



# INVESTMENT POLICY

## Table of Contents

I.	POLICY STATEMENT .....	2
II.	SCOPE.....	2
III.	INVESTMENT OBJECTIVES .....	3
	Preservation and Safety .....	3
	Liquidity .....	3
	Public Trust .....	3
	Yield .....	3
IV.	RESPONSIBILITY AND CONTROL.....	4
	Delegation of Investment Authority .....	4
	Training Requirement.....	4
	Prudent Person Rule .....	4
	Limitation of Personal Liability.....	5
	Ethics and Conflicts of Interest.....	5
V.	SUITABLE AND AUTHORIZED INVESTMENTS .....	5
	Investments.....	5
	A. Authorized.....	6
	B. Unauthorized Investments.....	7
	Delivery vs. Payment.....	8
VI.	INVESTMENT PARAMETERS .....	8
	Maximum and Weighted Average Maturity .....	8
	Diversification .....	8
VII.	SELECTION OF BANKS AND DEALERS .....	8
	Depository .....	8
	Authorized Brokers/Dealers .....	9
VIII:	SAFEKEEPING AND CUSTODIAL AGREEMENTS.....	9
IX:	COLLATERAL POLICY.....	9
	Collateral Substitution .....	9
	Collateral Reductions.....	10
	Subject to Audit .....	10
X.	INVESTMENT STRATEGY .....	10
XI.	REPORTING.....	10
	Marking to Market.....	11
XII.	INVESTMENT POLICY ADOPTION .....	11

# **TARRANT COUNTY 9-1-1 DISTRICT INVESTMENT POLICY**

## **I. POLICY STATEMENT**

It is the policy of the Tarrant County 9-1-1 District (the District) after allowing for anticipated cash flow requirements and giving due consideration to the safety and risk of investments, to invest all available funds in a manner which will provide the highest investment return while conforming to all state and local statutes governing the investment of public funds, seeking to optimize interest earnings to the maximum extent possible. This Investment Policy is authorized by the Tarrant County 9-1-1 Board of Managers in accordance with Texas Government Code, Chapter 2256, also cited as the Public Funds Investment Act (the “Act”), to satisfy statutory requirements to define, adopt and review a written Investment Policy regarding the investment of its funds and funds under its control. It is also written to satisfy statutory requirements of the Public Funds Collateral Act, Chapter 2257, Texas Government Code, which requires a written policy to regulate collateralized securities held in the name of the District. The Investment Policy addresses the methods, procedures and practices that must be exercised to ensure effective and judicious fiscal management of the District’s funds.

Effective cash management is recognized as essential to good fiscal management. Investment interest is a source of revenue to District funds. The District’s investment portfolio shall be designed and managed in a manner to maximize this revenue source, to be responsive to public trust, and to be in compliance with Texas law and the Public Funds Investment Act.

Investments shall be made with the primary objectives of safety and preservation of principal; maintenance of sufficient liquidity to meet operating needs; public trust from prudent investment activities; and optimization of interest earnings on the portfolio.

## **II. SCOPE**

This Investment Policy shall govern the investment of all financial assets and funds of the District. The funds covered by this Policy are the District’s general fund; revenue funds; capital projects funds; trust and agency funds, to the extent not required by law or existing contract to be kept segregated and managed separately; and any new fund created by the District, unless specifically exempted from this Policy by the Board of Managers or by law.

The District will consolidate cash balances from all funds as a “pooled fund group” for investing purposes. Investment income will be allocated to the various funds based on their respective participation and in accordance with generally accepted accounting principles.

This Investment Policy shall apply to all transactions involving the financial assets and related activity for all the foregoing funds. However, this policy does not apply to the assets related to

employee retirement programs or assets administered for the benefit of the District by outside agencies under deferred compensation programs.

