter 2256, Government Code, within six (6) months after taking office.

The County Treasurer and any designated investment officer shall attend at least 10 hours investment training in accordance with the Public Funds Investment Act within 12 months of taking office and 10 hours training within every two-year period as required by Section 2256.008(a), Government Code. Training under this section must include education in investment controls, security risks, strategy risks, market risks, and compliance with this chapter.

XVI. FINANCIAL REVIEW COMMITTEE

There shall be a Hidalgo County Drainage District #1 Investment Review Committee, which shall consist of the County Treasurer as Chairman, Drainage District #1 Board Chairman, and Drainage District #1 Financial Officer. As required, the Hidalgo County Drainage District #1 Financial Advisor (if any) may serve as an Ex-Officio member of the Committee.

The Committee shall be charged with reviewing the general financial management of Hidalgo County Drainage District #1 funds and debt and asset management programs and making recommendations on such items to the Board of Directors'. The Hidalgo County Drainage District #1 Investment Review Committee shall also deal with and coordinate the efforts of the Hidalgo County Drainage District #1 Financial Advisor (if any) and Hidalgo County Drainage District #1 Bond Counsel, and other related individuals/organizations, to develop and/or enhance Hidalgo County Drainage District #1 financial procedures, implement Hidalgo County Drainage District #1 bond sales, or establish recommended policy for the Board of Directors' concerning the working

relationship and duration of such relationship with such groups, as well as any other financially-related matters that may be referred to the Committee from time to time by Board of Directors’.

In view of constant and enhanced financial and banking techniques which may prove beneficial to the Objectives of the Hidalgo County Drainage District #1 Investment Policy as herein set forth, the Hidalgo County Drainage District #1 Investment Review Committee will monitor such changes to determine required adjustments in the Hidalgo County Drainage District #1 Investment Policy.

XVII. REVIEW OF POLICY

The Hidalgo County Board of Directors’ shall review these Policies and the Hidalgo County Drainage District #1's investment strategies at least annually. Following such review, the Board of Directors’ shall adopt a written Order stating that it has reviewed the investment policy and investment strategies and setting forth any changes made to either the investment policy or investment strategy.

ADOPTED: _____
Date

Form of Resolution

WHEREAS, the Public Funds Investment Act, Texas Government Code, Section 2256.001 *et seq.* (the "Act"), requires the governing body of each local government in this State to adopt investment policies in accordance with the terms of the Act; and

WHEREAS, pursuant to the requirements of the Act, the Board of Trustees (the "Governing Body") of the Hid Co Drainage District #1 (the "Local Government") has previously reviewed and adopted an investment policy (the "Policy") that provides in part that the funds of the local government will be invested in investments permitted by the Act in order to: (i) invest only in investments legally permitted under Texas law; (ii) minimize risk by managing portfolio investments so as to preserve principal and maintain a stable asset value; (iii) manage portfolio investments to ensure that cash will be available as required to finance operations; and (iv) maximize current income to the degree consistent with legality, safety and liquidity; and

WHEREAS, pursuant to the Policy and the Act, the Local Government has appointed Norma G. Garcia, County Treasurer to act as the investment officer of the Local Government (the "Investment Officer"); and

WHEREAS, the Act provides that funds under the control of a Local Government may be invested through investment pools meeting the standards of Section 2256.016 of the Act; and

WHEREAS, the Local Government has received and reviewed the Information Statement, dated March 3, 1996 (the "Information Statement"), of Texas Cooperative Liquid Assets Securities System, an investment pool administered by MBIA Municipal Investors Service Corporation (the "Program"), which sets forth the information required by Section 2256.016(b) of the Act; and

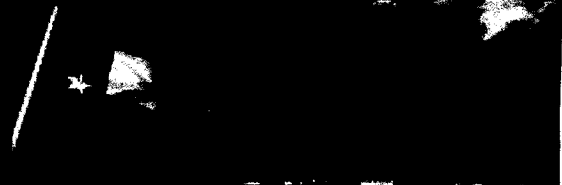
WHEREAS, the Local Government has determined that the investments proposed to be acquired by the Program are of a type that are permitted by the Act and are consistent with the Policy; and

WHEREAS, the Local Government has determined that an investment in the Program will assist the Local Government in achieving the goals set forth in the Policy, and will tend to preclude imprudent investment activities arising out of investment transactions conducted between the Local Government and the Program; and

WHEREAS, the Local Government understands that the Program is to be created through a trust agreement, dated as of January 1, 1996 (the "Trust Agreement"), which provides the terms on which the Program will operate and the rights of the participants in the Program and sets forth the responsibilities of MBIA Municipal Investors Service Corporation as the administrator of the Program (the "Administrator"), and of Wells Fargo Bank as custodian (the "Custodian");

NOW THEREFORE, BE IT RESOLVED BY THE GOVERNING BODY OF THE LOCAL GOVERNMENT:

That the form, terms and provisions of the Trust Agreement, a draft of which was presented and reviewed at this meeting, providing for the creation of the Program and for the rights of the Program participants and the duties and responsibilities of the Administrator, be and the same are hereby approved and adopted; and that the Investment Officer be and he is hereby authorized and directed to



Form of Resolution

execute and deliver to the Administrator and the Custodian in the name and on behalf of the Local Government, a participation certificate evidencing the agreement of the Local Government to be bound by the Trust Agreement substantially in the form of the Trust Agreement reviewed and approved at this meeting, together with such changes therein as may be approved by the said officer, such approval to be conclusively evidenced by the execution thereof; and be it further

