



## Travis County Commissioners Court Agenda Request

**Meeting Date:** November 5, 2013

**Prepared By/Phone Number:** Deborah Lauder milk/(512) 854-9779

**Elected/Appointed Official/Dept. Head:** Leslie Browder

**Commissioners Court Sponsor:** Judge Samuel T. Biscoe

*LB*

### **AGENDA LANGUAGE:**

Consider and take appropriate action on request to approve Order amending Chapter 23 (Investment Policy and Procedures) of the Travis County Code.

### **BACKGROUND/SUMMARY OF REQUEST AND ATTACHMENTS:**

Please see attached documentation

### **STAFF RECOMMENDATIONS:**

Please see attached documentation.

### **ISSUES AND OPPORTUNITIES:**

Please see attached documentation.

### **FISCAL IMPACT AND SOURCE OF FUNDING:**

None

### **REQUIRED AUTHORIZATIONS:**

Leslie Browder, County Executive, Planning and Budget Office (854-8679)

Barbara Wilson, County Attorney's Office (854-9567)

**AGENDA REQUEST DEADLINE:** All agenda requests and supporting materials must be submitted as a pdf to David Salazar in the County Judge's office, [agenda@co.travis.tx.us](mailto:agenda@co.travis.tx.us) by Tuesdays at 5:00 p.m. for the next week's meeting.



**CASH/INVESTMENT MANAGEMENT DEPARTMENT**  
**TRAVIS COUNTY, TEXAS**

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DATE: October 29, 2013

TO: Samuel T. Biscoe, Travis County Judge  
Ron Davis, Commissioner, Precinct 1  
Bruce Todd, Commissioner, Precinct 2  
Gerald Daugherty, Commissioner, Precinct 3  
Margaret Gomez, Commissioner, Precinct 4

FROM: Deborah A. Laudermilk, Investment Manager *DAL*  
Reagan Grimes, Assistant Investment Manager

RE: Approval of Amendments to Chapter 23, Investment Policy and Procedures

In conjunction with our annual review of the Travis County Investment Policy and Procedures, Cash/Investment Management (CIM) recommends one additional change in the Travis County Investment Policy to clarify the allowable percentage of eligible investments for the combined Travis County portfolios.

**Amend wording to clarify the percentage limit of eligible investments for the combined Travis County portfolios**

It is recommended that the wording be changed to clarify the percentage limit for the combined portfolios.

**Rationale:**

This change was inadvertently excluded when the Travis County Investment Policy and Procedures were brought to Commissioners Court in September. After several discussions with the Travis County Auditor's Office, it was agreed that the wording in this section should be amended to clarify its intent and to make sure that the percentages of the eligible investments held by Travis County are within the bounds of the Investment Policy and the Public Funds Investment Act. Both CIM and the Auditor's Office agreed that the intent was to measure the percentages of the combined Travis County portfolios and that it would be beneficial to clarify that intent.

**Text:** See Attachment A, Section 23.024 and Section 23.025

**Investment Advisory Committee**

These proposed changes were submitted to the Investment Advisory Committee members who reviewed these recommendations, and they concurred with these proposals for changes to the Travis County Investment Policy and Procedures.

CIM recommends the Court approve the order amending Chapter 23, Travis County Policy, Procedures, and Regulations Manual in the foregoing manner.

Attachment A, Redline version of Travis County Investment Policy and Procedures  
Attachment B, Order Amending The Travis County Code Chapter 23, Public Funds Investment Act  
Attachment C, Chapter 23, Travis County Investment Policy and Procedures

cc: Investment Advisory Committee  
Leslie Browder, County Executive, Budget and Planning  
Nicki Riley, County Auditor  
Dolores Ortega-Carter, County Treasurer  
Barbara Wilson, Assistant County Attorney  
Rhonda Ambrose, County Treasurer's Office  
Hannah York, County Auditor's Office

**Attachment A**

## **Chapter 23. Investment Policy and Procedures<sup>1</sup>**

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*Subchapter A. Investment Authority and Scope of Policy*

**23.001 Legal Authority to Invest**

TEX. LOC. GOV'T CODE ANN., § 116.112(a) (Vernon 1994) authorizes the Commissioners Court to invest county funds in compliance with TEX. GOV'T CODE ANN., ch. 2256.

**23.002 Delegation of Investment Authority**

- (a) Commissioners Court delegates the authority to select investment instruments in which county funds may be placed and to prepare any documentation necessary to evidence the investment of county funds to the Investment Manager, Assistant Investment Manager, and Senior Financial Analyst. Occasionally, the Commissioners Court may designate in writing other Travis County personnel authorized to invest county funds as back-ups. The Commissioners Court approves or ratifies the investments, and the Commissioners Court retains ultimate responsibility as fiduciaries of the assets of Travis County. The Investment Manager, Assistant Investment Manager, and Senior Financial Analyst advise the Treasurer of the investment instruments purchased and the Treasurer wires the funds. No other person may invest, withdraw, transfer or manage Travis County funds without the express written authority of the Commissioners Court. Authority granted under this section is effective until rescinded by Commissioners Court or until termination of employment by Travis County of persons in the designated positions.
- (b) These designated Cash/Investment Officers must perform their duties in compliance with Chapter 23 and Chapter 32, subchapter (a) Travis County Code and the Tex. Gov't Code Ann. ch 2256, known as the Texas Public Funds Investment Act. When these Cash/Investment Officers act in good faith and in compliance with these chapters, they have no personal liability for their actions.
- (c) Officers and employees of any regional planning commission created under LOC. GOV'T. CODE ANN. ch. 391 are not eligible to be designated any authority under this section.

**23.003 County Investment Portfolio Structure**

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

- (1) The operating account portfolio means funds from the general fund account, the risk management fund account, the employee benefit fund

account, the general county reserve account, and all other Travis County funds except capital projects, and debt service.

- (2) The pooled bond funds portfolio means bond funds from all capital projects except road district funds.
- (3) The debt service portfolio means all interest and sinking funds.

#### **23.004 Applicability of Policy**

This policy governs the investment of the operating account portfolio, the pooled bond funds portfolio, and the debt service portfolio. The pooled bond funds portfolio is managed in compliance with its governing ordinances and federal laws, including the Tax Reform Act of 1986, as amended, in addition to compliance with this policy.

In this policy, the words "bond proceeds", "book value", "funds", "investing entity", "entity", "investment pool", "local government", "market value", "separately invested asset", "qualified representative", and "state agency" are used as defined in the TEX. GOV'T CODE ANN. § 2256.002.

#### **23.005 Prudence and Ethical Standards**

These standards apply to Cash/Investment Officers and anyone acting on their behalf.

##### **(a) Prudence**

- (1) Cash/Investment Officers serve as fiduciaries of Travis County and are responsible for prudently investing its assets. The Investment Officers shall comply with the provisions of this section, the Public Funds Investment Act, and all other applicable laws.
- (2) Travis County uses the "prudent investor rule" when administering the duties of an investment officer within the applicable legal and policy constraints. The prudent investor rule is restated as follows: The Cash/Investment Officers shall invest and manage Travis County assets as a prudent investor would, by considering the purposes, terms, distribution requirements, and other circumstances of the portfolio. In satisfying this standard, the Investment Officers shall exercise professional care, skill, and judgment. Among circumstances that an Investment Officer shall consider in investing and managing Travis County assets are the following:
  - (A) general economic conditions,
  - (B) the yield curve,
  - (C) the role that each investment plays within the overall portfolio, and,
  - (D) the risk/reward relationship of investments considered.



- (3) In determining whether an Investment Officer has exercised prudence with respect to an investment decision, the determination shall be made as follows:
  - (A) the Investment Officer's investment and portfolio management decisions must be evaluated not in isolation of an individual purchase or sale but in the context of the Travis County portfolio as a whole and as a part of an overall investment strategy having risk and return objectives reasonably suited to the portfolio; and
  - (B) whether the investment decision was consistent with chapter 23 of the Travis County Code.
- (4) Cash/Investment Officers must be honest in the exercise of their duties and must not take actions that will discredit Travis County.
- (5) Travis County Investment Officers must comply with the Travis County Ethics Policy.

(b) Avoidance of Conflicts of Interest

- (1) Investment Officers shall be loyal to the interests of Travis County, the Travis County Commissioners Court, and to Travis County residents, to the extent that such loyalty is not in conflict with other duties or legal requirements. Officers shall avoid personal, employment, or business relationships that create conflicts of interest. Should they become aware of any conflict of interest, they have an affirmative duty to disclose and remedy the conflict promptly.
- (2) A conflict of interest exists whenever Investment Officers have personal or private commercial or business relationships that could reasonably be expected to diminish their independence of judgment in the performance of their duties.
- (3) Serving on the Board of a Local Government Investment Pool shall not be prohibited. However, the Board member should not be allowed to invest funds in that Pool without additional approval from another authorized signer, who does not serve on the board of the proposed investment pool and is not a subordinate of the board member.

(c) Acceptance of Gifts

- (1) Cash/Investment Officers may not personally accept gifts or entertainment from vendors or consultants doing or seeking to do investment or banking related business with Travis County, except as noted below:
- (2) Gifts, which may be accepted under these guidelines, should not exceed \$50.00 per person, per vendor, in a given fiscal year. If gifts over \$50.00 are provided, they must be returned, donated to a charitable cause, or shared with other County employees. However,

entertainment, food, or goods provided to all persons attending a conference or a continuing education activity and goods or services provided during meetings to conduct business and manage a contract generally do not violate this prohibition.

- (3) Disclosure shall be made to the Executive Manager of Planning and Budget of the acceptance of all gifts, entertainment, food, goods, or services no later than 30 days following the calendar quarter in which received.

#### **23.006 Quality and Capability of Investment Management**

Subject to availability of funds, Travis County shall provide periodic training in investments for the Investment Manager, Assistant Investment Manager, and Senior Financial Analyst through courses and seminars offered by professional organizations and associations, in order to insure the quality and capability of the County's investment officers.

#### **23.007 Disclosure of Personal Business**

- (a) Any investment officer of Travis County who has a personal business relationship, as described in Texas Government Code § 2256.005(i), with any qualified representative offering to engage in an investment transaction with Travis County, shall file a statement disclosing that personal business interest with the Texas Ethics Commission and the Commissioners Court (see Subchapter L, Forms).
- (b) Any investment officer of Travis County who is related within the second degree by affinity or consanguinity, as determined under TEX. GOV'T CODE ANN., ch. 573, to an individual seeking to engage in an investment transaction with Travis County shall file a statement disclosing that relationship with the Texas Ethics Commission and the Commissioners Court (see subchapter L, Forms).

#### *Subchapter B. Investment Objectives*

#### **23.008 Safety of Principal**

The primary investment objective of Travis County is to ensure the safety of principal in all portfolios. (See Subchapter D, Safety of Principal.)

#### **23.009 Maintenance of Adequate Liquidity**

The secondary investment objective of Travis County for all portfolios is to provide the liquidity necessary to pay obligations as they become due. (See Subchapter E, Liquidity.)

### **23.010 Return on Investments**

Travis County must invest its portfolios in eligible investments that yield the highest possible rate of return while providing the necessary protection of the principal. Travis County seeks to optimize return on investments in all portfolios. The average minimum rate of return for the entire portfolio, excluding funds needed for current obligations, must be at least equal to the Federal Reserve constant maturity treasury rate with a comparable maturity. The only exception to the average minimum rate of return is that the portfolios, during a period of rapidly rising interest rates, will not be able to meet or exceed the rate of return indicator. If funds are subject to yield restrictions due to federal arbitrage regulations, those funds are excluded from the yield calculation.

Travis County may only invest in a particular eligible investment if its yields are equal to or greater than the Treasury Convention or Street Convention yield provided by the Bloomberg Financial Information System or the Interactive Data Corporation yield on United States Treasury obligations of comparable maturity. The Investment Manager and the Investment Advisory Committee may establish additional appropriate criteria for investment performance measures.

### **23.011 Additional Objectives for Pooled Bond Funds Portfolio**

The major objectives for the pooled bond funds portfolio governed by Federal arbitrage regulations are to maximize permitted market yield and to minimize investment costs.

