

Nueces County

INVESTMENT POLICY



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1.0 INVESTMENT AUTHORITY AND SCOPE OF POLICY

1.01 Legal Authority to Invest

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

1.02 Delegation of Investment Authority

Nueces County Commissioners Court delegates the authority to select investments in which the county funds may be placed and to prepare documentation necessary to evidence the investment of county funds to its County Judge, County Clerk, County Auditor, County Attorney, County Tax Assessor-Collector, and Nueces County Commissioners Court Manager together to make investments for Nueces County in accordance with this investment policy. Collectively, the six officials are the Investment Committee, with the County Judge serving as the chair. The Nueces County Judge, as Chair of the Investment Committee, shall approve all investment transactions, with the exception of transactions with Local Government Investment Pools. The County Investment Officers shall be authorized to deposit, withdraw, and transfer funds in completing approved investment transactions. At their discretion, the Commissioners Court may designate in writing other Nueces County personnel authorized to invest county funds.

The designated Investment Officers must perform his or her duties in compliance with the Nueces County Investment Policy and Procedures Manual approved by Commissioners Court. When the investment officers and the investment committee act in good faith and in compliance with these policies and procedures, they have no personal liability for their actions. If the investment officers or a member of the investment committee has a personal business relationship with an entity, or is related within the second degree by affinity or consanguinity to an individual seeking to sell an investment to the county, the investment officers or committee member must file a statement disclosing that personal business interest or relationship with the Texas Ethics Commission and the Commissioners' Court in accordance with Government Code 2256.005(I).

1.03 County Investment Portfolio Structure

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

- 1.0301 The operating account portfolio includes the County's Operating Funds as further set out in Attachment 1.
- 1.0302 The other funds portfolio includes the County's other funds as set out in Attachment 2.
- 1.0303 The capital projects fund portfolio means bond proceeds and general capital projects funding for all capital projects.
- 1.0304 The debt service portfolio means all interest and sinking funds.

1.04 Applicability of Policy

This policy governs the investment of all fund portfolios of Nueces County. The capital projects fund portfolio are managed in compliance with applicable governing ordinances and federal law, including the Tax Reform Act of 1986, as amended, in addition to compliance with this policy.

1.05 Prudence and Ethical Standards

Nueces County uses the "prudent person rule" when managing the portfolios within the applicable legal and policy constraints. The prudent person rule is restated as follows:

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

1.06 Quality and Capability of Investment Management

It is the County's policy to provide training required by the Public Funds Act, Section 2256.008 and periodic training in investments for the County Investment Officers through courses and seminars offered by professional organizations and associations, to insure these individuals remain current and are qualified and capable of making investment recommendations to the Investment Committee.

2.0 INVESTMENT OBJECTIVES

Funds of the county will be invested in accordance with federal and state laws, this investment policy and written administrative procedures. A separate written investment strategy shall be adopted by the Commissioners' Court for each of the funds under its control. The county will invest according to the adopted investment strategies for each fund. (See attachments 1 through 3)

2.01 Safety of Principal

The primary objective of Nueces County is to ensure the safety of principal in all portfolios. (See 3.0 Safety of Principal.)

2.02 Maintenance of Adequate Liquidity

The secondary objective of Nueces County for all portfolios is to provide the liquidity necessary to pay obligations as they become due. (See 4.0 Liquidity.)

2.03 Maximization of Yield

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

2.04 Additional Objectives for Capital Projects Fund Portfolio

The major objectives for the capital projects fund portfolio governed by Federal arbitrage regulations are to maximize permitted market yield and to minimize investment costs.

3.0 SAFETY OF PRINCIPAL

3.01 Protection of Principal

Nueces County seeks to control the risk of loss due to the failure of a security issuer or grantor. To control that risk, Nueces County purchases only eligible investments, requires prior approval of Investment Vendors with which it transacts business, diversifies investments in all portfolios based on maturity and type, and collateralizes deposits. In addition, Nueces County must execute the purchase of individual eligible investments only on the "delivery versus payment" (DVP) method through the Federal Reserve System to ensure that county funds are not released until Nueces County has received the securities purchased.