### **III. INVESTMENT OBJECTIVES**

The objectives of this Investment Policy are safety, liquidity, public trust, and yield. The safety of principal invested always remains the primary objective. All investments shall be designed and managed in a manner responsive to the public trust and consistent with Federal, State, local law, and the Act. The District shall maintain a comprehensive cash management program, which includes collection of account receivables, vendor payments in accordance with invoice terms, and prudent investment of available cash. Investment Officer(s) shall seek to act responsibly and prudently, handling with care the District's assets, as they would their own. Investment Officer(s) shall avoid any transaction that might impair public confidence in the District's ability to govern effectively.

#### **Preservation and Safety**

Preservation and safety of principal of the District's assets is an integral part of the investment program. Investments shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio.

#### **Liquidity**

The District's investment portfolio shall remain sufficiently liquid to enable the District to meet all operating requirements that may be reasonably anticipated. This is accomplished by structuring the portfolio so that investments mature concurrent with forecasted cash flows. Daily portfolio surpluses in the demand checking account will be invested in a "sweep" arrangement offering same-day liquidity and may be utilized as a competitive yield alternative to fixed maturity investments.

#### **Public Trust**

Investments shall be made with judgment and care which persons of prudence, discretion and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the safety of capital as well as income to be derived. All participants in the District's investment process shall seek to act responsibly as custodians of the public trust. Investment officers shall avoid any transaction that might impair public confidence in the District's ability to govern effectively.

#### **Yield**

The investment portfolio shall be designed with the objective of attaining a market rate of return throughout budgetary and economic cycles, taking into account the investment risk constraints and cash flow needs. Yield on investments is of significantly less importance compared to the safety, liquidity, and public trust objectives described above.

#### **IV. RESPONSIBILITY AND CONTROL**

##### **Delegation of Investment Authority**

In accordance with the Public Funds Investment Act, the Board designates the Chief Financial Officer as the District's Primary Investment Officer and the Executive Director as the District's Secondary Investment Officer. An Investment Officer is authorized to execute investment transactions on behalf of the District. No person may engage in an investment transaction or the management of District funds except as provided under the terms of this Investment Policy as approved by the Board. The investment authority granted to the investing officer is effective until rescinded by the Board.

The Investment Officers are responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the District are protected from loss, theft, or misuse. These controls should emphasize control of collusion, separation of duties, clear delegation of duties, accurate and timely reporting, and staying informed about market conditions, changes and trends. The internal control structure shall be designed to provide reasonable assurance that these objectives are met.

##### **Training Requirement**

In accordance with the Public Funds Investment Act, designated Investment Officers are required to attend an investment training session not less than once in a two-year period that begins on the first day of the District's fiscal year and consists of the two consecutive fiscal years after that date and shall receive not less than 10 hours of instruction relating to investment responsibilities. A newly appointed Investment Officer is required to attend a training session of at least 10 hours of instruction within twelve months of the date the officer took office or assumed the officer's duties. The investment training session shall be provided by independent professional organizations and associations in order to insure the quality and capability of the District's investment personnel making investment decisions in compliance with the Act. The training must include education in investment controls, security risks, strategy risks, market risks, diversification of investment portfolio, and compliance with the Act.

##### **Prudent Person Rule**

The standard of prudence to be applied by the Investment Officers shall be the "Prudent Person Rule". This rule states that "Investments shall be made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived (Public Funds Investment Act 2256.006(a))."

In determining whether an Investment Officer has exercised prudence with respect to an investment decision, the determination shall be made taking into consideration:

1. The investment of all funds, or funds under the District's control, over which the officer had responsibility rather than a consideration as to the prudence of a single investment (Public Funds Investment Act 2256.006(b)(1)); and
2. Whether the investment decision was consistent with the written approved Investment Policy of the District (Public Funds Investment Act 2256.006(b)(2)).

### **Limitation of Personal Liability**

Investment Officers acting in accordance with written procedures and exercising due diligence, shall not be held personally responsible for a specific investment's credit risk or market price changes, provided that these deviations are reported immediately and the appropriate action is taken to control adverse developments.