### *Subchapter C. Investment Strategies*

### **23.012 Operating Account Portfolio**

The primary objective of the investment strategy for the operating account portfolio is to create a diversified structure (see 23.024 through 23.027) which will experience minimal volatility during economic cycles, thus providing for preservation and safety of principal.

The secondary objective is to assure that anticipated cash expenditures are matched with adequate liquidity.

The tertiary objective is to ensure that the portfolio is invested in eligible securities that yield the highest possible rate of return while providing the necessary protection of principal. The suitable securities to accomplish these objectives are high quality, marketable, short-to-medium term securities that complement each other in a laddered maturity structure. All eligible securities described by chapter 23, Travis County Code, are suitable for this fund. The dollar weighted average maturity of two and one-half years or less will be calculated using the stated final maturity dates of each security.

### **23.013 Debt Service Portfolio**

The primary, secondary, and tertiary objectives of the investment strategy for the debt service portfolio are the same as the operating account portfolio. The suitable securities to accomplish these objectives are high quality, marketable, short-term securities that mature on or before the debt service payment dates. The securities suitable for this fund are described in 23.017(1).

### **23.014 Pooled Bond Funds Portfolio**

The primary, secondary, and tertiary objectives of the investment strategy for the pooled bond funds portfolio are the same as the operating account portfolio. The suitable securities to accomplish these objectives are high quality, marketable, short-to-medium term securities that match forecasted project expenditures to investment maturities. In addition, a three month historical cash expenditure balance is maintained in highly liquid securities to cover unexpected project outlays. All eligible securities described by chapter 23, Travis County Code, are suitable for this fund.

### *Subchapter D. Safety of Principal*

### **23.015 Protection of Principal**

Travis County seeks to control the risk of loss due to the failure of a security issuer or grantor. To control that risk, Travis County purchases only eligible investments, requires prior approval of qualified representatives/business organizations with which it transacts business, diversifies investments in all portfolios based on maturity and type, monitors the market price of investments by way of independent sources such as market telecommunication services and financial publications, when possible, or through an approved Broker/Dealer other than the one that sold Travis County the security, and collateralizes deposits. The quarterly report will identify the method and source used to monitor the market price of investments. The quarterly report will also indicate whether the method and source changed from the previous quarterly report.

The ratings of all investments held by Travis County are monitored on a regular basis to ensure that the investments remain eligible. If an investment is downgraded to a level lower than the minimum rating required by Chapter 23, the investment officers take prudent action as described in 23.018 (b).

In addition, Travis County must execute the purchase of individual eligible investments only on the "delivery versus payment" (DVP) method with the exception of investment pools and money market mutual funds to ensure that county funds are not released until Travis County has received the securities purchased.

Investment securities must be held in Travis County's name by a third party custodian, as evidenced by safekeeping receipts from the institution with which the securities are deposited.

All investments made by Travis County must comply with all federal, state, and local statutes, rules, and regulations.

*Purchasing Only Eligible Investments*

**23.016 Ineligible Investments**

The following investments, which are legal investments under the Public Funds Investment Act, are ineligible investments for Travis County:

- (1) Collateralized mortgage obligations
- (2) Any security the interest rate of which is determined by an index that adjusts opposite to the changes in a market index.

**23.017 Eligible Investments**

The following investments, which do not include all of the securities allowed by the Public Funds Investment Act, are the only eligible investments for all of Travis County's portfolios:

- (1) Obligations of the United States or its agencies and instrumentalities;
- (2) Direct obligations of the State of Texas or its agencies and instrumentalities;
- (3) Other obligations, the principal and interest on 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 guaranteed or insured by the Federal Deposit Insurance Corporation or by the explicit full faith and credit of the United States;
- (4) 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.
- (5) Domestic commercial paper, including commercial paper issued in the United States by corporations doing business and having a significant market presence in the United States, which are wholly owned by foreign entities, and with a stated maturity of 270 days or less from the date of its issuance that is rated not less than A-1 by Standard and Poor's, and P-1 by Moody's, two nationally recognized credit rating agencies.
- (6) Fully collateralized repurchase agreements including direct security repurchase agreements and reverse security repurchase agreements that:

- (A) have a defined termination date that does not exceed 90 days after delivery,
  - (B) are placed either through a primary government securities dealer as defined by the Federal Reserve, or a financial institution doing business in this state,
  - (C) are secured by a combination of cash and obligations described by 23.017(1), that are pledged to Travis County, held in Travis County's name, and deposited with a third party selected and approved by Travis County, and
  - (D) have a market value at the time funds are disbursed of not less than the principal amount of the funds disbursed. (See 23.032, Collateral Requirements for Repurchase Agreements.)
- (7) Certificates of deposit issued by a depository institution that has its main office or a branch office in this state that are:
- (A) guaranteed or insured by the Federal Deposit Insurance Corporation, or its successor; or
  - (B) secured by obligations that are described by 23.017(1), 23.017(2), 23.017(3) or 23.017(4) that have a market value of not less than 102% of the principal amount plus accrued interest of the certificates. (See 23.028 Collateral Requirements for All Deposits.)
  - (C) secured in any other manner and amount provided by law for deposits of the investing entity.
- (8) Certificates of deposit when:
- (A) the funds are invested through a broker that has its main office or a branch office in this state and is selected from a list adopted by the investing entity as required by 23.019 through 23.023 or
  - (B) the broker or the County depository 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 Travis County;
  - (C) the full amount of 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
  - (D) Travis County appoints one of the following as its custodian for these certificates of deposit
    - (i) the County depository,
    - (ii) the Texas Treasury Safekeeping Trust Company;

- (iii) a Federal Reserve Bank or a branch of a Federal Reserve Bank; or
  - (iv) a Federal Home Loan Bank
- (9) A no-load money market mutual fund ("MMMF") that is registered with and regulated by the Securities and Exchange Commission and:
  - (A) has a dollar-weighted average stated maturity of 90 days or less,
  - (B) whose investment objectives include maintenance of a stable net asset value of \$1 per share, and
  - (C) provides Travis County with a prospectus and other information required by the Securities and Exchange Act of 1934 (15 U.S.C. § 78a et seq.) or the Investment Company Act of 1940 (15 U.S.C. § 80a-1 et seq.)
- (10) Public funds and local government investment pools ("LGIP") if the following conditions are met:
  - (A) the LGIP is organized under the Interlocal Cooperation Act, as amended,
  - (B) the Commissioners Court has authorized investment in that particular LGIP by an order,
  - (C) the assets of the LGIP consist exclusively of obligations that are authorized investments in the Tex. Gov't Code Ann. ch 2256, known as the Texas Public Funds Investment Act,
  - (D) the LGIP meets all eligibility acts including disclosure and reporting,
  - (E) the LGIP meets all management requirements of the Public Funds Investment Act, including existence and reliance on maintenance of advisory board, net asset value and maintenance ratings, and
  - (F) the LGIP must be continuously rated no lower than AAA or AAA-m or at an equivalent rating by at least one nationally recognized rating service.
- (11) A securities lending program in which the loan meets the following conditions:
  - (A) The loan may be terminated at any time;
  - (B) The loan is placed through
    - (i) a primary government securities dealer, as defined by 5 C.F.R. Section 6801.102(f), as that regulation existed on September 1, 2003, or

- (ii) a financial institution doing business in this state that is rated no less than A or its equivalent by two nationally recognized rating services.
- (C) The loan agreement has a term of one year or less and complies with the provisions of section 1058 of the Internal Revenue Code;
- (D) The loan is secured by
  - (i) cash invested in accordance with subsections (1), (2), (3), (4), (5), (8), or (9) of section 23.017 for a term that ends no later than the expiration date of the loan agreement,
  - (ii) pledged irrevocable letters of credit issued by a bank that is organized and exists under the laws of the United States or any other state and is continuously rated by at least one nationally recognized investment rating firm at not less than A or its equivalent, or
  - (iii) pledged securities issued by the United States government or its agencies and instrumentalities as described in Section 23.017 (1) through (4) inclusive;
- (E) The loan agreement requires securities being held as collateral to be pledged to Travis County, held in Travis County's name, and deposited at the time the investment is made with a third party approved by Travis County.
- (F) The amount of the collateral is not be less than 102% of the market value of securities loaned, including accrued income with the market value of securities determined daily.

**23.018 Purchasing Eligible Investments**

- (a) The Investment Manager may invest all portfolios in the eligible investments described by 23.017. When contemplating a new type of investment instrument, the Investment Manager will submit a description to the Travis County Attorney to ensure that the proposed investment instruments are eligible investments described by 23.017.
- (b) If an investment that was eligible at the time of purchase becomes ineligible during the holding period, consistent with the Public Funds Investment Act, Sec. 2256.017, the Investment Manager is not required to liquidate the investment. The Investment Manager shall take all prudent measures that are consistent with this Policy to analyze the investment and determine the most prudent course of action to minimize any potential loss



*Requiring Approval of Broker/Dealer/Financial Institutions*

**23.019 Applications for Approval as Broker/Dealer/Financial Institutions**

- (a) When a primary broker/dealer/financial institution applies for approval, the Investment Manager provides a copy of chapter 23, Travis County Code to the qualified representative of that institution. To qualify for approval, the qualified representative of the primary broker/dealer/financial institution must comply with the following requirements:
- (1) Provide the most recent audited financial statements of the institution,
  - (2) Sign the Certification in sec. 23.060,
  - (3) Acknowledge receipt, thorough review and understanding of chapter 23, Travis County Code, and
  - (4) Acknowledge that the primary broker/dealer/financial institution has implemented reasonable procedures and controls in an effort to preclude investment transactions conducted between it and Travis County that are not authorized by chapter 23, Travis County Code except to the extent that this authorization is dependent on an analysis of the makeup of Travis County's entire portfolio or requires an interpretation of subjective investment standards.
- (b) When a non-primary broker/dealer/financial institution doing business that is regulated by or registered with a securities commission applies for approval, the Investment Manager provides a copy of chapter 23, Travis County Code to the qualified representative of that institution. To qualify for approval, the qualified representative of the broker/dealer/financial institution must submit a written application that complies with the following requirements:
- (1) Provides references by public fund investment officers, preferably in Texas,
  - (2) Gives evidence of capital adequacy (See 23.020(b)(3)),
  - (3) Signs the Certification in 23.060,
  - (4) Acknowledges receipt, thorough review and understanding of chapter 23, Travis County Code,
  - (5) Acknowledges broker/dealer/financial institution has implemented reasonable procedures and controls in an effort to preclude investment transactions conducted between it and Travis County that are not authorized by chapter 23, Travis County Code except to the extent that this authorization is dependent on an analysis of the makeup of Travis County's entire portfolio or requires an interpretation of subjective investment standards, and
  - (6) Includes a completed Broker/Dealer Questionnaire in 23.061,

- (c) Travis County strives to include in the application process broker/dealers located in Travis County who are currently serving institutional clients.

**23.020 Qualifications for Approval as Broker/Dealer/Financial Institutions**

The Investment Manager reviews the applications of the broker/dealer/financial institutions for compliance with this policy and recommends broker/dealer/financial institutions for approval. Although having an office in Texas is not a required criteria, Travis County prefers working with broker/dealer/financial institutions with offices located in Texas.

- (a) To be recommended for approval, the qualified representative of the primary broker/dealer/financial institution must provide the information and comply with the requirements set forth in 23.019 (a).
- (b) To be recommended for approval, a non-primary broker/dealer/financial institution and/or its qualified representative(s) must demonstrate possession of the following criteria:
  - (1) Institutional investment experience,
  - (2) Good references from public fund investment officers, preferably in Texas,
  - (3) Adequate capitalization in compliance with the Capital Adequacy Guidelines for Government Securities Dealers published by the New York Federal Reserve Bank for banks or adequate capitalization in compliance with the Securities and Exchange Commission for broker/dealers,
  - (4) Acknowledgement of a thorough review and understanding of this Investment Policy and Procedures Chapter,
  - (5) Regulation by the Comptroller of the Currency for banks or regulation by the Securities and Exchange Commission ("SEC") for broker/dealers,
  - (6) Membership in good standing in the Financial Industry Regulatory Authority (FINRA) by broker/dealers and subsidiaries of national banks,
  - (7) Valid licensure from the State of Texas, except for national banks, and
  - (8) Acknowledgement of implementation of reasonable controls and procedures in an effort to preclude investment transactions conducted between it and Travis County that are not authorized by chapter 23, Travis County Code except to the extent that this authorization is dependent on an analysis of the makeup of Travis County's entire portfolio or requires an interpretation of subjective standards.