Purchasing Only Eligible Investments

3.02 Eligible Investments

The following instruments, which do not include all of the securities allowed by the Public Funds Investment Act, are the only eligible investments for all county funds:

3.0201 Direct Obligations of the United States of America, or its agencies and instrumentalities;

3.0202 Fully collateralized direct repurchase agreements that:

3.020201 have a defined termination date,

3.020202 are placed either through a primary government securities dealer as defined by the Federal Reserve, or through a bank domiciled in Texas,

3.020203 are secured by obligations described by 3.0201,

3.020204 are pledged to Nueces County and deposited with a third party selected and approved by Nueces County, and

3.020205 have a market value of not less than the principal amount of the funds disbursed. (See 3.19 Collateral Requirements for Repurchase Agreements.)

3.0203 Certificates of Deposit:

3.020301 Issued by a depository institution that has its main office or a branch office in this state, and is guaranteed or insured by the Federal Deposit Insurance Corporation, or its successor; or

3.020302 Issued by a state or federal savings and loan association domiciled in this state, the payment of which is insured by the Federal Savings and Loan Insurance Corporation or its successor; or

3.020303 Issued by a depository institution that has its main office or a branch office in this state and is secured by obligations that are described by 3.0201 that have a market value of no less than the principal amount of the certificates and are pledged to Nueces County and deposited with a third party selected and approved by Nueces County (See 3.15 Collateral Requirements for all Deposits.)

3.020304 An investment in certificates of deposit made in accordance with the following conditions:

- (1) the funds are invested by County through:
 - (A) a depository institution (herein "Selected Depository Institution") that has its main office or a branch office in this state;
 - (B) a broker (herein "Selected Broker") that has its main office or a branch office in this state and is selected from the County's approved investment Vendor list;
- (2) the Selected Depository Institution or Selected Broker 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 County;
- (3) the full amount of the principal and accrued interest of each of the certificates of deposit is insured by the United States or an instrumentality of the United States; and
- (4) the Selected Depository Institution or a Federal Reserve Bank or a branch of a Federal Reserve Bank or other as permitted under section 2256.010(b)(4) of the Texas Government Code acts as custodian for the County with respect to the certificates of deposit issued from the account of the County.

3.0204 Obligations of, or guaranteed by governmental entities including:

3.020401 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;

3.020402 other obligations, the principal and interest of which are unconditionally guaranteed or insured by, or backed by the full faith and credit of, this state or the United States or their respective agencies and instrumentalities; and

3.020403 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 "AA" or its equivalent.

3.0205 Local government investment pools ("LGIP") organized under the Interlocal Cooperation Act, as amended, whose assets consist exclusively of obligations that are continuously rate AAA by at least one nationally recognized rating service to operate in Texas as required by House and Senate Bill 2459 and meets the disclosure requirements of the Public Funds Investment Act. "LGIP" means an entity that was created to invest public funds jointly on behalf of the governments that participate in the pool and whose investment objectives in order of priority are: first, safety of principal; second, liquidity; and third, income.

3.03 Purchasing Eligible Investments

The Investment Committee may invest all portfolios in the eligible investments described by 3.02 of this policy.

3.04 Prohibited

Nueces County's Investment Committee and Investment Officers have no authority to use any of the following investment instruments which are strictly prohibited by the Public Funds Investment Act:

3.0401 Obligations whose payment represents the coupon payment on the outstanding principal balance of the underlying mortgage-backed security collateral and pay no principal,

- 3.0402** Obligations whose payment represents the principal stream of cash flow from the underlying mortgage-backed security collateral and pays no principal,
- 3.0403** Collateralized mortgage obligations that have a stated final maturity date of greater than 10 years, and
- 3.0404** Collateralized mortgage obligations the interest rate of which is determined by an index that adjusts opposite to the changes in a market index.

Approval of Investment Vendor

3.05 Applications for Approval as Investment Vendor

When an Investment Vendor applies for approval, the Investment Committee provides a copy of the Nueces County Investment Policy and Procedures Manual to the senior management of that institution. To qualify for approval, an Investment Vendor must submit an application that complies with the following requirements:

- 3.0501** Gives evidence of capital adequacy (See 3.0602),
- 3.0502** Acknowledges receipt and understanding of the Nueces County Investment Policies and Procedures Manual, and Signs the Certification in Exhibit 1,
- 3.0503** Includes a completed Investment Vendor Questionnaire, Exhibit 2,
- 3.0504** Provides proof of Financial Industry Regulatory Authority (FINRA) Certification or other certification from a Self -Regulatory Organization (SRO),
- 3.0505** Provides proof of State Registration.