### **Ethics and Conflicts of Interest**

Investment Officers and employees involved in the investment process shall refrain from personal business activity that would conflict with the proper execution and management of the investment program, or that would impair their ability to make impartial investment decisions. According to the Act, an Investment Officer has a personal business relationship with a business organization if:

1. The Investment Officer owns 10 percent or more of the voting stock or shares of the business organization or owns \$5,000 or more of the fair market value of the business organization;
2. Funds received by the Investment Officer from the business organization exceed 10 percent of the Investment Officer's gross income for the previous year; or
3. The Investment Officer has acquired from the business organization during the previous year investments with a book value of \$2,500 or more for the personal account of the Investment Officer.

Investment Officer(s) must file a disclosure statement with the Texas Ethics Commission if an officer has a personal business relationship with a business organization offering to engage in an investment transaction with the District or if the Officer is related within the second degree by affinity or consanguinity, as determined under Chapter 573 of the Texas Government Code, to an individual seeking to transact investment business with the District.

## **V. SUITABLE AND AUTHORIZED INVESTMENTS**

### **Investments**

District funds governed by this policy may be invested in the instruments described below, all of which are authorized by Chapter 2256 of the Government Code (Public Funds Investment Act). Investment of District funds in any instrument or security not authorized for investment under the Act is prohibited. The District will not be required to liquidate an investment that becomes unauthorized subsequent to its purchase.

**A. Authorized**

1. Obligations of the United States of America, its agencies and instrumentalities with stated maturity not to exceed two years.
2. Direct obligations of the State of Texas or its agencies with a stated maturity not to exceed two years.
3. Other obligations, the principal 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, including obligations that are fully insured by the Federal Deposit Insurance Corporation or by the explicit full faith and credit of the United States and with stated maturity not to exceed two years.
4. Obligations of states, agencies, counties, cities, and other political subdivisions or any state having been rated as to investment quality by a nationally recognized investment rating firm and having received a rating of not less than A or its equivalent with a stated maturity not to exceed two years.
5. Certificates of Deposit and Share Certificates issued by a depository institution that has its main office or a branch office in Texas. The certificate of deposit must be guaranteed or insured, collateralized, or secured in any manner provided by law. In addition, a CDARS program is an authorized investment with a stated maturity not to exceed two years.
6. a. A no-load Money Market Mutual fund is an authorized investment for all District funds if the mutual fund:
  - i. is registered and regulated by the Securities and Exchange Commission;
  - ii. provides the District 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.);
  - iii. has a dollar-weighted average stated maturity of 90 days or less;
  - iv. includes in its investment objectives to maintain a net asset value of \$1.00 per share.
- b. In addition to a no-load money market mutual fund permitted as an authorized investment in Subsection (A), a no-load mutual fund is an authorized investment under this subchapter if the mutual fund:
  - i. is registered with the Securities and Exchange Commission;
  - ii. has an average weighted maturity of less than two years;
  - iii. is invested exclusively in obligations approved by this subchapter;
  - iv. is rated AAA or its equivalent by at least one nationally recognized rating service;
  - v. conforms to the requirements set forth in Sections 2256.016(b) and (c) of the Act relating to the eligibility of investment pools to receive and invest funds of investing entities.

7. Eligible Investment Pools as defined in Section 2256.016 of the Public Funds Investment Act that:
  - a. investment in the particular pool have been authorized by the Board of Managers;
  - b. the pool shall furnish the Investment Officer an offering circular containing the information required by Section 2256.016(b) of the Texas Government Code;
  - c. the pool shall furnish the Investment Officer investment transaction confirmations with respect to all investments made with it;
  - d. the pool shall furnish to the Investment Officer monthly reports that contain the information required by Section 2256.016(c) of the Texas Government Code;
  - e. must be continuously rated no lower than AAA or AAA-m or at an equivalent rating by at least one nationally recognized rating service;
  - f. any pool created to function as a money market mutual fund must maintain a stable net asset value of \$1.00; and
  - g. have an investment philosophy and strategy that are consistent with this Policy;
  - h. complies with all relevant provisions of Section 2256.016.

The District will take all prudent measures that are consistent with this Investment Policy to liquidate any investment through the most efficient market available that does not have or is down-graded to less than the minimum rating stated herein. However, as stated in Section 2256.017, the District is not required to liquidate investments that were authorized investments at the time of purchase. Investments Officers will consider the time remaining until maturity, the quality of the investment, and the quality and amounts of any collateral which may be securing the investment in determining whether to hold the investment until maturity or to redeem the investment.