- (c) To be recommended for approval, broker/dealer/financial institutions previously approved by Commissioners Court will also be evaluated based on the following criteria:
- (1) Performance since the last review based on participation in competitive bids documented on bid sheets, and
  - (2) Activity level based on proposals presented since the last review.

**23.021 Approval of Broker/Dealer/Financial Institutions**

The Commissioners Court reviews the recommendations of the Investment Manager and may approve any number of broker/dealer/financial institutions. Travis County and the Investment Manager may only purchase securities, except for commercial paper, from qualified broker/dealer/financial institutions. Commercial paper shall be purchased in compliance with section 23.044, Competitive Bidding. The Investment Manager may limit the number of institutions with which Travis County does business.

**23.022 Annual Review of Approved Broker/Dealer/Financial Institutions**

Each year new applicants and broker/dealer/financial institutions currently on the approved list must comply with 23.019 and 23.020 and submit applications to the Investment Manager. The Investment Manager's recommended changes to the approved list must be submitted to the Commissioners Court for approval on an annual basis.

**23.023 Removal from Approved List**

When the Investment Manager reviews and reevaluates the broker/dealer/financial institutions currently on the approved list and at any other time when the Investment Manager discovers good cause, the Investment Manager may recommend that a broker/dealer/financial institution be removed from the approved list for any of the following reasons:

- (1) Placing Travis County's funds at risk,
- (2) Inactivity of the broker/dealer/financial institution,
- (3) Failure to maintain one or more of the criteria in 23.020,
- (4) Offering to sell investments other than eligible investments described by 23.017,
- (5) Consistently causing an administrative burden by inaccurate documentation or late verification of trade,
- (6) Consistently offering/bidding securities at non-competitive prices, or
- (7) Undergoing material change through divestiture, merger, purchase, or other similar corporate transformations.

*Diversifying Portfolios*

**23.024 Diversifying Operating Account Portfolio by Type**

The Investment Manager must minimize loss of principal in the operating account portfolio by diversifying investments by type and maturity. The Investment Manager must maintain diversity in the types of eligible investments purchased for all Travis County portfolios combined (see 23.017 for full description of eligible investments) by limiting the percentage ~~of the combined portfolios~~ for each type of eligible investment to the percentage listed in this section. These percentages will be applied to all Travis County portfolios in aggregate. The limits will be tested each Tuesday and the Investment Manager will have 30 days following the test to bring the percentage back within the limits as described below:

<b>Investment Type</b>	<b>Percentage Limit For Combined Portfolios</b>
Obligations of the U.S. – Treasury Notes/Bonds/Bills .....	100%
Obligations of U.S. Agencies – U.S. Agencies .....	75%
Direct obligations of the State of Texas or its agencies and instrumentalities .....	60%
Other obligations, the principal and interest on 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 guaranteed or insured by the Federal Deposit Insurance Corporation or by the explicit full faith and credit of the United States .....	60%
Obligations of states, agencies, counties, cities, and other political subdivisions of any state. The Investment Manager must not invest more than 5% of the portfolio in municipal securities of a single entity (see 23.017 for full description) .....	20%
Domestic commercial paper. The Investment Manager must not invest more than 5% of the portfolio in the commercial paper of a single entity. If the amount held exceeds 5% during the life of the investment, the Investment Manager must either reduce the amount of the entity’s commercial paper owned or obtain authorization from Commissioners Court for an exception to the Policy (See 23.017 for full description.) .....	20%
0Fully collateralized repurchase agreements are limited to 15% of the portfolio when purchased from an individual broker. (See 23.017 for full description.) .....	50%

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Certificates of Deposit  
(See 23.017 for full description.) ..... 50%

A no-load money market mutual fund ("MMMF") that is registered with and regulated by the federal Securities and Exchange Commission. The Investment Manager must not make an investment in any MMMF that exceeds 10% of the total assets of that MMMF.  
(See 23.017 for full description.) ..... 20%

TexPool if the following conditions are met:

- (A) TexPool is organized under the Interlocal Cooperation Act, as amended,
- (B) the Commissioners Court has authorized investment in TexPool by an order,
- (C) the assets of TexPool consist exclusively of obligations that are authorized investments in the Tex. Gov't Code Ann. ch 2256, known as the Texas Public Funds Investment Act,
- (D) TexPool meets all eligibility requirements of the Public Funds Investment Act including disclosure and reporting, and
- (E) TexPool meets all management requirements of the Public Funds Investment Act, including existence and reliance on maintenance of advisory board, net asset value and maintenance ratings ..... 50%

Public funds and local government investment pools (LGIP's).  
(See 23.017 for full description.) ..... 30%

All LGIP's in total..... 60%

**23.025 Diversifying All Other Portfolios by Type**

Within the pooled bond funds portfolio and the debt service portfolio the proceeds of a single bond issue may be segregated and invested in a single eligible investment or group of eligible investments designed to facilitate compliance with arbitrage regulations if the Investment Manager or Travis County's arbitrage advisors determine that this type of strategy is necessary to comply with federal arbitrage restrictions or to facilitate arbitrage recordkeeping and calculation.

In all other cases, the Investment Manager must apply the diversification and measurement requirements in 23.024 to the pooled bond funds portfolio combined with all Travis County portfolios in accordance with 23.024.

**23.026 Diversifying Operating Account Portfolio by Maturity**

(a) The Investment Manager must monitor the maturity dates of all investments in the operating account portfolio 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 operating account portfolio. The Investment Manager must also monitor the maturity dates of all investments in the operating account portfolio to ensure that the dollar-weighted average maturity does not exceed two and one-half years. The weighted average maturity is calculated as of the end of each month using the stated final maturity dates for each security.

If these levels are exceeded, the Investment Manager shall take all prudent measures that are consistent with this Policy to analyze the investment and determine the most prudent course of action to minimize any potential economic loss. (b).....The maximum allowable stated maturity of any individual investment owned by the operating account portfolio is as follows (see 23.017 for full description of eligible investments):

Investment Type	Maturity Limit
Obligations of the U.S. – Treasury Notes/Bonds/Bills .....	7 years
Obligations of U.S. Agencies .....	5 years
Direct obligations of the State of Texas or its agencies and instrumentalities .....	5 years
Other obligations, the principal and interest on which are unconditionally guaranteed or insured by or backed by the full faith and credit of the State of Texas or the United States their respective agencies and instrumentalities, 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 years
Obligations of states, agencies, counties, cities, and other political subdivisions of any state (See 23.017 for full description).....	5 years
Domestic commercial paper (See 23.017 for full description.) .....	270 days
Fully collateralized repurchase agreements (See 23.017 for full description.) .....	90 days
Certificates of Deposit (See 23.017 for full description) .....	18 months

A no-load money market mutual fund ("MMMF")  
 (See 23.017 for full description) ..... 1 day

Public funds and local government investment pools (LGIP's)  
 (See 23.017 for full description) ..... 1 day

TexasTERM local government investment pool ..... 365 days

**23.027 Diversifying All Other Portfolios by Maturity**

- (a) The Investment Manager may limit the maturity of the pooled bond funds portfolio, the debt service portfolio and the agency funds portfolio to the "temporary period" as defined by the Internal Revenue Code, § 148, during which bond proceeds may be segregated and invested at an unrestricted yield. After the temporary period ends, the Investment Manager must consider the anticipated cash flow requirements of the funds and invest the portions of the pooled bond funds portfolio, the debt service portfolio and the agency funds portfolio subject to yield restriction within limits permitted by Federal arbitrage regulations.
- (b) The Investment Manager must monitor the maturity dates of all investments in the pooled bond funds portfolio and the debt service portfolio to ensure that the dollar-weighted average maturity for each portfolio does not exceed one and one-half years.. The weighted average maturity is calculated as of the end of each month using the stated final maturity dates for each security.

If these levels are exceeded, the Investment Manager shall take all prudent measures that are consistent with this Policy to analyze the investment and determine the most prudent course of action to minimize any potential economic loss. (c).....The maximum allowable stated maturity of any individual investment owned by the pooled bonds funds portfolio and the debt service portfolio, that is not subject to the temporary period, is the same as the operating portfolio (See section 23.026); except for the following:

<b>Investment Type</b>	<b>Maturity Limit</b>
Obligations of the U.S. – Treasury Notes/Bonds/Bills .....	5 years
Obligations of U.S. Agencies .....	3 years

*Collateralizing Deposits*

**23.028 Collateral Requirements for All Deposits**

- (a) Certificates of deposit and bank deposits in financial institutions must be either federally insured or collateralized only with the following securities:
- (1) Direct obligations of the United States or its agencies and instrumentalities;
  - (2) Other obligations, the principal and interest on which are unconditionally guaranteed or insured by or backed by the full faith and credit of the United States or its agencies and instrumentalities, 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;
  - (3) Letters of credit issued to Travis County by the Federal Home Loan Bank, if approved in advance by Travis County.
- (b) If an event causes an increase in Collateral of more than \$50 million to be needed after noon on any business day, the market value of collateral must be equal to or greater than 100% of the par value of the certificates of deposit, plus accrued interest, and equal to or greater than 100% of the bank deposits plus accrued interest, less the amount insured by the Federal Deposit Insurance Corporation and may remain at that level until the next business day when additional collateral can be obtained. At all other times, the market value of collateral must be equal to or greater than 105% of the par value of the certificate of deposits plus accrued interest and equal to or greater than 105% of the bank deposits plus accrued interest, less the amount insured by the Federal Deposit Insurance Corporation.

**23.029 Monitoring Collateral Adequacy for All Deposits**

Financial institutions with which Travis County has certificates of deposit or bank deposits must provide Travis County with monthly reports that state the market values of collateral. The Investment Manager 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.

**23.030 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 for approval. The Investment Manager must calculate the value of the substituted collateral and determine that the substituted collateral is within the requirements of this Investment Policy and the Depository Bank Contract. 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 approve 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.

#### **23.031 Agreements and Safekeeping for All Deposits**

Financial institutions serving as county depositories must enter agreements for the safekeeping of collateral with both Travis County and its safekeeping agent, or agree to cooperate with the Federal Reserve Bank under the terms of its Pledge Agreement Form, to define Travis County's rights to the collateral in case of default, bankruptcy, or bank closing. All collateral securing deposits is held by the safekeeping agent.

#### **23.032 Collateral Requirements for Repurchase Agreements**

Issuers of repurchase agreements must collateralize them with obligations of the United States or its agencies. These issuers must wire transfer the collateral to the safekeeping agent designated by Travis County 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. Collateral maturity is limited to two years.

#### **23.033 Monitoring Collateral Adequacy for Repurchase Agreements**

The Investment Manager 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 Investment Manager 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.

#### **23.034 Substituting Collateral for Repurchase Agreements**

Seller shall obtain written consent of Travis County prior to substitution. The duration (or maturity) of securities offered as substitutes may not exceed the duration or maturity of the originally purchased securities.

#### **23.035 Safekeeping of Repurchase Agreement Collateral**

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

### *Subchapter E. Liquidity*

#### **23.036 Achieving Liquidity**

Investments are selected to meet anticipated cash needs. The Investment Manager must achieve liquidity by purchasing eligible investments described by 23.017 with active secondary markets, eligible MMMF's and LGIP's.

#### **23.037 Liquidating Investments**

The Investment Manager 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.

### *Subchapter F. Investment Return Achievement*

#### **23.038 Priority of Investment Goals**

The Investment Manager must consider legality, safety, liquidity, diversification, 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 Manager must actively manage all Travis County portfolios to enhance total income in compliance with the "prudent investor rule" described by 23.005. The Investment Manager may use bond swaps to achieve these management goals.