3.06 Qualifications for Approval as Investment Vendor

The Investment Committee reviews the applications of the Investment Vendor for compliance with this policy and recommends institutions for approval. Although having an office in Texas is not a required criterion, Nueces County prefers working with Investment Vendor offices located in Texas. To be recommended for approval, an Investment Vendor must demonstrate possession of the following criteria:

- 3.0601** Institutional investment experience,
- 3.0602** Adequate capitalization per the Capital Adequacy Guidelines for Government Securities Dealers published by the New York Federal Reserve Bank,
- 3.0603** An understanding of this Investment Policies and Procedures Manual,
- 3.0604** Regulation by the Securities and Exchange Commission ("SEC"),
- 3.0605** Registered member in good standing with FINRA, and
- 3.0606** Investment vendors (those selling securities) are required to be registered with the Texas State Securities Board.

3.07 Approval of Investment Vendor

The Commissioners Court reviews the recommendations of the Investment Committee and approves Investment Vendors. Nueces County may only purchase securities from qualified Investment Vendor.

3.08 Annual Review of Approved Investment Vendors

New applicants must comply with 3.05 and 3.06 and submit applications to the Office of the County Judge in order to be considered as an Investment Vendor. Applications received through the year will be held and reviewed by the Investment Committee at their Quarterly Investment Committee meetings or as needed and, if appropriate, considered by the Commissioners Court for inclusion as an approved Vendor. Investment Vendors currently on the approved list are not required to resubmit an application each year, however, any change in the primary representative of an approved investment vendor requires a new signed certification under 3.0502 of this policy prior to conducting any new business. The Investment Committee will review and evaluate the Investment Vendors previously approved by the Commissioners Court annually during the first calendar quarter of each year, based on the following criteria:

- 3.0801** Performance since the last review based on return on investment, timeliness and completeness of reporting on investment portfolio handled by vendor, and responsiveness to requests for information,
- 3.0802** Activity level based on proposals presented since the last review, and
- 3.0803** Selection criteria in 3.06.

3.09 Removal From Approved List

When the Investment Committee reviews and reevaluates the Investment Vendors currently on the approved list and at any other time the Investment Committee discovers good cause, the Investment Committee may recommend that an Investment Vendor be removed from the approved list for the following reasons:

- 3.0901** Placing Nueces County funds at risk,
- 3.0902** Inactivity of the Investment Vendor
- 3.0903** Failure to maintain one or more of criteria 3.06,
- 3.0904** Offering to sell investments other than eligible investments described by 3.02,
- 3.0905** Consistently causing an administrative burden by inaccurate documentation or untimely verifications of trade, or
- 3.0906** Consistently offering securities at non-competitive yields.

Diversifying Portfolios

3.10 Diversifying Operating Account Portfolio by Type

The Investment Committee must minimize loss of principal by diversifying investments by type and maturity. The Investment Committee must maintain diversity in the types of eligible investments purchased by limiting the percentage of the combined portfolios for each type of eligible investment to the percentages listed in the following chart:

Investment Type	% Limit	Maximum Maturity
U.S. Treasury Notes/Bonds/Bills	75%	60 months
Repurchase Agreements	75%	13 months
Certificates of Deposit	75%	60 months
Obligations of, or Guaranteed by Gov't Entities	75%	60 months
Local Gov't. Invest. Pools	90%	N/A
Money Market Mutual Funds	10%	N/A

3.11 Preliminary Requirements for Repurchase Agreements

Before Nueces County enters into a repurchase agreement with any issuer, that issuer must sign a Master Repurchase Agreement that complies with this policy and all applicable law, including Chapter 2256 of the Texas Government Code and return it to the Treasurer for filing. All Repurchase Agreements are recommended by the Investment Committee, reviewed by the Nueces County Attorney's Office, and approved by the Commissioners Court.

3.12 Diversifying Operating Account Portfolio by Maturity

The Investment Committee must monitor the maturity dates of all investments in all portfolios to minimize risk of loss from interest rate fluctuations and to ensure that the maturities do not exceed the anticipated cash flow requirements of the account portfolios. The Investment Committee must also monitor the maturity dates of all investments in the operating account portfolio to ensure that the weighted average days to maturity for all investments in the operating account portfolio are less than 365 days and, with the exception of the term repurchase agreements purchased to meet the requirements of a County Depository Contract, the maximum maturity for repurchase agreements is less than 120 days. If these levels are exceeded, the Investment Committee must make changes in the investments held by Nueces County to reduce the maturities to comply with these level requirements.

Collateralizing Deposits

3.13 Collateral Requirements for All Deposits

Certificates of deposit and bank deposits in financial institutions must be either federally insured or collateralized with obligations of the United States, this State, or its agencies. At all times, the market value of collateral must be at least 102% of the par value of the certificate of deposits plus accrued interest and at least 102% of the bank deposits less \$250,000.00, insured by the Federal Deposit Insurance Corporation or the National Credit Union Administration.

