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THE STATE OF TEXAS § **FY 2015-2016**
§
COUNTY OF WISE §

ON THIS, the 10th day of February 2016 the Commissioners' Court of Wise County, Texas, being in regular session at a regular term of said Court, the following members thereof being present, namely:

J.D. CLARK, County Judge,
DANNY WHITE, Commissioner Precinct No. 1,
KEVIN BURNS, Commissioner Precinct No. 2,
HARRY LAMANCE, Commissioner Precinct No. 3, and
GAYLORD KENNEDY, Commissioner Precinct No. 4,

The following proceedings, among others, were had, to wit:

WHEREAS, the Wise County Commissioners' Court desires to update its investment policy last updated January 2014; and

WHEREAS, the Court has reviewed the following investment policy, in accordance with Section 2256.005 (e), Government Code, and finds its enactment to be to the financial benefit of Wise County, Texas:

NOW, THEREFORE, BE IT ADJUDGED, ORDERED AND DECREED THAT THE FOLLOWING AMENDED POLICY BE APPROVED, AND SUPERSEDE ANY AND ALL AMENDMENTS AND POLICIES HERETOFORE ADOPTED.

Adopted on this the 10th day of February 2016, by unanimous vote of this Court.

J. D. Clark, County Judge

Danny White, Commissioner Pct. 1

Kevin Burns, Commissioner Pct. 2

Harry Lamance, Commissioner Pct. 3

Gaylord Kennedy, Commissioner Pct. 4

Attest: Sherry Lemon, County Clerk

FILED FOR RECORD THIS 10 DAY OF FEBUARY A.D. 2016, and recorded on the 10th day of Feb. 10th, A.D. 2016.

Sherry Lemon, County Clerk and
Ex-Officio Clerk of the Commissioners
Court in and for Wise County, Texas.

WISE COUNTY INVESTMENT POLICY

Policy Statement

It is the policy of Wise County, Texas (County) to invest cash of all funds under the control and custody of the County Treasurer in a manner maintaining the safety of principal and liquidity of invested funds while providing a reasonable rate of return.

Investment Scope

This policy serves to satisfy the statutory requirements of *Texas Local Government Code §116.112* and *Title 10, Chapter §2256, Texas Government Code*, Public Funds Investment Act, as amended, to define and adopt a formal investment policy.

This investment policy applies to all funds of the County under the control of the County Treasurer, which Commissioners Court has authority to invest, unless expressly prohibited by law or is in contravention of any depository contract between the County and its depository bank.

This policy does not apply to funds held in trust by court order from County and District Courts.

Investment Objectives

The investment objectives for all funds in the custody of the County Treasurer are to:

1. Ensure safety of principal;
2. Maintain liquidity so that sufficient funds are available throughout the budgetary cycle of the fund;
3. Achieve the best yield or rate of return allowed through the prudent and legal investment of County funds while providing necessary protection of the principal;
4. Pursue an active portfolio management philosophy. All investments will be held until maturity and not purchased with the intent of speculative trading. Securities may be sold or exchanged before maturity if market conditions present an opportunity for the County to benefit from the trade;
5. Provide diversification within each of the funds where permissible to avoid an over concentration in a single investment type.
6. Investments must comply with State law and Wise County Investment Policy.

Investment Strategies

Operating Fund

Wise County operating funds shall be invested with an emphasis on safety of principal and liquidity, matching maturities with expected cash flow. All investments of operating funds shall have a stated final maturity of three years or less.

Debt Service Fund

All investments of debt service funds approved by Commissioners Court shall not have a stated final maturity which exceeds the next debt service payment date. Excess balances of debt service funds invested will have a maximum stated maturity of less than 365 days.

Capital Projects Fund

Bond funds of Wise County shall be invested in marketable, short-term investments whose maturities match the projected draw down schedule for each project. If no draw down schedule is available or the project has exceeded the draw down schedule, all investments must be in the shortest-term possible to maintain liquidity.

Reserve Fund

Reserve funds of Wise County shall be invested with an emphasis on safety of principal and may be invested in securities exceeding four (4) years only if the maturity of such investments is made to coincide with the expected use of the funds.

Other Funds

Other funds will be invested to meet projected cash flow needs of the individual accounts and are suitable for these funds.

Prudence and Ethical Standards

The standard of prudence to be applied by the investment officer is the "prudent investor" rule as stated in *Texas Government Code §2256.006(a)*, "Investments shall be made with the judgment and care, under prevailing circumstances, that a person of prudence, discretion, and intelligence would exercise in the management of the person's own affairs, not for speculation, but for investment, considering the probable safety of capital and the probable income to be delivered."

As stated in *Texas Government Code §2256.006(b)*, 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 entity's control, over which the officer had responsibility rather than a consideration as to the prudence of a single investment; and

2. Whether the investment decision was consistent with the written investment policy of the entity.

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

Quality and Capability of Investment Management

Wise County insures the quality and capability of the county's investment personnel by providing periodic training in investments for all personnel involved in the investing process through courses and seminars offered by professional organizations and associations, in accordance with *Texas Government Code §2256.008(a).*

Disclosure of Personal Business

An investment officer for Wise County who has a personal business relationship with a business organization offering to engage in an investment transaction with the County shall file a statement disclosing that personal interest with the Texas Ethics Commission and the Commissioners Court, in accordance with *Texas Government Code §2256.005(i)*. An investment officer has a personal business relationship with a business 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.

