



## **HIDALGO COUNTY INVESTMENT POLICY**

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# **HIDALGO COUNTY INVESTMENT POLICY**

## **I. OBJECTIVES**

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

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

## **II. STANDARD OF CARE**

Hidalgo County 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. 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 maintains a commingled portfolio, which encompasses five 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'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 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 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 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'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.

### **Special and Trust Funds**

Hidalgo County shall invest Special and Trust Funds in accordance with state law and the Hidalgo County Investment Policy to the maximum ability that such investments may benefit Hidalgo County directly, or utilize said funds in a method that such funds may benefit Hidalgo County indirectly. Yield with safety will be attained through high quality investments, which maintain liquidity in the market.

### **Proprietary Funds**

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

### **General Strategy for All Funds**

Hidalgo County'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 to utilize an investment strategy based on Section II of this Policy - which defines yield objectives - as well as Chapter 2256 of the Government Code. Hidalgo County, 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 County'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 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'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. Hidalgo County is not required to liquidate investments that were authorized investments at the time of purchase, Section 2256.017, Government Code.

The Hidalgo County 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 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 funds, the County Treasurer shall be the investment officer for Hidalgo County funds. Unless otherwise authorized by law or order of the Commissioners Court, a person other than the investment officer of Hidalgo County or his/her designated representative, may not deposit, withdraw, invest, transfer or manage in any other manner funds of Hidalgo County. 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, as defined in the Section 2256.005, Government Code, or (ii) be related with the second degree by affinity or consanguinity, as determined under Chapter 573, of the Government Code, to an individual seeking to sell an investment to Hidalgo County, the County Treasurer shall file a statement with the Commissioners Court 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 funds is vested in the Commissioners Court of Hidalgo County and said right of investment or management is extended by the Commissioners Court to the County Treasurer in its behalf. In accordance with Section 113.005, Government Code, the County Investment Officer is not responsible for any loss of the County funds through the failure or negligence of a depository. This section does not release the Investment Officer from responsibility for a loss resulting from the official misconduct or negligence of the Investment Officer, including a misappropriation of the funds, or from responsibility for funds until a depository is selected and the funds are deposited.

## VI. INVESTMENT AUTHORIZATION

In order to allow the maximum flexibility for the investment of Hidalgo County funds, the Hidalgo County Commissioners Court extends the County Treasurer full authority for the investment of Hidalgo County funds per court order approved annually.

The County Treasurer is hereby authorized to utilize internal and external electronic means for investment transactions and to release same as required.

## VII. AUTHORIZED INVESTMENTS

In accordance with the authorizing federal and state laws, Hidalgo County's depository banking services contract, and appropriate approved collateral provisions, Hidalgo County may utilize the following methods for the investment of Hidalgo County funds, as allowed in Chapter 2256 of the Government Code:

1. Obligations of the United States or its agencies and instrumentalities with a 3 year maximum maturity.
2. Obligations of the State of Texas or its agencies and instrumentalities with a 3 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.

In accordance with the provisions of Section 2256.009(b) of the Government Code, the following (a thru 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 3 year maximum maturity, including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation or by the explicit full faith and credit of the United States.

5. 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 3 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 3 year maximum maturity. In addition, an investment in certificate of deposit made in accordance with the following conditions is an authorized investment: (1) the funds are invested by an investing entity through a broker that has its main office or a branch office in the State of Texas and is selected from a list adopted by the investing entity as required by Section 2256.025, Government Code; or a depository institution that has its main office or a branch office in the State of Texas and that is selected by the investing entity; (2) the broker or the depository institution selected by the investing entity 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 the investing entity; (3) the full amount of the principal and accrued interest of each of the certificate of deposit is insured by the United States or an instrumentality of the United States; and (4) the investing entity appoints the depository institution selected by the investing entity, an entity described in Section 2257.041(d), Government Code, or a clearing broker-dealer registered with the Securities and Exchange Commission and operating pursuant to Securities and Exchange Commission Rule 15c3-3 (17 C.F.R. Section 240.15c3-3) as custodian for the investing entity with respect to the certificates of deposit issued for the account of the investing entity.
7. Fully collateralized repurchase agreement 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 have a defined termination date, be secured by a combination of cash and obligations described by Section 2256.009(a)(1), Government Code; and must require the securities being purchased by the entity or cash held 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), Government Code, at a market value at the time the funds are disbursed of not less than the principal amount of the funds disbursed. The terms include 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 is an authorized instrument under Subchapter 2256.012, Government Code, (1) which has a stated maturity of 180 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 of at least one nationally recognized credit rating agency. Such transactions shall not exceed 10% of the total Hidalgo County Investment Portfolio, and all such endorsing banks shall come only from a list of entities who are constantly monitored as to financial solvency.
10. Commercial paper is an authorized investment if the commercial paper (1) has a stated maturity of 270 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.
11. 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 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 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.

12. Hidalgo County may invest its funds and funds under its control through an eligible constant dollar investment pool if the Commissioners' Court 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. An investment pool may invest its funds in money market mutual funds to the extent permitted by and consistent with this subchapter and the investment policies and objectives adopted by the investment pool.

When selecting an investment pool, the County Treasurer shall consider the following criteria:

- a. The types of investments 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;
- l. 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, 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.

To maintain eligibility to receive funds from and invest funds on behalf of Hidalgo County, 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 including a statement regarding how yield is calculated;
  - 10) The portfolio managers of the pool;
  - 11) Any changes or addenda to the offering circular.

Hidalgo County 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.

To be eligible to receive funds from and invest funds on behalf of Hidalgo County, 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.