3.14 Monitoring Collateral Adequacy for all Deposits

Financial institutions with which Nueces County has certificates of deposit or bank deposits must provide Nueces County with monthly reports that state the market values of collateral. The Treasurer monitors the adequacy of

collateral at least weekly. If the value of the collateral falls below the required level, the financial institution must pledge additional collateral no later than the end of the next business day after the value falls below the required level.

3.15 Substituting Collateral for All Deposits

If the financial institution collateralizing certificates of deposit and bank deposits wants to substitute new collateral, the financial institution must contact the Treasurer. The Treasurer must calculate the value of the substituted collateral. The value of the new collateral must equal at least the value of the original collateral. If the collateral has sufficient value, the Treasurer may request approval from the County Judge or County Auditor to make the substitution. The Treasurer must notify the financial institution or the safekeeping agent holding the collateral when any substitution is approved. Although substitution is allowable, it should be limited to minimize a potential administrative burden. The Treasurer may limit substitutions and assess reasonable fees if requests for substitution become excessive or abusive.

3.16 Agreements and Safekeeping for All Deposits

The Financial institution serving as the county depository must sign agreements for the safekeeping of collateral with both Nueces County and a third party safekeeping agent to define Nueces County's rights to the collateral in case of default, bankruptcy, or bank closing. All collateral securing deposits are held by the safekeeping agent.

3.17 Collateral Requirements for Repurchase Agreements

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

3.18 Monitoring Collateral Adequacy for Repurchase Agreements

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

3.19 Substituting Collateral for Repurchase Agreements

Issuers of repurchase agreements may not substitute collateral without prior approval of the County Judge.

3.20 Safekeeping of Repurchase Agreement Collateral

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

4.0 LIQUIDITY

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

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

5.0 INVESTMENT RETURN ACHIEVEMENT

The Investment Committee must consider legality, safety, liquidity, risk, and rate of return in investment selection for all portfolios. Investments are made in securities with maturities corresponding to anticipated cash requirements. Investments are to take advantage of yield curves and earn additional returns. The Investment Committee must actively manage all Nueces County portfolios to enhance total income in compliance with the "prudent person rule" described by 1.05.

6.0 INVESTMENT RESPONSIBILITIES BY OFFICE

6.01 Investment Committee

The County Judge, as Chair of the Investment Committee, shall approve all investment transactions except for transactions with Local Government Investment Pools. The Investment Committee is responsible for developing the investment strategies of the County. The Investment Committee must meet at least quarterly to review the status of all investments.

6.0101 Monitoring Investment Performance

The Investment Committee must routinely perform market and economic analysis to forecast probable market conditions for the investment period by assembling and analyzing current and trend data to develop and plan investment strategy. This analysis uses information obtained from investment advisors, broker, and investment industry publications. The Investment Committee monitors the current and expected yield curves for interest rate movements. When interest rates are expected to decline, maturity ranges are extended within portfolio and policy constraints. When interest rates are expected to increase, maturity ranges are shortened. The Investment Committee monitors yield spreads between various government agency issues and United States notes and bonds to determine the best value.

6.02 Treasurer's Office

The Treasurer is the chief custodian of county funds. The Treasurer receives funds due to Nueces County, makes disbursements approved by the Auditor and the Commissioners Court, and keeps proper records of county finances. In the investment function, the Treasurer has the following responsibilities:

6.0201 Notifying of Controlled Disbursement Requirements

The Treasurer notifies the Auditor if any additional funds are required for the daily controlled disbursement to ensure that investments are liquidated in time to meet the controlled disbursement requirements.

6.0202 Processing Investments

The Treasurer may transact wire transfers for investment purposes for Nueces County. The Auditor notifies the Treasurer of the amount to be transferred. The Treasurer transfers funds to the safekeeping account to purchase the investment. In addition, the Treasurer and the Auditor approve the wire transfer form after the County Judge has approved the investment transaction.

6.0203 Depositing Investment Principal and Interest

The Treasurer deposits principal and interest at maturity to the funds bank account indicated by the Auditor.