#### **23.039 Bond Swaps**

If the demand for a bond from a particular agency creates a situation where the yields in that agency's bonds are the same or less than an equivalent treasury security, swapping the agency's bond for a treasury security can improve the quality of Travis County's portfolios. If bonds in a particular maturity range are limited in the market, swapping a bond in demand for a similar bond in a different maturity range may be advantageous. The Investment Manager may swap a bond held in any Travis County portfolio for a comparable bond in the market to improve portfolio yield even if the transaction results in an accounting loss. The Investment Manager may swap a bond held in any Travis County portfolio if the overall yield of the portfolio will not decrease after the swap and the date of maturity of the new security is less than 181 days after the maturity date of the old security. The Investment Manager must solicit competitive bids for bond swaps. All bids received are documented and filed for auditing purposes.

### *Subchapter G. Investment Responsibilities By Office*

**23.040 Training**

The Treasurer, Investment Manager, Assistant Investment Manager, Senior Financial Analyst and Auditor shall attend at least one training session from an independent source approved by Commissioners Court and containing at least 10 hours of instruction relating to his/her responsibilities under the Public Funds Investment Act within twelve months after taking office. These persons shall also attend an investment training session not less than once in a two-year period that begins on the first day of Travis County's fiscal year and consists of two consecutive fiscal years after that date, and receive not less than 10 hours of instruction relating to investment responsibilities under the Public Funds Investment Act from an independent source approved by Commissioners Court. Training must include education in investment controls, security risks, strategy risks, market risks, diversification of investment portfolio, and compliance with the Public Funds Investment Act.

The independent sources approved by Commissioners Court are:

- Government Finance Officers Association
- Government Finance Officers Association of Texas
- Government Treasurers Organization of Texas
- Texas Association of Counties
- Austin Treasury Management Association
- Alliance of Texas Treasury Associations
- Texas Municipal League
- Texas Society of CPAs
- Association of Government Accountants
- University of North Texas
- University of Texas
- Texas A&M University
- County Treasurers Association of Texas
- Texas Association of County Auditors
- Western CPE
- First Southwest Company

**23.041 Treasurer's Office**

The Treasurer is the chief custodian of county funds. The Treasurer receives funds due to Travis County, makes disbursements authorized by the Commissioners Court after

the checks are co-signed by the Auditor, and keeps proper records of county finances. In the investment function, the Treasurer has the following responsibilities:

- (1) **Notifying of Controlled Disbursement Requirements.** The Treasurer notifies the Investment Manager if additional funds are required for the daily controlled disbursement to ensure that investments are liquidated in time to meet the controlled disbursement requirements.
- (2) **Processing Investments.** The Treasurer may transact wire transfers for investment purposes for Travis County. The Investment Manager 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 Investment Manager approve the wire transfer form. The Treasurer records investments in the HTE investment module at par value.
- (3) **Depositing Investment Principal and Interest.** The Treasurer deposits principal and interest at maturity to the funds bank account indicated by the Investment Manager.
- (4) **Ensuring Security of Investments.** The Treasurer accesses the depository's files daily to verify Travis County's account balances. The Treasurer adds the certificates of deposit purchased by the Investment Manager, Tax Office, County Clerk, and District Clerk 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 banks. The collateral must be 105% of Travis County's total balances held with the depository. If the collateral is less than 105% of Travis 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.
- (5) **Reporting Accounts.** The Treasurer provides to the Auditor copies of monthly statements of all fund bank accounts which include beginning balances, deposits, disbursements, and ending balances. The Treasurer prepares and submits to the Auditor a monthly report of all outstanding checks for the Jury, CAPSO, and Cash bond funds.

#### **23.042 Cash/Investment Management Office**

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

- (1) **Developing Investment Strategies.** The Investment Manager develops an investment strategy to administer investments of Travis County. The Investment Manager uses the following procedures in the investment strategy:

- (A) summarizes the economic and market analysis;
  - (B) forecasts available cash for investment;
  - (C) formulates strategies for asset mix, investment instruments, maturities, and target yields;
  - (D) monitors performance against the current investment strategy and evaluating reasons for variances;
  - (E) reports portfolio performance for the previous quarter to the Investment Advisory Committee and the Commissioners Court; and
  - (F) revises the investment strategy based on recommendations by the Investment Advisory Committee.
- (2) **Selecting and Processing Investments.** The Investment Manager reviews the composition of the current portfolio and determines whether the securities under consideration maintain the portfolio within policy guidelines. The Investment Manager and the Treasurer approve the wire transfer form authorizing the transfer of funds for a specific investment transaction.
- (3) **Documenting Investments and Providing Details.** The Investment Manager retains documentation of all investment transactions, including bond swaps. The Investment Manager provides information and supporting documentation for all investment transactions to the Auditor's Financial Reporting Division for entry in the General Ledger. The Investment Manager 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.
- (4) **Developing Cash Flow Projections for All Portfolios.** The Investment Manager analyzes prior period data and meets with Travis County department staff to develop and amend cash flow projections of Travis County cash requirements. The Investment Manager uses cash flow projections to match assets and liabilities in addition to maximizing the return on investments.
- (5) **Determining Cash Available for Investment.** The Investment Manager determines the amount of county funds available for investment each business day. 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) **Monitoring Investment Performance.**
- (A) The Investment Manager 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, brokers, investment industry publications, and investment industry information systems.

- (B) The Investment Manager 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 Manager monitors yield spreads between various government agency issues and United States notes and bonds to determine the best value. The Investment Manager summarizes economic and market trend information and presents it at each regular meeting of the Investment Advisory Committee. The Investment Manager also presents recommendations for investment strategy based on economic and market conditions.
  - (C) If a Securities Lending agreement is executed, the Investment Manager will monitor the securities lending reports frequently or as needed, but not less than weekly, to reconcile safekeeping reports with lending reports. In addition to the investment manager's monitoring of the securities, regular valuation of the collateral also needs to be made to insure that the collateral held by the Lending Agent (the institution with which the securities lending agreement has been executed) is in compliance with the Travis County Investment Policy and remains above the 102% market value of the securities that were borrowed.
- (7) **Reconciling Investment Records and General Ledger.** The Investment Manager provides the Auditor's Financial Reporting Division with a monthly report that states investments at par value, the identifying cusip number, the premium or discount and the interest purchased. The report includes monthly and year-to-date interest accruals and amortization/accretion of premium/discount. The Auditor reconciles this report to the investment accounts in the general ledger.
- (8) **Providing Revenue Estimates for All Portfolios.** The Investment Manager provides an estimate of the investment revenue for the annual budget.

#### **23.043 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:

- (1) **Posting Investments and Reconciling to General Ledger.** The Auditor's Financial Reporting Division posts investment transactions, investment interest revenue received, and accrued interest income to the General Ledger. The Auditor's Financial Reporting Division reviews and approves the monthly reconciliation of investments, investment interest revenue received, and accrued interest income to the General Ledger. The Auditor's Financial Reporting Division notifies the Investment Manager if there are any discrepancies between the monthly investment report described in 23.042 (7) and the general ledger so that these two departments can work together to reconcile the differences.
- (2) **Allocating Office Expenses.** The Auditor's Financial Reporting Division allocates the Cash/Investment Management Office budget expense against investment interest revenue in the Debt Service Fund.
- (3) **Confirming Balances and Performing Compliance Audit.** The Auditor's Internal Audit Division, in conjunction with its annual financial audit, shall perform a compliance audit of management controls on investments and adherence to chapter 23, Travis County Code and Tex. Gov't Code Ann. ch 2256, known as the Texas Public Funds Investment Act.
- (4) **Monitoring Arbitrage.** The Auditor monitors Travis County's arbitrage responsibilities and provides the bond fund transaction information required by Travis County's arbitrage advisors.
- (5) **Reconciling Safekeeping Reports with Investments.** On a quarterly basis, the Auditor's Financial Reporting Division reconciles the investment securities Safekeeping Report, provided to the Treasurer's Office by the depository Bank, to the Report of currently owned investment securities as of that date, provided by the Cash/Investment Management Office.
- (6) **Allocating Budget from Interest Revenue.** The Auditor's Financial Reporting Division allocates the interest revenue earned from investments proportionately to all funds that participate in the investment function.

*Subchapter H. Investment Purchasing Procedures*

**23.044 Competitive Bidding**

- (a) Travis County requires competitive bidding for all individual security purchases except for those transactions with MMMFs, LGIPs, treasuries purchased through the Federal Reserve Treasury Direct Accounts, and for

government securities purchased at issue through an approved broker/dealer at the auction price. The Investment Manager may rely not only on yield in selecting MMMFs and LGIPs but also on adherence to applicable Securities and Exchange Commission (SEC) guidelines for MMMFs and other criteria determined by her.

- (b) At least three bids or offers must be solicited in all transactions involving individual securities. For those situations where it may be impractical or unreasonable to receive three bids for an agency transaction due to secondary market availability, bids may be considered comparable for agencies with comparable structures and having maturities within 15 calendar days before and after the requested security. Competitive bidding for security swaps is also required. Bids may be solicited in any manner provided by law. All bids received must be documented and filed for auditing purposes.
- (c) At least three bids or offers must be solicited in transactions involving domestic commercial paper. These bids shall be obtained from approved broker/dealers or from a financial information source, such as Bloomberg. When bids are obtained from a financial information source, the commercial paper selected may be purchased directly from the issuer. Different issuers may be compared to select the highest yielding, domestic commercial paper. The Investment Manager may rely not only on yield in selecting commercial paper but also on other criteria determined by her. The criteria to follow when soliciting bids are as follows:
  - (1) The maturity dates must be the same, and
  - (2) The method of settlement must be the same whether regular settlement next day or cash settlement same day.

#### **23.045 Preliminary Requirements for Repurchase Agreements**

Before Travis County enters into a repurchase agreement with any issuer, that issuer must sign a Master Repurchase Agreement approved by Commissioners Court and return it to the Investment Manager for filing. All Repurchase Agreements are recommended by the Investment Manager, reviewed by Travis County Attorney's Office, and approved by Commissioners Court.

#### **23.046 Wire Transfer Procedures**

- (a) In executing investment transactions, the Treasurer must use pre-formatted repetitive wire transfers, whenever possible, to restrict transfers of funds to pre-authorized accounts.
- (b) For transfer of investment funds via wire to non-county accounts, the agreement with the depository bank must require the depository bank to call the Investment Manager for confirmation that this transfer is authorized prior to the transfer.



## *Subchapter I. Performance Evaluation And Reporting*

### **23.047 Levels of Evaluation**

Evaluation is conducted at several levels. The Investment Manager continually monitors and evaluates the investment performance. Cashflow forecasts will be reviewed by the Investment Advisory Committee. The Investment Advisory Committee evaluates the investment strategies and portfolio performance. The Travis County, County Executive for Planning and Budget or the Travis County Budget Director evaluates the Investment Manager's entire performance.

### **23.048 Investment Advisory Committee**

The Investment Advisory Committee reviews investment policies and procedures, investment strategies, and investment performance. Travis County members of the Committee include: two designated members of Commissioners Court, one of whom acts as Chair, the Executive Manager of Planning and Budget, the Investment Manager, the Treasurer, and the Auditor. Outside expertise is provided by at least six persons from the Austin Metropolitan Area, who have demonstrated knowledge and expertise in the area of investment portfolio management. The Chair calls annual meetings of the committee or more often as needed.

### **23.049 Performance Analysis and Reporting**

The Investment Manager determines the level and content of daily and weekly performance analysis and reporting. The Investment Manager and the Commissioners Court jointly decide the level and content of monthly performance analysis and reporting.