**B. Unauthorized Investments**

The following investments are specifically prohibited by State Law or by virtue of this policy:

1. Obligations whose payment represents the coupon payments on the outstanding principal balance of the underlying mortgage-backed security collateral and pays no principal;
2. Obligations whose payment represents the principal stream of cash flow from the underlying mortgage-backed security collateral and bears no interest;
3. Banker's Acceptances;
4. "Bond" Mutual Funds;
5. Collateralized mortgage obligations of any type;
6. Repurchase Agreements;
7. Commercial paper, except the District can invest in local government investment pools and money market mutual funds that have commercial paper as authorized investments;
8. Other investments specifically prohibited in Section 2256.009(b)(1-4).



**Delivery vs. Payment**

Securities shall be purchased using the delivery vs. payment method with the exception of investment pools and mutual funds. Funds will be released after notification that the purchased security has been received.

**VI. INVESTMENT PARAMETERS**

**Maximum and Weighted Average Maturity**

In order to minimize risk of loss due to interest rate fluctuations, investment maturities will not exceed the anticipated cash flow requirement of the District. The maximum final stated maturity of any investment shall not exceed two years. The entire portfolio will have a weighted average maturity of one (1) year or less. The weighted average will be calculated using the stated final maturity dates of each investment.

**Diversification**

The District will purchase and diversify its investments by security type and investment maturity, in accordance with this policy. Diversification by investment type shall be established by the following maximum percentages of investment type to the total investment portfolio:

- |  |      |
|--|------|
| 1. Obligations of the United States or its agencies                                      | 100% |
| 2. Fully collateralized interest bearing commercial checking accounts                    | 100% |
| 3. Eligible Investment Pools as defined in Section 2256.016 of the Act                   | 100% |
| 4. Fully insured and/or collateralized Certificates of Deposit                           | 100% |
| 5. No-load Money Market Mutual Funds   | 35%  |
| 6. Sweep Agreements  | 50%  |
| 7. Direct obligations of the State of Texas or its agencies                              | 25%  |
| 8. Obligations of states, agencies, cities and other political subdivisions of any state | 25%  |
| 9. Other authorized and suitable investments   | 10%  |

**VII. SELECTION OF BANKS AND DEALERS**

**Depository**

In compliance with Section 772 of the Health and Safety Code, every two years a qualified depository will be selected through the District’s banking services procurement process, which shall include a formal request for proposal (RFP). The centralization of depository services is designed to maximize investment capabilities while minimizing service costs. The selection of a depository will be based on the financial institution offering the most favorable terms and conditions at the least possible costs, while adhering to the guidelines and provisions within the RFP. In selecting a depository, the District will give consideration to the financial institution’s credit characteristics, financial history, service capabilities, location within Tarrant County, and costs for required services. The District’s depository contract shall be for two years. Specialized

services may be contracted for by the District with another financial institution or company if the depository cannot provide such service or charges more than the same service with little or no appreciable benefit.

### **Authorized Brokers/Dealers**

This policy currently does not authorize engagement of third party broker/dealers for assistance with investing District funds. A formal amendment of this policy will be required prior to the involvement of third party broker/dealers.

## **VIII: SAFEKEEPING AND CUSTODIAL AGREEMENTS**

The District shall contract with a bank or banks for the safekeeping of securities either owned by the District as part of its investment portfolio or held as part of its depository agreement. Securities owned by the District shall be held in the District's name as evidenced by safekeeping receipts of the institution holding the securities.

Collateral for deposits will be held by a third party custodian designated by the District and pledged to the District as evidenced by safekeeping receipts of the institution with which the collateral is deposited. Original safekeeping receipts shall be obtained. Collateral may be held by the depository bank's trust department, a Federal Reserve Bank or branch of a Federal Reserve Bank, a Federal Home Loan Bank, or a third party bank approved by the District.