6.0204 Ensuring Security of Investments

The Treasurer accesses the depository's files daily to verify Nueces County's account balances. The Treasurer adds the certificates of deposit purchased by the Tax Office, County Clerk, District Clerk, and County Treasury to the total county cash balances to obtain the total county balance. The Treasurer compares the total county balance to the total collateral purchased by the depository bank. The collateral must be at least 102% of Nueces County's total balances held with the depository. If the collateral is less than 102% of Nueces County's total balances, the Treasurer must contact the depository bank to verify that the depository bank has increased the collateral to the required level.

6.0205 Reporting Accounts

The Treasurer prepares a monthly report of all fund bank accounts and presents it to the Investment Committee Members. This report includes beginning balances, deposits, disbursements, and ending balances for each bank account.

6.03 Auditor's Office

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

6.0301 Posting Investments and Reconciling to General Ledger

The Auditor's Office posts investment transactions, investment interest revenue received, and accrued interest income to the General Ledger. The Auditor's Office reviews and approves the monthly reconciliation of investments; investment interest revenue received, and accrued interest income to the General Ledger. The Auditor reconciles any differences between the monthly bank reconciliations prepared by the Treasurer's Office and the General Ledger.

6.0302 Confirming Balances and Performing Review

The Auditor's Internal Audit Division confirms investment balances at least once a year. The Internal Audit Division performs a review of the internal controls and procedures between the Treasurer and the Auditor at least once a year.

The Investment Committee is the primary manager of county investment portfolios. The Auditor makes recommendations to the Investment Committee, and keeps proper records of county investments. In the investment function, the Auditor has the following responsibilities:

6.0303 Selecting and Processing Investments

The Auditor reviews the composition of the current portfolio and determines whether the securities under consideration maintains the portfolio within policy guidelines. The Auditor and the Treasurer approve the wire transfer form authorizing the transfer of funds for a specific investment transaction.

6.0304 Documenting Investments and Providing Details

The Auditor retains documentation of all investment transactions. The Auditor provides information and supporting documentation for all investment transactions for entry in the General Ledger. The Auditor provides information and back-up documentation of all investment transactions to the Treasurer to ensure accurate calculation of cash position and accurate posting to appropriate fund bank accounts.

6.0305 Developing Cash Flow Projections for All Portfolios

The Auditor analyzes prior period data and meets with the Investment Committee to develop and amend cash flow projections of Nueces County's cash requirements. The Auditor uses cash flow projections to match sources and uses in addition to maximizing the return on investments.

6.0306 Determining Cash Available for Investment

The Auditor determines the amount of county funds available for investment each business day and advises the Investment Officer of his or her determination. All funds that can be legally invested and that are not required for that day's controlled disbursement are considered funds available for investment.

6.0307 Reconciling Investment Records & General Ledger

The Auditor provides the Investment Committee with a quarterly report that states investments at par value, the identifying cusip number, the premium or discount and the interest purchased. The report includes quarterly and year-to-date interest accruals and amortization or accretion of premium/discount. This report should reconcile to the investment accounts in the general ledger.

6.0308 Allocating Budget from Interest Revenue

The Auditor allocates the interest revenue earned from investments to all funds that participate in the investment function.

6.0309 Providing Revenue Estimates for All Portfolios

The Auditor provides an estimate of the investment revenue for the annual budget.

6.0310 Monitoring Arbitrage

The Auditor monitors Nueces County's arbitrage responsibilities and provides the bond fund transaction information required by Nueces County's arbitrage advisors.

7.0 INVESTMENT PURCHASING PROCEDURES

7.01 Investment Transactions

Purchase of securities may be done as follows:

7.0101 Registered Representative of a Broker/Dealer

A Registered Representative of a Broker/Dealer may be approved by the Commissioners Court to act in an investment advisory relationship to the County. The approved Investment Advisor(s) may make recommendations to the Nueces County Investment Committee regarding the purchase of securities. The Investment Committee may accept or reject the recommendations of the approved Investment Advisor. Purchase of any security recommended by the Investment Advisor is subject to the approval of the Investment Committee.

7.0102 County Staff

The Investment Officer and Auditor, with prior approval of the County Judge, may solicit bids for the county. At least three bidders must be contacted in all transactions involving individual securities except for those transactions with LGIP's, treasuries purchased through the Federal Reserve Treasury Direct Accounts, and for government securities purchased at issue through an approved Investment vendor at the auction price. Bids may be solicited in any manner provided by law. All bids received must be documented and filed for auditing purposes.

7.02 Wire Transfer Procedures

In executing investment transactions, the Treasurer must use pre-formatted repetitive wire transfers to restrict transfers of funds to pre-authorized accounts.