### **23.050 Quarterly Performance Analysis and Reporting**

- (a) The Investment Manager and the Assistant Investment Manager(s) must prepare, provide, and sign a quarterly summary report, for each fund group, that describes in detail the investment position of Travis County and evaluates investment performance based on investment policy objectives. The quarterly report will identify the method and source used to monitor the market price of investments and also will indicate whether the method and source changed from the previous quarterly report. This report must be submitted to the Investment Advisory Committee and Commissioners Court. A comparison of the performance of Travis County's portfolio to appropriate benchmarks selected by the Investment Manager is presented. The report addresses compliance with the investment policy in diversification by type and maturity. The report also includes the following information:

- (1) Cash availability,

- (2) Market review,
  - (3) Investment strategy – next quarter,
  - (4) Performance measurement: the standard used by Travis County to measure its investment return is based on the yield to maturity of all investments in the portfolio, using the stated final maturity date of each security,
  - (5) Portfolio statistics,
  - (6) Collateral adequacy for repurchase agreements,
  - (7) Collateral adequacy for bank deposits and certificates of deposit,
  - (8) Investment activity,
  - (9) Market valuation:
    - (A) at beginning of quarter, and
    - (B) at end of the quarter, for each portfolio,
  - (10) Distribution of investments by broker/dealer/financial institution,
  - (11) Distribution of investments by type of investment,
  - (12) Fully accrued interest for the reporting period,
  - (13) For each separately invested asset,
    - (A) state book value and market value at the beginning and end of the quarter by the type of asset and fund type,
    - (B) state maturity date, and
    - (C) state the fund for which it was acquired, and
  - (14) Signatures of the Investment Manager and the Assistant Investment Manager(s) certifying compliance of the Travis County investment portfolios with the Travis County investment strategy, policy and the Public Funds Investment Act.
- (b) The reference to Generally Accepted Accounting Principles in 23.050 (a) relates only to internal reporting of investments by the Investment Manager as required under Texas Government Code 2256.023, and does not apply to annual financial statements and other external reports of Travis County as a whole.

#### **23.051 Annual Performance Analysis and Reporting**

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

An independent auditor chosen to audit the County's annual financial statements must formally review the quarterly investment reports that are prepared in compliance with

the Public Funds Investment Act. In conjunction with this audit, Travis County shall perform a compliance audit of management controls on investments and adherence to this Investment Policy. This review should be performed at least annually and the results reported to Commissioners Court.

*Subchapter J. Investment Policy Review And Amendment*

**23.052 Review Procedures**

The Investment Manager and the Investment Advisory Committee must review chapter 23, Travis County Code annually to make revisions due to legislative actions and changing market conditions. This review must be done by the third quarter of the calendar year after each legislative session. The Investment Manager must present a summary report of the review with changes recommended by the Investment Advisory Committee to the Commissioners Court. The Commissioners Court must review the investment policy and strategies at least annually.

**23.053 Changes to the Investment Policy**

After adoption of chapter 23, Travis County Code, the Commissioners Court must approve any revisions to the policy manual before they become effective, by adopting a written instrument stating it has reviewed the Investment Policy and investment strategies. This written instrument must record any changes made to either the policy or strategies.

*Subchapter K. Interpretive Provisions*

**23.054 Authorization**

The Public Funds Investment Act and the Public Funds Collateral Act authorize the Commissioners Court to promulgate this chapter on investment policy and procedures.

**23.055 Effective Date**

Chapter 23, Travis County Code is effective upon adoption by the Commissioners Court.

**23.056 Definitions**

- (a) In this manual, the following words and phrases have the following meanings:
- (1) "Auditor" means the Travis County Auditor or her designees.
  - (2) "Investment Manager" means the Travis County Investment Manager or her designees.

- (3) "Commissioners Court" means Travis County Commissioners Court.
  - (4) "Treasurer" means the Travis County Treasurer or her designees.
- (b) Definitions in the Public Funds Investment Act shall be used to interpret this chapter.

**23.057 The Public Funds Investment Act**

When this chapter is provided to broker/dealer/financial institutions, the Investment Manager shall also include a copy of the Public Funds Investment Act.

**23.058 Construction, Precedents, and Interpretation**

Chapter 23, Travis County Code must be construed to meet the following provisions:

- (1) This chapter must be construed liberally to give all of the authorization intended for the investment of all portfolios.
- (2) Commissioners Court resolves any questions about the interpretation of this chapter.
- (3) If there is any conflict between this chapter and the state constitution, or any state law or any rule adopted under a state law or the United States constitution, this chapter prevails to the greatest extent possible without violating the United States constitution, the state constitution, any constitutional federal or state law or any constitutional rule adopted under either of these.
- (4) The masculine, feminine and neuter genders are construed to include the other genders if required by the context or facts. The singular and plural are construed to include the other number if required by the context or facts. Words in the present tense are construed to include the future tense.
- (5) Words and phrases are read in context and construed according to the rules of grammar and common usage. Words and phrases that have acquired a technical or particular meaning whether by definition in this chapter or otherwise, are construed according to the acquired meaning. Throughout the chapter, words defined in this section are shown with an initial capital. The use of an initial capital is construed to mean that the definition of the capitalized word or phrase is the definition in this section.
- (6) Throughout this chapter, headings for sections, subsections and portions of the text are inserted for convenience only. These headings are not to be construed to expand or limit the interpretation of the text that follows the heading.
- (7) When a period is stated in days, the days are construed as calendar days unless otherwise stated. If the last day of any period is a

**Saturday, Sunday or county holiday, the period is extended to include the next day that is not a Saturday, Sunday or county holiday.**

*Subchapter L. Forms*

**23.059 Disclosure**

Investment officers required by 23.007 to make disclosure shall report in a manner that is substantially similar to the forms in 23.059 (1) and (2).

- (1) Personal business interests which require disclosure should be reported in a format similar to the following:

**Disclosure of Required Personal Business Interest Form**

Date

Texas Ethics Commission

201 E. 14<sup>th</sup> Street (or current address)

Sam Houston Building, 10<sup>th</sup> Floor

Austin, Texas 78701

Dear Sir or Madam:

This letter is a disclosure statement to comply with the 1999 Public Funds Investment Act passed by the Texas Legislature, which requires, in § 2256.005 (i), that an investment officer of an entity who has a personal business relationship with a business organization offering to engage in an investment transaction with the entity shall file a statement disclosing that personal business interest.

Travis County purchases investments through *Name of Business Organization*. As an investment officer of the Travis County Cash/Investment Department, I hereby disclose that I use *Name of Business Organization* for personal investment transactions.

Sincerely,

Signature of Travis County Investment Officer

Name of Travis County Investment Officer

CC: Travis County Commissioners Court  
Travis County Executive Manager, Planning and Budget  
Travis County Investment Manager

- (2) Investment officers who have a relationship within the second degree by affinity or consanguinity must use a form similar to the following example:

**Disclosure of Relationship Within Second Degree of Affinity or Consanguinity**

Date

Texas Ethics Commission

201 E. 14<sup>th</sup> Street (or current address)

Sam Houston Building, 10<sup>th</sup> Floor

Austin, Texas 78701

Dear Sir or Madam:

This letter is a disclosure statement to comply with the 1999 Public Funds Investment Act passed by the Texas Legislature, which requires, in § 2256.005 (i), that an investment officer who is related within the second degree by affinity or consanguinity, as determined under Chapter 573, to an individual seeking to sell an investment to the investment officer's entity shall file a statement disclosing that relationship.

Travis County purchases investments through *Name of Individual with Name of Business Organization*. As an investment officer of the Travis County Cash/Investment Department, I hereby disclose that I am related to *Name of Individual with Name of Business Organization* within the second degree of affinity or consanguinity.

Sincerely,

Signature of Travis County Investment Officer

Name of Travis County Investment Officer

CC: Travis County Commissioners Court  
Travis County Executive Manager, Planning and Budget  
Travis County Investment Manager

**23.060 Certification**

**TEXAS PUBLIC FUNDS INVESTMENT ACT**

**CERTIFICATION BY BUSINESS ORGANIZATION**

This certification is executed on behalf of Travis County and (the Business Organization) pursuant to the Texas Public Funds Investment Act, Chapter 2256, Government Code, Texas Codes Annotated (the Act), in connection with investment transactions conducted between Travis County and the Business Organization.

The undersigned Qualified Representative of the Business Organization hereby certifies on behalf of the Business Organization that:

- (i) Public Funds Investment Act Section 2256.005 (k): Nothing in this Certification relieves Travis County of the responsibility for monitoring the investments made by Travis County to determine that they are in compliance with the Travis County Investment Policy.
- (ii) The undersigned is a Qualified Representative of the Business Organization offering to enter into an investment transaction with Travis County as such terms are used in the Public Funds Investment Act, Chapter 2256, Texas Government Code;
- (iii) The Qualified Representative of the Business Organization has received and thoroughly reviewed the Investment Policy furnished by the Travis County Investment Officer;
- (iv) Public Funds Investment Act Section 2256.005 (k) (2): The Qualified Representative of the Business Organization has implemented reasonable procedures and controls in an effort to preclude investment transactions conducted between Travis County and the Business Organization that are not authorized by Travis County's Investment Policy, except to the extent that this authorization is dependent on an analysis of the makeup of Travis County's entire portfolio or requires an interpretation of subjective investment standards.

Qualified Representative of the Business Organization

Signature \_\_\_\_\_

Name \_\_\_\_\_

Title \_\_\_\_\_

Date \_\_\_\_\_



**23.061 Broker/Dealer/Financial Institution Questionnaire**

Non-Primary Broker/Dealer/Financial Institutions must complete a Broker/Dealer Questionnaire in the following form to comply with 23.019 and 23.020:

**TRAVIS COUNTY, TEXAS**

**BROKER/DEALER/FINANCIAL INSTITUTION QUESTIONNAIRE**

Travis County operates under the laws of the State of Texas, including the State of Texas Public Funds Investment Act. Travis County manages an investment portfolio ranging in size from \$373 million to \$668 million, which is comprised mainly of U.S. Treasury and Agency obligations, Commercial Paper, and Local Government Investment Pools. Travis County has adopted a written Investment Policy which regulates the standards and procedures used in its cash management activities. A copy of the Investment Policy is included, as well as a copy of the Public Funds Investment Act.

Travis County will review and substantiate information and references requested in this Questionnaire; therefore, please answer all questions as thoroughly as possible. Travis County will notify Broker/Dealers of their approval/non-approval in writing. No transactions will be conducted with a Broker/Dealer who has not signed the Travis County Certification. Travis County solicits competitive bids and offers on the majority of its transactions. All securities will be delivered against payment to the third party custodian named by Travis County.

Note that instructions in bold print require information to be provided in addition to the completed questionnaire.

1. Name of Firm \_\_\_\_\_

2. Local Address \_\_\_\_\_

3. National Address \_\_\_\_\_

4. Local telephone number (\_\_\_\_) \_\_\_\_\_

National telephone number (\_\_\_\_) \_\_\_\_\_

5. Primary representative (the person Travis County will be primarily doing business with)

Name \_\_\_\_\_

Title \_\_\_\_\_

Telephone number (\_\_\_\_) \_\_\_\_\_ CRD # \_\_\_\_\_

6. Secondary representative

Name \_\_\_\_\_  
Title \_\_\_\_\_  
Telephone number (\_\_\_\_) \_\_\_\_\_ CRD # \_\_\_\_\_

7. Identify all personnel who will be trading with or quoting securities to the Travis County Cash/Investment Management staff (additional back-ups)

Name	Title	CRD number
_____	_____	_____
_____	_____	_____
_____	_____	_____

**PLEASE ATTACH RESUMES of all the above persons.**

8. Have all of the above personnel read our investment policies and procedures and signed our certification?

Yes [ ] No [ ]

If above answer is no, please explain: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

9. (A) If you are a broker/dealer or subsidiary of a national bank, is your firm licensed to do business in Texas?

Yes [ ] No [ ]

(B) If you are a broker/dealer or subsidiary of a national bank, is your firm a member of Financial Industry Regulatory Authority (FINRA) in good standing?

Yes [ ] No [ ]

**Please provide your firm's CRD number \_\_\_\_\_**

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

Firm-wide \$ \_\_\_\_\_  
Number of Transaction \_\_\_\_\_  
Local office \$ \_\_\_\_\_  
Number of Transactions \_\_\_\_\_

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

- Treasury Bills
- Treasury notes/bonds
- Agencies - specify

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- Commercial paper
- Other – specify

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12. Please identify at least three of your most directly comparable public sector clients in Texas who have done business with the primary representative listed in question 5.

Entity	Contact Person	Telephone no.	Client since
_____	_____	(. ) _____	_____
_____	_____	( ) _____	_____
_____	_____	( ) _____	_____
_____	_____	( ) _____	_____

13. 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.

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14. Please provide the most recent AUDITED financial statements for your firm.