An investment officer who is related within the second degree of affinity or consanguinity, as determined under *Texas Government Code §573*, to an individual seeking to sell an investment to the county shall file a statement disclosing that relationship with the Texas Ethics Commission and Commissioners Court.

Methods of Investing

In order to facilitate investing funds, the County Treasurer is authorized to utilize electronic banking for the investing of such funds with the depository bank, investment firm or investment pool.

It is the policy of Wise County that all securities shall be purchased using the "Delivery vs. Payment" (DVP) method through the Federal Reserve System. County funds will not be released until the county has received the purchased securities.

A minimum of two bidders will be contacted in all investment transactions. Bids may be solicited in any manner by law and must be documented and filed for auditing purposes.

Authority to Invest Funds

Texas Local Government Code §116.112, authorizes Commissioners Court to invest county funds in accordance with *Texas Government Code §2256.003(a)*.

Delegation of Authority

According to *Texas Government Code §2256.005(f)*, the Commissioners Court, by order expressly designates the County Treasurer as investment officer to be responsible for the investment of county funds consistent with investment policy.

In order to allow the maximum flexibility for the investment of county funds, the Commissioners Court extends to the County Treasurer full authority for the investment of county funds between meetings. Official approval shall be made in the form of a court order at the next official meeting of Commissioners Court.

Authorized Investments

As provided in the *Public Funds Investment Act*, except those specifically not authorized in *Texas Government Code § 2256.009(b)*, the following investments may be made:

- Obligations of, or guaranteed by, governmental entities, *(TGC § 2256.009)*
- Certificates of Deposit and Share Certificates, guaranteed by FDIC (Federal Deposit Insurance Corporation or fully collateralized *(TGC § 2256.010)*
- Repurchase agreements, fully collateralized, not to exceed 90 days *(TGC § 2256.011)*
- Commercial Paper, with a stated maturity of 270 days or fewer *(TGC § 2256.013)*
- No load Money Market Mutual Fund, not to exceed 90 days *(TGC § 2256.014)*
- Local Government Investment Pools as approved by Commissioners Court *(TGC § 2256.016)*

The county investment officer may invest the County's idle funds without prior approval by Commissioners Court in:

- United States Treasury bills, notes and bonds
- Fully insured and/or collateralized Certificates of Deposit
- Authorized Local Government Investment Pools (LGIP)
- Securities from the United States Agencies that are backed by the full faith and credit of the United States of America;
  - Government National Mortgage Association (GNMA)
  - Small Business Administration (SBA)
  - Farmers Home Administration (FmHA)
  - General Services Administration (GSA)
- Securities from the United States that are backed by the full faith and credit of the of the instrumentality and have and have an "implied" backing of the United States of America;
  - Federal National Mortgage Association (FNMA)
  - Federal Home Loan Bank (FHLB)
  - Federal Home Loan Mortgage Corporation (FHLMC)
  - Federal Farm Credit Bank (FFCB)
- Commercial paper through an authorized investment pool.

If an investment becomes ineligible because of loss of the minimum required rating or possible default then it no longer qualifies as an authorized investment. The investment officer shall take all prudent measurers consistent with this policy to liquidate that investment.

Ineligible Investments

The following investments are not authorized investments for Wise County;

- Obligations whose payment represents the coupon payments on the outstanding principal balance of the underlying mortgage backed security collateral and pay no principal
- Obligations whose payment represents the principal stream of cash flow from the underlying mortgage backed security collateral and bears on interest
- Collateralized mortgage obligations that have a stated final maturity date of greater than 10 years
- Collateralized mortgage obligations which the interest rate is determined by an index that adjusts opposite to the changes in a market index.

Broker/Dealer

A copy of this investment policy will be presented to any person offering to engage in an investment transaction with Wise County. The investment officer may not purchase securities from any person who has not filed a written Broker/Dealer Certification signed by a qualified representative of the organization offering to engage in an investment transaction with Wise County. The Broker/Dealer certification must include that the policy has been received and reviewed and acknowledge that Wise County implemented reasonable procedures and controls in an effort to preclude investment transactions conducted between the entity and the organization that are not authorized by Wise County, in accordance with *TGC § 2256.005 (k).*

A list of financial institutions authorized to provide investment services to Wise County will be maintained by the County Treasurer. In addition, a list will be maintained of approved broker/dealers selected by credit worthiness who are authorized to provide investment services in the State of Texas. These may include "Primary" Dealers or secondary dealers that qualify under the Securities and Exchange Commission.

All financial institutions and broker/dealers who desire to become qualified bidders for investment transactions with Wise County must supply the County Treasurer with a current audited financial statement.

Commissioners Court or the designated investment committee of the county shall, at least annually review, revise and adopt a list of qualified brokers that are authorized to engage in investment transactions with the county, in accordance with *TGC § 2256.025.*

Investment Committee

There may be a Wise County Investment Committee, which may consist of the County Treasurer. The County Auditor will serve as an Ex-Officio of the investment committee upon the request of the County Treasurer.

Safekeeping and Custody

All purchased securities, certificates of deposit, insured by FDIC, and all pledged securities shall be held in safekeeping by the County or a county account in a third party financial institution, primarily the Federal Reserve Bank under the direction of the Wise County Commissioners Court, through the County Treasurer and subject to the review of the County Auditor.

Reporting

Not less that quarterly, the investment officer shall prepare and submit to the Commissioners Court a written report detailing the investment position of Wise County in compliance with *TGC § 2256.023.*