For transfers of investment funds via manual wire transfer to non-county accounts, the agreement with the depository bank must require the depository bank to call the Auditor for confirmation that this transfer is authorized prior to the transfer.

8.0 PERFORMANCE EVALUATION AND REPORTING

8.01 Levels of Evaluation

Evaluation is conducted at several levels. The Auditor continually monitors and evaluates the investment performance. The Investment Committee reviews and evaluates the cash flow forecast, investment strategies, and portfolio performance. The Commissioners Court evaluates the Investment Committee's entire performance.

8.02 Investment Committee

The Investment Committee reviews investment policies and procedures, investment strategies, and investment performance. The Investment Committee includes the County Judge, the County Clerk, the County Auditor, the County Attorney, the County Tax Assessor-Collector and Nueces County Commissioners Court Manager with the County Judge serving as the chair. The chair calls meetings of the committee.

8.03 Performance Analysis and Reporting

The Auditor determines the level and content of daily and weekly performance analysis and reporting. The Investment Committee and the Commissioners Court jointly decide the level and content of quarterly performance analysis and reporting.

8.04 Quarterly Performance Analysis and Reporting

The Treasurer and the Auditor provide quarterly summary reports that evaluate investment performance based on investment policy objectives to the Investment Committee. The reports compare the performance of Nueces County's portfolio to appropriate bench-marks selected by the Treasurer and the Auditor. The reports address compliance with the investment policy in diversification by type and maturity. This report also includes the following:

- 8.0401** Cash availability,
- 8.0402** Market review,
- 8.0403** Investment strategy - next quarter,
- 8.0404** Performance measurement,
- 8.0405** Portfolio statistics,
- 8.0406** Collateral adequacy for repurchase agreements,
- 8.0407** Collateral adequacy for bank deposits and certificates of deposit,
- 8.0408** Investment activity,
- 8.0409** Market valuation,
- 8.0410** Distribution of investments by dealer/broker/financial institution,
- 8.0411** Distribution of investments by type of investment.

8.05 Annual Performance Analysis and Reporting

The Investment Committee compiles the quarterly reports into an annual report at the end of each fiscal year and submits it to the Commissioners Court by the end of the first quarter of the following fiscal year.

9.0 INVESTMENT POLICY REVIEW AND AMENDMENT

9.01 Review Procedures

The Investment Committee must review the Nueces County Investment Policy and Procedures Manual annually. The Investment Committee must present a summary report of the review with changes recommended by the Investment Committee to the Commissioners Court.

9.02 Changes to the Investment Policy

After adoption of the Nueces County Investment Policies and Procedures Manual, the Commissioners Court must approve any changes to the policy manual before they become effective.

10.0 GENERAL INTERPRETIVE PROVISIONS

10.01 Authorization

The Public Funds Investment Act, the Public Funds Collateral Act, and TEX. GOV'T CODE ANN., sec. 2256.051 et seq. (Vernon 1994) and Amendments thereof authorize the Commissioners' Court to promulgate this investment policy and procedures manual.

10.02 Effective Date

The Nueces County Investment Policies and Procedures Manual and any changes thereof become effective upon adoption by the Commissioners Court.

10.03 Definitions

In this manual, the following words and phrases have the following meanings:

10.0301 "Auditor" means the Nueces County Auditor or his/her designees.

10.0302 "Commissioners Court" means the Nueces County Commissioners Court.

10.0303 "Investment Committee" means the Nueces County Judge, Attorney, Auditor, Clerk/Treasurer, and Tax Assessor-Collector and Nueces County Commissioners Court Manager.

10.0304 "Investment Officer" means the County Clerk Treasury Accountant and the County Auditor Revenue/Cash Manager.

10.0305 "Treasurer" means the Nueces County Clerk/Treasurer or his/her designees.

10.04 Attachments, and Exhibits

10.0401 Attachments listed and named below are made a part of this policy and procedures manual in the same manner as if they were written in full in this manual:

Attachment 1	Operating Funds and Investment Strategies
Attachment 2	Other funds Investment Strategies
Attachment 3	Debt Service Funds Investment Strategies
Attachment 4	Capital Projects Fund Investment Strategies

10.0402 Exhibits listed and named below show the required form of documents that must be used to comply with the requirements of this policies and procedures manual:

Exhibit 1	Certification
Exhibit 2	Investment Vendor Questionnaire
Exhibit 3	List of Approved Investment Vendors