15. Are you representing a parent corporation or a subsidiary of another corporation?

Parent  Subsidiary

If you are a SUBSIDIARY, please provide the most recent audited financial statements for your PARENT corporation.

16. If your institution is a bank,

- (A) Has your bank consistently complied with the Federal Reserve Bank's capital adequacy guidelines?
- (B) Is your bank 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 bank 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.**

**17. If your institution is a broker/dealer or a subsidiary of a national bank, please provide your most recent FOCUS report.**

**18. Please provide your delivery instructions. Our Safekeeping unit requires that we provide this information when we purchase a security.**

19. What portfolio information do you require from your clients?

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

## **Attachment B**

ORDER OF THE TRAVIS COUNTY COMMISSIONERS COURT  
AMENDING  
CHAPTER 23, INVESTMENT POLICIES AND PROCEDURES  
OF THE TRAVIS COUNTY  
POLICIES, PROCEDURES, AND REGULATIONS MANUAL

STATE OF TEXAS

COUNTY OF TRAVIS

Pursuant to Sections 1.0051 and 1.0052 of the Travis County Code, the Commissioners Court makes the following order:

1. Chapter 23 of this Code is deleted, and replaced by the Chapter 23 attached to this order.

Date of Order: \_\_\_\_\_

TRAVIS COUNTY COMMISSIONERS COURT

\_\_\_\_\_  
Samuel T. Biscoe, County Judge

\_\_\_\_\_  
Ron Davis  
Commissioner, Precinct I

\_\_\_\_\_  
Bruce Todd  
Commissioner, Precinct II

\_\_\_\_\_  
Gerald Daugherty  
Commissioner, Precinct 3

\_\_\_\_\_  
Margaret Gomez  
Commissioner, Precinct 4

# **Attachment C**

## **Chapter 23. Investment Policy and Procedures<sup>1</sup>**

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## *Subchapter A. Investment Authority and Scope of Policy*

### **23.001 Legal Authority to Invest**

TEX. LOC. GOV'T CODE ANN., § 116.112(a) (Vernon 1994) authorizes the Commissioners Court to invest county funds in compliance with TEX. GOV'T CODE ANN., ch. 2256.

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

- (a) Commissioners Court delegates the authority to select investment instruments in which county funds may be placed and to prepare any documentation necessary to evidence the investment of county funds to the Investment Manager, Assistant Investment Manager, and Senior Financial Analyst. Occasionally, the Commissioners Court may designate in writing other Travis County personnel authorized to invest county funds as back-ups. The Commissioners Court approves or ratifies the investments, and the Commissioners Court retains ultimate responsibility as fiduciaries of the assets of Travis County. The Investment Manager, Assistant Investment Manager, and Senior Financial Analyst advise the Treasurer of the investment instruments purchased and the Treasurer wires the funds. No other person may invest, withdraw, transfer or manage Travis County funds without the express written authority of the Commissioners Court. Authority granted under this section is effective until rescinded by Commissioners Court or until termination of employment by Travis County of persons in the designated positions.
- (b) These designated Cash/Investment Officers must perform their duties in compliance with Chapter 23 and Chapter 32, subchapter (a) Travis County Code and the Tex. Gov't Code Ann. ch 2256, known as the Texas Public Funds Investment Act. When these Cash/Investment Officers act in good faith and in compliance with these chapters, they have no personal liability for their actions.
- (c) Officers and employees of any regional planning commission created under LOC. GOV'T. CODE ANN. ch. 391 are not eligible to be designated any authority under this section.

### **23.003 County Investment Portfolio Structure**

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

- (1) The operating account portfolio means funds from the general fund account, the risk management fund account, the employee benefit fund

account, the general county reserve account, and all other Travis County funds except capital projects, and debt service.

- (2) The pooled bond funds portfolio means bond funds from all capital projects except road district funds.
- (3) The debt service portfolio means all interest and sinking funds.

#### **23.004 Applicability of Policy**

This policy governs the investment of the operating account portfolio, the pooled bond funds portfolio, and the debt service portfolio. The pooled bond funds portfolio is managed in compliance with its governing ordinances and federal laws, including the Tax Reform Act of 1986, as amended, in addition to compliance with this policy.

In this policy, the words "bond proceeds", "book value", "funds", "investing entity", "entity", "investment pool", "local government", "market value", "separately invested asset", "qualified representative", and "state agency" are used as defined in the TEX. GOV'T CODE ANN. § 2256.002.

#### **23.005 Prudence and Ethical Standards**

These standards apply to Cash/Investment Officers and anyone acting on their behalf.

##### **(a) Prudence**

- (1) Cash/Investment Officers serve as fiduciaries of Travis County and are responsible for prudently investing its assets. The Investment Officers shall comply with the provisions of this section, the Public Funds Investment Act, and all other applicable laws.
- (2) Travis County uses the "prudent investor rule" when administering the duties of an investment officer within the applicable legal and policy constraints. The prudent investor rule is restated as follows: The Cash/Investment Officers shall invest and manage Travis County assets as a prudent investor would, by considering the purposes, terms, distribution requirements, and other circumstances of the portfolio. In satisfying this standard, the Investment Officers shall exercise professional care, skill, and judgment. Among circumstances that an Investment Officer shall consider in investing and managing Travis County assets are the following:
  - (A) general economic conditions,
  - (B) the yield curve,
  - (C) the role that each investment plays within the overall portfolio, and,
  - (D) the risk/reward relationship of investments considered.

- (3) In determining whether an Investment Officer has exercised prudence with respect to an investment decision, the determination shall be made as follows:
  - (A) the Investment Officer's investment and portfolio management decisions must be evaluated not in isolation of an individual purchase or sale but in the context of the Travis County portfolio as a whole and as a part of an overall investment strategy having risk and return objectives reasonably suited to the portfolio; and
  - (B) whether the investment decision was consistent with chapter 23 of the Travis County Code.
- (4) Cash/Investment Officers must be honest in the exercise of their duties and must not take actions that will discredit Travis County.
- (5) Travis County Investment Officers must comply with the Travis County Ethics Policy.

(b) Avoidance of Conflicts of Interest

- (1) Investment Officers shall be loyal to the interests of Travis County, the Travis County Commissioners Court, and to Travis County residents, to the extent that such loyalty is not in conflict with other duties or legal requirements. Officers shall avoid personal, employment, or business relationships that create conflicts of interest. Should they become aware of any conflict of interest, they have an affirmative duty to disclose and remedy the conflict promptly.
- (2) A conflict of interest exists whenever Investment Officers have personal or private commercial or business relationships that could reasonably be expected to diminish their independence of judgment in the performance of their duties.
- (3) Serving on the Board of a Local Government Investment Pool shall not be prohibited. However, the Board member should not be allowed to invest funds in that Pool without additional approval from another authorized signer, who does not serve on the board of the proposed investment pool and is not a subordinate of the board member.

(c) Acceptance of Gifts

- (1) Cash/Investment Officers may not personally accept gifts or entertainment from vendors or consultants doing or seeking to do investment or banking related business with Travis County, except as noted below:
- (2) Gifts, which may be accepted under these guidelines, should not exceed \$50.00 per person, per vendor, in a given fiscal year. If gifts over \$50.00 are provided, they must be returned, donated to a charitable cause, or shared with other County employees. However,

entertainment, food, or goods provided to all persons attending a conference or a continuing education activity and goods or services provided during meetings to conduct business and manage a contract generally do not violate this prohibition.

- (3) Disclosure shall be made to the Executive Manager of Planning and Budget of the acceptance of all gifts, entertainment, food, goods, or services no later than 30 days following the calendar quarter in which received.

### **23.006 Quality and Capability of Investment Management**

Subject to availability of funds, Travis County shall provide periodic training in investments for the Investment Manager, Assistant Investment Manager, and Senior Financial Analyst through courses and seminars offered by professional organizations and associations, in order to insure the quality and capability of the County's investment officers.

### **23.007 Disclosure of Personal Business**

- (a) Any investment officer of Travis County who has a personal business relationship, as described in Texas Government Code § 2256.005(i), with any qualified representative offering to engage in an investment transaction with Travis County, shall file a statement disclosing that personal business interest with the Texas Ethics Commission and the Commissioners Court (see Subchapter L, Forms).
- (b) Any investment officer of Travis County who is related within the second degree by affinity or consanguinity, as determined under TEX. GOV'T CODE ANN., ch. 573, to an individual seeking to engage in an investment transaction with Travis County shall file a statement disclosing that relationship with the Texas Ethics Commission and the Commissioners Court (see subchapter L, Forms).

### *Subchapter B. Investment Objectives*

#### **23.008 Safety of Principal**

The primary investment objective of Travis County is to ensure the safety of principal in all portfolios. (See Subchapter D, Safety of Principal.)

#### **23.009 Maintenance of Adequate Liquidity**

The secondary investment objective of Travis County for all portfolios is to provide the liquidity necessary to pay obligations as they become due. (See Subchapter E, Liquidity.)

### **23.010 Return on Investments**

Travis County must invest its portfolios in eligible investments that yield the highest possible rate of return while providing the necessary protection of the principal. Travis County seeks to optimize return on investments in all portfolios. The average minimum rate of return for the entire portfolio, excluding funds needed for current obligations, must be at least equal to the Federal Reserve constant maturity treasury rate with a comparable maturity. The only exception to the average minimum rate of return is that the portfolios, during a period of rapidly rising interest rates, will not be able to meet or exceed the rate of return indicator. If funds are subject to yield restrictions due to federal arbitrage regulations, those funds are excluded from the yield calculation.

Travis County may only invest in a particular eligible investment if its yields are equal to or greater than the Treasury Convention or Street Convention yield provided by the Bloomberg Financial Information System or the Interactive Data Corporation yield on United States Treasury obligations of comparable maturity. The Investment Manager and the Investment Advisory Committee may establish additional appropriate criteria for investment performance measures.

### **23.011 Additional Objectives for Pooled Bond Funds Portfolio**

The major objectives for the pooled bond funds portfolio governed by Federal arbitrage regulations are to maximize permitted market yield and to minimize investment costs.

### *Subchapter C. Investment Strategies*

### **23.012 Operating Account Portfolio**

The primary objective of the investment strategy for the operating account portfolio is to create a diversified structure (see 23.024 through 23.027) which will experience minimal volatility during economic cycles, thus providing for preservation and safety of principal.

The secondary objective is to assure that anticipated cash expenditures are matched with adequate liquidity.

The tertiary objective is to ensure that the portfolio is invested in eligible securities that yield the highest possible rate of return while providing the necessary protection of principal. The suitable securities to accomplish these objectives are high quality, marketable, short-to-medium term securities that complement each other in a laddered maturity structure. All eligible securities described by chapter 23, Travis County Code, are suitable for this fund. The dollar weighted average maturity of two and one-half years or less will be calculated using the stated final maturity dates of each security.

### **23.013 Debt Service Portfolio**

The primary, secondary, and tertiary objectives of the investment strategy for the debt service portfolio are the same as the operating account portfolio. The suitable securities to accomplish these objectives are high quality, marketable, short-term securities that mature on or before the debt service payment dates. The securities suitable for this fund are described in 23.017(1).

### **23.014 Pooled Bond Funds Portfolio**

The primary, secondary, and tertiary objectives of the investment strategy for the pooled bond funds portfolio are the same as the operating account portfolio. The suitable securities to accomplish these objectives are high quality, marketable, short-to-medium term securities that match forecasted project expenditures to investment maturities. In addition, a three month historical cash expenditure balance is maintained in highly liquid securities to cover unexpected project outlays. All eligible securities described by chapter 23, Travis County Code, are suitable for this fund.

### *Subchapter D. Safety of Principal*

### **23.015 Protection of Principal**

Travis County seeks to control the risk of loss due to the failure of a security issuer or grantor. To control that risk, Travis County purchases only eligible investments, requires prior approval of qualified representatives/business organizations with which it transacts business, diversifies investments in all portfolios based on maturity and type, monitors the market price of investments by way of independent sources such as market telecommunication services and financial publications, when possible, or through an approved Broker/Dealer other than the one that sold Travis County the security, and collateralizes deposits. The quarterly report will identify the method and source used to monitor the market price of investments. The quarterly report will also indicate whether the method and source changed from the previous quarterly report.