## **IX: COLLATERAL POLICY**

Consistent with the requirements of the Public Funds Collateral Act, it is the policy of the District to require collateralization for all uninsured collected balances, plus accrued interest, of all investments and funds on deposit with a depository bank. In order to anticipate market changes and provide a level of security for all funds, the collateralization level will be 102% of market value of principal and accrued interest on the deposits or investments less an amount insured by the FDIC. Securities pledged as collateral shall be held by an independent third party with whom the District has a current custodial agreement. A clearly marked evidence of ownership (safekeeping receipt) must be supplied to the District and retained. Collateral shall be reviewed at least monthly to assure that the market value of the pledged securities is adequate.

Eligible collateral for security of the District's deposits is limited to FDIC insurance coverage; United States Treasuries and Agencies; obligations, including letters of credit, of the United States or its agencies and instrumentalities; other custodians meeting the requirements of Section 2257.041 of the Public Funds Collateral Act.

### **Collateral Substitution**

Any financial institution requesting collateral substitution must contact the Investment Officer(s) for approval and settlement. The substituted security's value will be calculated and substitution

approved if its value is equal to or greater than the required security level. The Investment Officer(s) must provide written notification of the decision to the bank or the safekeeping agent holding the security prior to any security release. Substitution is allowable for all transactions, but should be limited, if possible, to minimize potential administrative problems and transfer expense. The Investment Officer may limit substitutions.

### **Collateral Reductions**

Should the collateral's market value exceed the required amount the financial institution may request approval from the Investment Officer(s) to reduce collateral. Collateral reductions may be permitted only if the District's records indicate that the collateral's market value exceeds the required amount.

### **Subject to Audit**

All collateral shall be subject to inspection and audit by the Executive Director and/or designee or the District's independent auditors.

## **X. INVESTMENT STRATEGY**

The District maintains one portfolio in which all funds are pooled for investment purposes. Within the pooled portfolio are the General Fund, Revenue Fund, Capital Projects Fund and Trust and Agency Funds.

The investment strategy of the pooled funds is to assure that anticipated cash flows are matched with adequate investment liquidity and safety of principal. It is also the District's objective to create a portfolio structure that will experience minimal volatility during economic cycles while optimizing interest earnings. This may be accomplished by investing in short-term securities or certificates of deposit in a ladder structure or utilizing authorized investments as set forth in this policy. The dollar weighted average maturity of one (1) year or less will be calculated using the stated final maturity date of each security.

## **XI. REPORTING**

Not less than quarterly, the Investment Officer(s) shall prepare and submit to the Board of Managers a written, signed, report of investment transactions for the preceding period. Reports will include the following:

1. A listing of individual securities held at the end of the reporting period;
2. The book value and market value of each investment at the beginning and end of the period by type of asset and fund type invested;
3. List of investments by maturity date;
4. Fully accrued interest for the reporting period;
5. Statement of compliance of the portfolio as it relates to the investment strategy.

Detailed and summary reports will be prepared jointly and presented to the Board not less than quarterly. Report will comply with Section 2256.023 of the Act at a minimum.

Unless otherwise required by an external agency, quarterly reports will be formally reviewed at least annually by an independent auditor and reported to the Board of Managers once the District invests in items other than money market mutual funds, investment pools, or accounts offered by its depository bank in the form of CD's or money market or similar accounts.

**Marking to Market**

Market Value of the investment portfolio will be calculated at least quarterly. Pricing information will come from Bloomberg, IDC, or any other source deemed reliable. If the price of a particular security is not available from any of these sources, the price may be estimated by analyzing similar securities' market values.

**XII. INVESTMENT POLICY ADOPTION**

This Investment Policy supersedes any prior policies adopted by the Board of Managers regarding investment or securitization of District funds.

The Board of Managers shall review this Investment Policy and investment strategies at least annually and confirm the continuance of the Investment Policy and investment strategies without amendment or adopt an amended Investment Policy. Any changes in the Investment Policy or investment strategies shall be noted in the written instrument or resolution adopted by the Board in accordance with Section 2256.005(e) of the Public Funds Investment Act.