OPERATING FUNDS INVESTMENT STRATEGIES

As an integral part of the Nueces County Investment Policy, a separate written investment strategy shall be adopted by the Commissioners' Court for each of the funds under its control. The Operating Funds ~~Other Funds~~ Investment Strategy includes the following individual funds:

Operating Funds

- Fund 11 – General Fund
- Fund 12 – Farm to Market Fund
- Fund 14 – Stadium/Fairgrounds Fund
- Fund 15 – Library Fund
- Fund 16 – Airport Fund
- Fund 17 – Inland Park Fund
- Fund 18 – Island Park Fund

Investment Strategies:

The County's investment strategy for its Operating Funds encompasses the following objectives, in order of importance:

1. Only eligible investment instruments, as defined in the Investment Policy, may be used.
2. Preservation and Safety of principal is the number one consideration in selecting an investment instrument.
3. The availability of funds (liquidity) to meet the day-to-day operating needs of the county is of utmost importance in selecting types of investments for operating funds.
4. Diversification is important to the safe guarding of county funds. There is less flexibility in diversifying operating fund investments because of the greater need for liquidity.
5. While maximizing return on investment is an objective of the county investment policy, it is of lesser importance in determining the type of investment instrument for operating funds.
6. The investments should be laddered with varying maturity dates corresponding to the County's cash requirements.

Attachment (1)

OTHER FUNDS INVESTMENT STRATEGIES (Attachment 2)

As an integral part of the Nueces County Investment Policy, a separate written investment strategy shall be adopted by the Commissioners' Court for each of the funds under its control. Other Funds Investment Strategy includes the following individual funds:

Other Funds

Fund 10 – Self-Insurance Fund
Fund 13 – Special Revenue Fund
Fund 20 – Grants Operating Fund
Fund 28 – Juvenile Probation Fund

Investment Strategies:

The County's investment strategy for its Other Funds encompasses the following objectives, in order of importance:

1. Only eligible investment instruments, as defined in the Investment Policy, may be used.
2. Preservation and Safety of principal is the number one consideration in selecting an investment instrument.
3. The availability of funds (liquidity) to meet the day-to-day operating needs of the county is of utmost importance in selecting types of investments for operating funds.
4. Diversification is important to the safe guarding of county funds. There is less flexibility in diversifying operating fund investments because of the greater need for liquidity.
5. While maximizing return on investment is an objective of the county investment policy, it is of lesser importance in determining the type of investment instrument for operating funds.
6. The investments should be laddered with varying maturity dates corresponding to the County's cash requirements.

DEBT SERVICE FUNDS INVESTMENT STRATEGIES (Attachment 3)

As an integral part of the Nueces County Investment Policy, a separate written investment strategy shall be adopted by the Commissioners' Court for each of the funds under its control. The Debt Service Funds Investment Strategy includes the following individual funds:

Fund 09– Debt Service Fund

Investment Strategies:

The County's investment strategy for its Debt Service Funds encompasses the following objectives, in order of importance.

1. Only eligible investment instruments, as defined in the Investment Policy, may be used.
2. Preservation and Safety of principal is the number one consideration in selecting an investment instrument.
3. Maximizing return on investment is an important objective of the county investment policy. Since payments on principal occur only once a year and on interest twice a year, the maturity date of the investment instruments must correspond with those payment dates.
4. Diversification is important to the safe guarding of county funds.
5. Liquidity of the Debt Service Funds is of lesser importance since payment dates are known and maturities can be structured to correspond with the payment.

CAPITAL PROJECTS FUND INVESTMENT STRATEGIES (Attachment 4)

As an integral part of the Nueces County Investment Policy, a separate written investment strategy shall be adopted by the Commissioners' Court for each of the funds under its control. The Capital Projects Fund Investment Strategy includes the following individual funds:

Fund 19 – Capital Projects Fund

Investment Strategies:

The County's investment strategy for its Capital Projects Fund encompasses the following objectives, in order of importance:

1. Only eligible investment instruments, as defined in the Investment Policy, may be used.
2. Preservation and Safety of principal is the number one consideration in selecting an investment instrument.
3. Maximizing return on investment is an important objective of the county investment policy. Since a good part of these funds are reserves, the funds can be invested for longer periods of time.
4. Diversification is important to the safe guarding of county funds.
5. Liquidity of the Capital Projects Fund is of lesser importance since the need for project funds can be forecasted to a greater degree. Some funds must remain liquid, however, to meet the weekly expenditure requirements.