The ratings of all investments held by Travis County are monitored on a regular basis to ensure that the investments remain eligible. If an investment is downgraded to a level lower than the minimum rating required by Chapter 23, the investment officers take prudent action as described in 23.018 (b).

In addition, Travis County must execute the purchase of individual eligible investments only on the "delivery versus payment" (DVP) method with the exception of investment pools and money market mutual funds to ensure that county funds are not released until Travis County has received the securities purchased.

Investment securities must be held in Travis County's name by a third party custodian, as evidenced by safekeeping receipts from the institution with which the securities are deposited.

All investments made by Travis County must comply with all federal, state, and local statutes, rules, and regulations.

*Purchasing Only Eligible Investments*

**23.016 Ineligible Investments**

The following investments, which are legal investments under the Public Funds Investment Act, are ineligible investments for Travis County:

- (1) Collateralized mortgage obligations
- (2) Any security the interest rate of which is determined by an index that adjusts opposite to the changes in a market index.

**23.017 Eligible Investments**

The following investments, which do not include all of the securities allowed by the Public Funds Investment Act, are the only eligible investments for all of Travis County's portfolios:

- (1) Obligations of the United States or its agencies and instrumentalities;
- (2) Direct obligations of the State of Texas or its agencies and instrumentalities;
- (3) Other obligations, the principal and interest on 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 guaranteed or insured by the Federal Deposit Insurance Corporation or by the explicit full faith and credit of the United States;
- (4) 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.
- (5) Domestic commercial paper, including commercial paper issued in the United States by corporations doing business and having a significant market presence in the United States, which are wholly owned by foreign entities, and with a stated maturity of 270 days or less from the date of its issuance that is rated not less than A-1 by Standard and Poor's, and P-1 by Moody's, two nationally recognized credit rating agencies.
- (6) Fully collateralized repurchase agreements including direct security repurchase agreements and reverse security repurchase agreements that:



- (A) have a defined termination date that does not exceed 90 days after delivery,
  - (B) are placed either through a primary government securities dealer as defined by the Federal Reserve, or a financial institution doing business in this state,
  - (C) are secured by a combination of cash and obligations described by 23.017(1), that are pledged to Travis County, held in Travis County's name, and deposited with a third party selected and approved by Travis County, and
  - (D) have a market value at the time funds are disbursed of not less than the principal amount of the funds disbursed. (See 23.032, Collateral Requirements for Repurchase Agreements.)
- (7) Certificates of deposit issued by a depository institution that has its main office or a branch office in this state that are:
- (A) guaranteed or insured by the Federal Deposit Insurance Corporation, or its successor; or
  - (B) secured by obligations that are described by 23.017(1), 23.017(2), 23.017(3) or 23.017(4) that have a market value of not less than 102% of the principal amount plus accrued interest of the certificates. (See 23.028 Collateral Requirements for All Deposits.)
  - (C) secured in any other manner and amount provided by law for deposits of the investing entity.
- (8) Certificates of deposit when:
- (A) the funds are invested through a broker that has its main office or a branch office in this state and is selected from a list adopted by the investing entity as required by 23.019 through 23.023 or
  - (B) the broker or the County depository 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 Travis County;
  - (C) the full amount of 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
  - (D) Travis County appoints one of the following as its custodian for these certificates of deposit
    - (i) the County depository,
    - (ii) the Texas Treasury Safekeeping Trust Company;

- (iii) a Federal Reserve Bank or a branch of a Federal Reserve Bank; or
  - (iv) a Federal Home Loan Bank
- (9) A no-load money market mutual fund ("MMMF") that is registered with and regulated by the Securities and Exchange Commission and:
  - (A) has a dollar-weighted average stated maturity of 90 days or less,
  - (B) whose investment objectives include maintenance of a stable net asset value of \$1 per share, and
  - (C) provides Travis County with a prospectus and other information required by the Securities and Exchange Act of 1934 (15 U.S.C. § 78a et seq.) or the Investment Company Act of 1940 (15 U.S.C. § 80a-1 et seq.)
- (10) Public funds and local government investment pools ("LGIP") if the following conditions are met:
  - (A) the LGIP is organized under the Interlocal Cooperation Act, as amended,
  - (B) the Commissioners Court has authorized investment in that particular LGIP by an order,
  - (C) the assets of the LGIP consist exclusively of obligations that are authorized investments in the Tex. Gov't Code Ann. ch 2256, known as the Texas Public Funds Investment Act,
  - (D) the LGIP meets all eligibility acts including disclosure and reporting,
  - (E) the LGIP meets all management requirements of the Public Funds Investment Act, including existence and reliance on maintenance of advisory board, net asset value and maintenance ratings, and
  - (F) the LGIP must be continuously rated no lower than AAA or AAA-m or at an equivalent rating by at least one nationally recognized rating service.
- (11) A securities lending program in which the loan meets the following conditions:
  - (A) The loan may be terminated at any time;
  - (B) The loan is placed through
    - (i) a primary government securities dealer, as defined by 5 C.F.R. Section 6801.102(f), as that regulation existed on September 1, 2003, or

- (ii) a financial institution doing business in this state that is rated no less than A or its equivalent by two nationally recognized rating services.
- (C) The loan agreement has a term of one year or less and complies with the provisions of section 1058 of the Internal Revenue Code;
- (D) The loan is secured by
  - (i) cash invested in accordance with subsections (1), (2), (3), (4), (5), (8), or (9) of section 23.017 for a term that ends no later than the expiration date of the loan agreement,
  - (ii) pledged irrevocable letters of credit issued by a bank that is organized and exists under the laws of the United States or any other state and is continuously rated by at least one nationally recognized investment rating firm at not less than A or its equivalent, or
  - (iii) pledged securities issued by the United States government or its agencies and instrumentalities as described in Section 23.017 (1) through (4) inclusive;
- (E) The loan agreement requires securities being held as collateral to be pledged to Travis County, held in Travis County's name, and deposited at the time the investment is made with a third party approved by Travis County.
- (F) The amount of the collateral is not be less than 102% of the market value of securities loaned, including accrued income with the market value of securities determined daily.

**23.018 Purchasing Eligible Investments**

- (a) The Investment Manager may invest all portfolios in the eligible investments described by 23.017. When contemplating a new type of investment instrument, the Investment Manager will submit a description to the Travis County Attorney to ensure that the proposed investment instruments are eligible investments described by 23.017.
- (b) If an investment that was eligible at the time of purchase becomes ineligible during the holding period, consistent with the Public Funds Investment Act, Sec. 2256.017, the Investment Manager is not required to liquidate the investment. The Investment Manager shall take all prudent measures that are consistent with this Policy to analyze the investment and determine the most prudent course of action to minimize any potential loss

*Requiring Approval of Broker/Dealer/Financial Institutions*

**23.019 Applications for Approval as Broker/Dealer/Financial Institutions**

- (a) When a primary broker/dealer/financial institution applies for approval, the Investment Manager provides a copy of chapter 23, Travis County Code to the qualified representative of that institution. To qualify for approval, the qualified representative of the primary broker/dealer/financial institution must comply with the following requirements:
- (1) Provide the most recent audited financial statements of the institution,
  - (2) Sign the Certification in sec. 23.060,
  - (3) Acknowledge receipt, thorough review and understanding of chapter 23, Travis County Code, and
  - (4) Acknowledge that the primary broker/dealer/financial institution has implemented reasonable procedures and controls in an effort to preclude investment transactions conducted between it and Travis County that are not authorized by chapter 23, Travis County Code except to the extent that this authorization is dependent on an analysis of the makeup of Travis County's entire portfolio or requires an interpretation of subjective investment standards.
- (b) When a non-primary broker/dealer/financial institution doing business that is regulated by or registered with a securities commission applies for approval, the Investment Manager provides a copy of chapter 23, Travis County Code to the qualified representative of that institution. To qualify for approval, the qualified representative of the broker/dealer/financial institution must submit a written application that complies with the following requirements:
- (1) Provides references by public fund investment officers, preferably in Texas,
  - (2) Gives evidence of capital adequacy (See 23.020(b)(3)),
  - (3) Signs the Certification in 23.060,
  - (4) Acknowledges receipt, thorough review and understanding of chapter 23, Travis County Code,
  - (5) Acknowledges broker/dealer/financial institution has implemented reasonable procedures and controls in an effort to preclude investment transactions conducted between it and Travis County that are not authorized by chapter 23, Travis County Code except to the extent that this authorization is dependent on an analysis of the makeup of Travis County's entire portfolio or requires an interpretation of subjective investment standards, and
  - (6) Includes a completed Broker/Dealer Questionnaire in 23.061.

- (c) Travis County strives to include in the application process broker/dealers located in Travis County who are currently serving institutional clients.

### **23.020 Qualifications for Approval as Broker/Dealer/Financial Institutions**

The Investment Manager reviews the applications of the broker/dealer/financial institutions for compliance with this policy and recommends broker/dealer/financial institutions for approval. Although having an office in Texas is not a required criteria, Travis County prefers working with broker/dealer/financial institutions with offices located in Texas.

- (a) To be recommended for approval, the qualified representative of the primary broker/dealer/financial institution must provide the information and comply with the requirements set forth in 23.019 (a).
- (b) To be recommended for approval, a non-primary broker/dealer/financial institution and/or its qualified representative(s) must demonstrate possession of the following criteria:
  - (1) Institutional investment experience,
  - (2) Good references from public fund investment officers, preferably in Texas,
  - (3) Adequate capitalization in compliance with the Capital Adequacy Guidelines for Government Securities Dealers published by the New York Federal Reserve Bank for banks or adequate capitalization in compliance with the Securities and Exchange Commission for broker/dealers,
  - (4) Acknowledgement of a thorough review and understanding of this Investment Policy and Procedures Chapter,
  - (5) Regulation by the Comptroller of the Currency for banks or regulation by the Securities and Exchange Commission ("SEC") for broker/dealers,
  - (6) Membership in good standing in the Financial Industry Regulatory Authority (FINRA) by broker/dealers and subsidiaries of national banks,
  - (7) Valid licensure from the State of Texas, except for national banks, and
  - (8) Acknowledgement of implementation of reasonable controls and procedures in an effort to preclude investment transactions conducted between it and Travis County that are not authorized by chapter 23, Travis County Code except to the extent that this authorization is dependent on an analysis of the makeup of Travis County's entire portfolio or requires an interpretation of subjective standards.

- (c) To be recommended for approval, broker/dealer/financial institutions previously approved by Commissioners Court will also be evaluated based on the following criteria:
- (1) Performance since the last review based on participation in competitive bids documented on bid sheets, and
  - (2) Activity level based on proposals presented since the last review.

### **23.021 Approval of Broker/Dealer/Financial Institutions**

The Commissioners Court reviews the recommendations of the Investment Manager and may approve any number of broker/dealer/financial institutions. Travis County and the Investment Manager may only purchase securities, except for commercial paper, from qualified broker/dealer/financial institutions. Commercial paper shall be purchased in compliance with section 23.044, Competitive Bidding. The Investment Manager may limit the number of institutions with which Travis County does business.

### **23.022 Annual Review of Approved Broker/Dealer/Financial Institutions**

Each year new applicants and broker/dealer/financial institutions currently on the approved list must comply with 23.019 and 23.020 and submit applications to the Investment Manager. The Investment Manager's recommended changes to the approved list must be submitted to the Commissioners Court for approval on an annual basis.

### **23.023 Removal from Approved List**

When the Investment Manager reviews and reevaluates the broker/dealer/financial institutions currently on the approved list and at any other time when the Investment Manager discovers good cause, the Investment Manager may recommend that a broker/dealer/financial institution be removed from the approved list for any of the following reasons:

- (1) Placing Travis County's funds at risk,
- (2) Inactivity of the broker/dealer/financial institution,
- (3) Failure to maintain one or more of the criteria in 23.020,
- (4) Offering to sell investments other than eligible investments described by 23.017,
- (5) Consistently causing an administrative burden by inaccurate documentation or late verification of trade,
- (6) Consistently offering/bidding securities at non-competitive prices, or
- (7) Undergoing material change through divestiture, merger, purchase, or other similar corporate transformations.