Resolved, that the investment program established by the Trust Agreement is hereby found and determined to be consistent with the Policy, and to preclude imprudent investment activities arising out of investment transactions conducted between the Local Government and the Program; and be it further

Resolved, that the Governing Body hereby officially finds and determines that the facts and recitations contained in the preamble of this Resolution are true and correct; and be it further

Resolved, that the Governing Body hereby finds and declares that written notice of the date, hour, place and subject of the meeting at which this Resolution was adopted was posted for the time required by law preceding this meeting, and that such meeting was open to the public as required by law at all times during which this Resolution and the subject matter thereof were discussed, considered and formally acted upon, all as required by the Open Meetings Act, Chapter 551, Texas Government Code, as amended, and the Act; and be it further

Resolved, that the officers of the Local Government, and each of them, shall be and each is expressly authorized, empowered and directed from time to time to do and perform all acts and things and to execute, acknowledge and deliver in the name and under the corporate seal and on behalf of the Local Government all certificates, instruments and other papers, whether or not herein mentioned, as they may determine to be necessary or desirable in order to carry out the terms and provisions of this Resolution and of the Trust Agreement hereby authorized and approved, such determination to be conclusively evidenced by the performance of such acts and things and the execution of any such certificate, financing statement, instrument or other paper; and be it further

Resolved, that this Resolution shall take effect and be in full force and effect upon and after its passage.

Board President:

Board Secretary:

Print Name _____ Print Name _____

Signature _____ Signature _____

Date _____



Exhibit D - Participation Certificate

The undersigned Hidalgo County Drainage District #1 does hereby request that it be admitted
(entity name)

as a Participant pursuant to Section 2.3 of the Third Amended and Restated Trust Agreement (the "Agreement") dated as of January 1, 2004 by and between the Participants, Wells Fargo Bank, as Custodian, and MBIA Municipal Investors Service Corp. By executing this Participation Certificate, the undersigned agrees that, upon the execution hereof by the Program Administrator, it will become subject to the same obligations and shall have the same rights as if it had executed the Agreement.

The undersigned hereby certifies that Norma G. Garcia is the duly
(primary contact)
designated Representative of the undersigned as required by the Agreement.

The undersigned hereby certifies that its governing body has taken all actions required by Section 2256.016 of the Public Funds Investment Act, Texas Government Code, in order for it to participate in the Trust created by the Agreement.

Hidalgo County Drainage District #1
(Name of Participant)

By: Norma G. Garcia
(Name)

Dated: 05 / 12 / 09

Hidalgo County Treasurer
(Title)

Accepted:
MBIA Municipal Investors Service Corp.

By: _____
(Name)

Dated: ____/____/____

(Title)

PIPES

DRAINAGE DISTRICT

Date: 05/12/2009
Submitted By: Jaime Salazar, DRAINAGE DISTRICT
Submitted For: Jaime Salazar
Department: DRAINAGE DISTRICT

Information

CAPTION

- A. Requesting approval to accept lowest quote submitted for "Bridge Avenue Phase I / Junction Box" submitted by R & E Utility Group meeting all specifications and requirements. And approval of short term contract not to exceed \$24,775.00.
- B. Requesting approval to advertise for RFB No. 09-008-06-05 "North San Juan Owassa Channel Crossing".
- C. Requesting approval to enter into inter-local agreement with Workforce Solutions for Supportive Employment Opportunities. No budgetary impact.
- D. Requesting approval to purchase (1) one (Spray Rig Tractor) through the District's membership with Buy Board Cooperative Purchasing Program Contract No. 292-08
- E. Recommending bid award and approval of contract(s) for Bid No. 09-007-05-04 "Pipes" to multiple vendors as follows:
 - 1. Rio Valley Pipes
 - 2. Hanson Pipe & Precast

BACKGROUND

Fiscal Impact

Attachments

No file(s) attached.

Form Routing/Status

Route Seq	Inbox	Approved By	Date	Status
1	Budget & Management	Veronica Lopez	05/07/2009 08:39 AM	APRV
2	Sylvia Solis	Sylvia Solis	05/08/2009 04:26 PM	APRV
3	Final Approval		05/08/2009 04:44 PM	NEW

Form Started By: Jaime Salazar
Started On: 05/06/2009 03:37 PM

Final Approval Date: 05/08/2009

AI-15413
2008 Audit
DRAINAGE DISTRICT

6.

Date: 05/12/2009
Submitted By: Lora Briones, DRAINAGE DISTRICT
Submitted For: Lora Briones
Department: DRAINAGE DISTRICT

Information

CAPTION

Submittal and Presentation of the Hidalgo County Drainage District #1 Financial Audit Report for 2008.

BACKGROUND

Fiscal Impact

Attachments

No file(s) attached.

Form Routing/Status

Route Seq	Inbox	Approved By	Date	Status
1	Budget & Management	Veronica Lopez	05/08/2009 03:56 PM	APRV
2	Sylvia Solis	Sylvia Solis	05/08/2009 04:26 PM	APRV
3	Final Approval	Angela Garcia	05/08/2009 04:44 PM	APRV

Form Started By: Lora Briones

Started On: 05/08/2009 03:43 PM

Final Approval Date: 05/08/2009