CERTIFICATION (Exhibit 1)

I hereby certify that I have personally read and understand the investment policies and master repurchase agreement conditions of Nueces County, and have implemented reasonable procedures and controls designed to fulfill those objectives and conditions. Transactions between this firm and Nueces County will be directed toward precluding imprudent investment activities and protecting the County from credit or market risk.

All the sales personnel of this firm dealing with Nueces County’s account have been informed and will be routinely informed of the County’s investment limitations, strategy and risk constraints, whenever we are so informed.

This firm pledges due diligence in informing the County of foreseeable risks associated with financial transactions connected to this firm. Additionally, this firm pledges to apprise Nueces County, within 5 working days, of any changes in the firm’s controlling ownership.

(Firm) Primary Representative

(Signature)

(Name)

(Title)

(CRD#)

(Date)

**NUECES COUNTY, TEXAS
BROKER/DEALER QUESTIONNAIRE (Exhibit 2)**

1. Name of firm _____
SEC# or CRD# _____
2. Local Address _____

3. National Address _____

4. Local telephone number _____
National telephone number _____
5. Primary representative/manager/partner-in-charge
Name _____
Title _____
CRD# _____
Telephone number _____
6. Secondary representative/manager/partner-in-charge
Name _____
Title _____
CRD# _____
Telephone number _____
7. Are you a primary dealer in United States Government securities?
Yes [] No []
8. If yes, how long has your firm been a primary dealer?
_____ Years

Exhibit (2)

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

Firm-wide \$ _____ Number of transactions _____

Local office \$ _____ Number of transactions _____

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

Treasury bills

Treasury notes/bonds

Agencies - specify

Instrumentalities - specify

Banker's acceptances - domestic

Banker's acceptances - foreign

Commercial paper

Bank Certificates of deposit

Savings & Loan Association certificates of deposit

Other - specify

11. Identify all personnel who will be trading with or quoting securities to Nueces County Investment Officer(s) and/or Investment Committee Member(s).

<u>Name</u>	<u>Title</u>	<u>Telephone</u>

12. Which of the above personnel have read our investment policies and procedures?

13. Please indicate which agents of your firm's local offices currently are licensed, certified or registered, and by whom.

<u>CR#</u>	<u>Agent</u>	<u>Licensed or registered by</u>

14. Please identify your public sector clients in Texas.

<u>Entity since</u>	<u>Contact Person</u>	<u>Telephone no</u>	<u>Client</u>

Exhibit (2)

15. Have any of your public sector clients ever notified a staff member of your firm that they have incurred a loss exceeding 10% of the original purchase price of an individual security purchased through your firm?
16. Has your firm or any of your employees ever been investigated by a regulatory or state agency for alleged improper, fraudulent, disreputable or unfair business practices in the sale of securities or money market instruments? If yes, please explain.
17. Please provide samples of research reports that your firm provides to public sector clients.
18. Please describe your custody and delivery process. Who audits this fiduciary responsibility?
19. Please provide certified financial statements and other supporting documentation regarding your firm's capitalization.
20. Describe the capital line and trading limits that support and limit the office that would conduct business with Nueces County.
21. (A) Has your firm consistently complied with the Federal Reserve Bank's capital adequacy guidelines?
- (B) Is your firm in compliance with these guidelines on the date of this questionnaire?
- (C) Has your capital position ever fallen short of these guidelines?
- (D) Does your firm presently exceed the capital adequacy guidelines' measure of risk? If so, by what factor? Example: 1.5X, 2X, etc.
- (E) Please provide certified documentation of your capital adequacy as measured by the Federal Reserve Bank standards.

Exhibit (2)

22. Do you participate in the SIPC Insurance Program? If not, please explain.

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

Please enclose a complete schedule of fees and charges for various transactions.

24. Describe the precautions taken by your firm to protect the interests of the public when dealing with governmental agencies as investors.

Exhibit (2)

LIST OF APPROVED INVESTMENT VENDORS (Exhibit 3)

Approved Vendors:

Wells Fargo

Frost Bank

Raymond James & Associates Inc

FTN Financial

Approved Investment Pools (Rated AAA by Moody's Investor Rating Service)

Tex-Pool

Texas CLASS

History of Revisions

November 1, 1995	Original Policy Adopted
January 21, 2004	Change 1
August 18, 2004	Change 2
March 31, 2005	Change 3
April 19, 2005	Change 4
May 11, 2006	Change 5
April 4, 2007	Change 6
February 4, 2009	Change 7
April 29, 2009	Change 8
February 15, 2012	Change 9
April 17, 2014	Change 10
October 22, 2019	Change 11

Exhibit (3)