In addition to the requirements of its investment policy and any other forms of reporting, a public funds investment pool created to function as a money market mutual fund shall report yield to its investors in accordance with regulations of the federal Securities and Exchange Commission applicable to reporting by money market mutual funds.

If the investment pool operates an Internet website, the information in a disclosure instrument or report described in subsection 2256.016(b), (c)(2), and (f), Government Code, must be posted on the website.

To maintain eligibility to receive funds from and invest funds on behalf of an entity under Chapter 2256, of the Government Code, an investment pool must make available to the entity an annual audited financial statement of the investment pool in which the entity has funds invested.

If an investment pool offers fee breakpoints based on fund balances invested, the investment pool in advertising investment rates must include either all levels of return based on the breakpoints provided or state the lowest possible level of return based on the smallest level of funds invested.

To be eligible to receive funds from and invest funds on behalf of Hidalgo County, 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 Commissioners' Court. Hidalgo County 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 funds, with funds becoming available as needed to meet the financial needs of Hidalgo County. All investment transactions will be made on the basis of competitive bids and all securities will be cleared on a delivery versus payment basis.

County and District Clerk Trust Funds, and Adult Probation Funds shall be retained in time or interest bearing demand deposits at the Depository Bank or in separate investment pool accounts for the life of the depository contract, unless otherwise ordered by official court order, as earnings credits and compensating balances for Hidalgo County.

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

The County Treasurer will monitor rating changes in investments purchased. In the event that the minimum rating of an investment does not qualify it as an authorized investment during the period of that investment, the County Treasurer will take all prudent measures to liquidate said 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'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 maintains a current written contract, authorized by Commissioners Court Order, and consistent with the Investment Policy of Hidalgo County.

Hidalgo County will generally use a request for proposal (RFP) method of securing the services of Hidalgo County and/or Texas based securities and investment firms to serve as contracted financial brokers for Hidalgo County, or may negotiate a contract for such services if recommended by the Hidalgo County Financial Review Committee and approved by the Commissioners' Court. Hidalgo County will from time to time add or delete such firms, to further seek to enhance Hidalgo County's financial position as qualified firms become known to and are recommended by the Hidalgo County Investment Review Committee. All firms selected as financial brokers for Hidalgo County shall

sign an officially approved contractual agreement which must be officially approved by the Commissioners' Court and comply with the Hidalgo County 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 Commissioners' Court a list of qualified brokers that are authorized to engage in investment transactions with Hidalgo County.

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

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

The County Treasurer of Hidalgo County 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 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 investments from currently established funds, plus any newly established Hidalgo County 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 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 accounts, and to return funds to primary Hidalgo County accounts.

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

### **External Investments**

Hidalgo County will generally disburse all funds for investments from the Hidalgo County banking services depository bank by means of a properly authorized check. In accordance with Section

2256.051, Government Code, Hidalgo County may use an electronic funds transfer to invest all funds collected or controlled by Hidalgo County. 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 funds for investment purposes from currently established Hidalgo County funds, plus any newly established Hidalgo County 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 maturities including principal and interest as such investments mature, for the proper internal disbursement to Hidalgo County funds.

## **XI. AUTHORIZED COLLATERAL AND COLLATERAL PROCEDURES**

The Hidalgo County Treasurer shall select the type of securities pledged to secure Hidalgo County funds. Additionally, withdrawal, or substitution of collateral for Hidalgo County funds shall be subject to prior official approval of the Hidalgo County Treasurer. The initial amount of securities to be pledged against Hidalgo County shall be adequate to fully collateralize the funds of Hidalgo County according to the State laws of Texas and shall continuously remain as such. The amount is subject to change as investments fluctuate in which case the collateral may be reduced with the approval of the County Treasurer.

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

1. Obligations, including letters of credit, of the United States or its agencies and instrumentalities;
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 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 an expected weighted average life of 10 years or less and does not constitute a high-risk mortgage security.

## **XII. LEVEL OF COLLATERAL**

The market value of the pledged securities securing the time and demand deposits of public funds for Hidalgo County 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 funds.

## **XIII. POSSESSION OF COLLATERAL**

All Securities pledged to secure time and demand deposits of Hidalgo County funds shall be held at an independent third party bank outside of the pledging bank and approved by Hidalgo County as defined in Hidalgo County 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 County'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 "County of Hidalgo" 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 Commissioners Court 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 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 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 investments made at or through said institution.

## **XIV. INVESTMENT REPORTS**

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

1. A detail of the investment position of Hidalgo County on the date of the report;
2. A summary statement of each pooled fund group that states the beginning market value for the reporting 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 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 from which each individual investment was acquired; and
6. Compliance of the Hidalgo County 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 accepted by Commissioners' Court as indicated in Section XIV of this policy.

Hidalgo County 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'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 Commissioners' Court by the auditor.

## **XV. CONTINUING EDUCATION**

It is recommended that each member of Commissioners Court shall attend at least one training session relating to the person's responsibilities under Chapter 2256 of the 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 Investment Review Committee which shall consist of the County Treasurer as Chairman, County Judge and Budget Officer. As required, the Hidalgo County 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 funds and debt and asset management programs and making recommendations on such items to the Commissioners' Court. The Hidalgo County Investment Review Committee shall also deal with and coordinate the efforts of the Hidalgo County Financial Advisor (if any) and Hidalgo County Bond Counsel, and other related individuals/organizations, to develop and/or enhance Hidalgo County financial procedures, implement Hidalgo County bond sales, or establish recommended policy for the Commissioners Court 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 Commissioners Court.

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

### **XVII. REVIEW OF POLICY**

The Hidalgo County Commissioners' Court shall review these Policies and the County's investment strategies at least annually. Following such review, the Commissioners' Court 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: September 27, 2016  
Date