*Diversifying Portfolios*

**23.024 Diversifying Operating Account Portfolio by Type**

The Investment Manager must minimize loss of principal in the operating account portfolio by diversifying investments by type and maturity. The Investment Manager must maintain diversity in the types of eligible investments purchased for all Travis County portfolios combined (see 23.017 for full description of eligible investments) by limiting the percentage for each type of eligible investment to the percentage listed in this section. These percentages will be applied to all Travis County portfolios in aggregate. The limits will be tested each Tuesday and the Investment Manager will have 30 days following the test to bring the percentage back within the limits as described below:

<b>Investment Type</b>	<b>Percentage Limit For Combined Portfolios</b>
Obligations of the U.S. – Treasury Notes/Bonds/Bills .....	100%
Obligations of U.S. Agencies – U.S. Agencies .....	75%
Direct obligations of the State of Texas or its agencies and instrumentalities.....	60%
Other obligations, the principal and interest on 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 guaranteed or insured by the Federal Deposit Insurance Corporation or by the explicit full faith and credit of the United States .....	60%
Obligations of states, agencies, counties, cities, and other political subdivisions of any state. The Investment Manager must not invest more than 5% of the portfolio in municipal securities of a single entity (see 23.017 for full description).....	20%
Domestic commercial paper. The Investment Manager must not invest more than 5% of the portfolio in the commercial paper of a single entity. If the amount held exceeds 5% during the life of the investment, the Investment Manager must either reduce the amount of the entity’s commercial paper owned or obtain authorization from Commissioners Court for an exception to the Policy (See 23.017 for full description.) .....	20%
0Fully collateralized repurchase agreements are limited to 15% of the portfolio when purchased from an individual broker. (See 23.017 for full description.) .....	50%

Certificates of Deposit  
(See 23.017 for full description.) ..... 50%

A no-load money market mutual fund (“MMMMF”) that is registered with and regulated by the federal Securities and Exchange Commission. The Investment Manager must not make an investment in any MMMF that exceeds 10% of the total assets of that MMMF.  
(See 23.017 for full description.) ..... 20%

TexPool if the following conditions are met:

- (A) TexPool is organized under the Interlocal Cooperation Act, as amended,
- (B) the Commissioners Court has authorized investment in TexPool by an order,
- (C) the assets of TexPool consist exclusively of obligations that are authorized investments in the Tex. Gov’t Code Ann. ch 2256, known as the Texas Public Funds Investment Act,
- (D) TexPool meets all eligibility requirements of the Public Funds Investment Act including disclosure and reporting, and
- (E) TexPool meets all management requirements of the Public Funds Investment Act, including existence and reliance on maintenance of advisory board, net asset value and maintenance ratings ..... 50%

Public funds and local government investment pools (LGIP’s).  
(See 23.017 for full description.) ..... 30%

All LGIP’s in total..... 60%

**23.025 Diversifying All Other Portfolios by Type**

Within the pooled bond funds portfolio and the debt service portfolio the proceeds of a single bond issue may be segregated and invested in a single eligible investment or group of eligible investments designed to facilitate compliance with arbitrage regulations if the Investment Manager or Travis County’s arbitrage advisors determine that this type of strategy is necessary to comply with federal arbitrage restrictions or to facilitate arbitrage recordkeeping and calculation.

In all other cases, the Investment Manager must apply the diversification and measurement requirements to the pooled bond funds portfolio combined with all Travis County portfolios in accordance with 23.024.



**23.026 Diversifying Operating Account Portfolio by Maturity**

(a) The Investment Manager must monitor the maturity dates of all investments in the operating account portfolio 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 operating account portfolio. The Investment Manager must also monitor the maturity dates of all investments in the operating account portfolio to ensure that the dollar-weighted average maturity does not exceed two and one-half years . The weighted average maturity is calculated as of the end of each month using the stated final maturity dates for each security.

If these levels are exceeded, the Investment Manager shall take all prudent measures that are consistent with this Policy to analyze the investment and determine the most prudent course of action to minimize any potential economic loss. (b)..... The maximum allowable stated maturity of any individual investment owned by the operating account portfolio is as follows (see 23.017 for full description of eligible investments):

Investment Type	Maturity Limit
Obligations of the U.S. – Treasury Notes/Bonds/Bills .....	7 years
Obligations of U.S. Agencies .....	5 years
Direct obligations of the State of Texas or its agencies and instrumentalities.....	5 years
Other obligations, the principal and interest on which are unconditionally guaranteed or insured by or backed by the full faith and credit of the State of Texas or the United States their respective agencies and instrumentalities, 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 years
Obligations of states, agencies, counties, cities, and other political subdivisions of any state (See 23.017 for full description).....	5 years
Domestic commercial paper (See 23.017 for full description.) .....	270 days
Fully collateralized repurchase agreements (See 23.017 for full description.) .....	90 days
Certificates of Deposit (See 23.017 for full description) .....	18 months

A no-load money market mutual fund (“ MMMF ”) (See 23.017 for full description) .....	1 day
Public funds and local government investment pools (LGIP’s) (See 23.017 for full description) .....	1 day
TexasTERM local government investment pool .....	365 days

**23.027 Diversifying All Other Portfolios by Maturity**

- (a) The Investment Manager may limit the maturity of the pooled bond funds portfolio, the debt service portfolio and the agency funds portfolio to the “temporary period” as defined by the Internal Revenue Code, § 148, during which bond proceeds may be segregated and invested at an unrestricted yield. After the temporary period ends, the Investment Manager must consider the anticipated cash flow requirements of the funds and invest the portions of the pooled bond funds portfolio, the debt service portfolio and the agency funds portfolio subject to yield restriction within limits permitted by Federal arbitrage regulations.
- (b) The Investment Manager must monitor the maturity dates of all investments in the pooled bond funds portfolio and the debt service portfolio to ensure that the dollar-weighted average maturity for each portfolio does not exceed one and one-half years.. The weighted average maturity is calculated as of the end of each month using the stated final maturity dates for each security.

If these levels are exceeded, the Investment Manager shall take all prudent measures that are consistent with this Policy to analyze the investment and determine the most prudent course of action to minimize any potential economic loss. (c).....The maximum allowable stated maturity of any individual investment owned by the pooled bonds funds portfolio and the debt service portfolio, that is not subject to the temporary period, is the same as the operating portfolio (See section . 23.026); except for the following:

<b>Investment Type</b>	<b>Maturity Limit</b>
Obligations of the U.S. – Treasury Notes/Bonds/Bills .....	5 years
Obligations of U.S. Agencies .....	3 years

*Collateralizing Deposits*

### **23.028 Collateral Requirements for All Deposits**

- (a) Certificates of deposit and bank deposits in financial institutions must be either federally insured or collateralized only with the following securities:
- (1) Direct obligations of the United States or its agencies and instrumentalities;
  - (2) Other obligations, the principal and interest on which are unconditionally guaranteed or insured by or backed by the full faith and credit of the United States or its agencies and instrumentalities, 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;
  - (3) Letters of credit issued to Travis County by the Federal Home Loan Bank, if approved in advance by Travis County.
- (b) If an event causes an increase in Collateral of more than \$50 million to be needed after noon on any business day, the market value of collateral must be equal to or greater than 100% of the par value of the certificates of deposit, plus accrued interest, and equal to or greater than 100% of the bank deposits plus accrued interest, less the amount insured by the Federal Deposit Insurance Corporation and may remain at that level until the next business day when additional collateral can be obtained. At all other times, the market value of collateral must be equal to or greater than 105% of the par value of the certificate of deposits plus accrued interest and equal to or greater than 105% of the bank deposits plus accrued interest, less the amount insured by the Federal Deposit Insurance Corporation.

### **23.029 Monitoring Collateral Adequacy for All Deposits**

Financial institutions with which Travis County has certificates of deposit or bank deposits must provide Travis County with monthly reports that state the market values of collateral. The Investment Manager 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.

### **23.030 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 for approval. The Investment Manager must calculate the value of the substituted collateral and determine that the substituted collateral is within the requirements of this Investment Policy and the Depository Bank Contract. 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 approve 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.

### **23.031 Agreements and Safekeeping for All Deposits**

Financial institutions serving as county depositories must enter agreements for the safekeeping of collateral with both Travis County and its safekeeping agent, or agree to cooperate with the Federal Reserve Bank under the terms of its Pledge Agreement Form, to define Travis County's rights to the collateral in case of default, bankruptcy, or bank closing. All collateral securing deposits is held by the safekeeping agent.

### **23.032 Collateral Requirements for Repurchase Agreements**

Issuers of repurchase agreements must collateralize them with obligations of the United States or its agencies. These issuers must wire transfer the collateral to the safekeeping agent designated by Travis County 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. Collateral maturity is limited to two years.

### **23.033 Monitoring Collateral Adequacy for Repurchase Agreements**

The Investment Manager 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 Investment Manager 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.

### **23.034 Substituting Collateral for Repurchase Agreements**

Seller shall obtain written consent of Travis County prior to substitution. The duration (or maturity) of securities offered as substitutes may not exceed the duration or maturity of the originally purchased securities.

### **23.035 Safekeeping of Repurchase Agreement Collateral**

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

## *Subchapter E. Liquidity*

### **23.036 Achieving Liquidity**

Investments are selected to meet anticipated cash needs. The Investment Manager must achieve liquidity by purchasing eligible investments described by 23.017 with active secondary markets, eligible MMMF's and LGIP's.

### **23.037 Liquidating Investments**

The Investment Manager 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.

## *Subchapter F. Investment Return Achievement*

### **23.038 Priority of Investment Goals**

The Investment Manager must consider legality, safety, liquidity, diversification, 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 Manager must actively manage all Travis County portfolios to enhance total income in compliance with the "prudent investor rule" described by 23.005. The Investment Manager may use bond swaps to achieve these management goals.

### **23.039 Bond Swaps**

If the demand for a bond from a particular agency creates a situation where the yields in that agency's bonds are the same or less than an equivalent treasury security, swapping the agency's bond for a treasury security can improve the quality of Travis County's portfolios. If bonds in a particular maturity range are limited in the market, swapping a bond in demand for a similar bond in a different maturity range may be advantageous. The Investment Manager may swap a bond held in any Travis County portfolio for a comparable bond in the market to improve portfolio yield even if the transaction results in an accounting loss. The Investment Manager may swap a bond held in any Travis County portfolio if the overall yield of the portfolio will not decrease after the swap and the date of maturity of the new security is less than 181 days after the maturity date of the old security. The Investment Manager must solicit competitive bids for bond swaps. All bids received are documented and filed for auditing purposes.

## *Subchapter G. Investment Responsibilities By Office*

### **23.040 Training**

The Treasurer, Investment Manager, Assistant Investment Manager, Senior Financial Analyst and Auditor shall attend at least one training session from an independent source approved by Commissioners Court and containing at least 10 hours of instruction relating to his/her responsibilities under the Public Funds Investment Act within twelve months after taking office. These persons shall also attend an investment training session not less than once in a two-year period that begins on the first day of Travis County's fiscal year and consists of two consecutive fiscal years after that date, and receive not less than 10 hours of instruction relating to investment responsibilities under the Public Funds Investment Act from an independent source approved by Commissioners Court. Training must include education in investment controls, security risks, strategy risks, market risks, diversification of investment portfolio, and compliance with the Public Funds Investment Act.

The independent sources approved by Commissioners Court are:

- Government Finance Officers Association
- Government Finance Officers Association of Texas
- Government Treasurers Organization of Texas
- Texas Association of Counties
- Austin Treasury Management Association
- Alliance of Texas Treasury Associations
- Texas Municipal League
- Texas Society of CPAs
- Association of Government Accountants
- University of North Texas
- University of Texas
- Texas A&M University
- County Treasurers Association of Texas
- Texas Association of County Auditors
- Western CPE
- First Southwest Company

### **23.041 Treasurer's Office**

The Treasurer is the chief custodian of county funds. The Treasurer receives funds due to Travis County, makes disbursements authorized by the Commissioners Court after

the checks are co-signed by the Auditor, and keeps proper records of county finances. In the investment function, the Treasurer has the following responsibilities:

- (1) **Notifying of Controlled Disbursement Requirements.** The Treasurer notifies the Investment Manager if additional funds are required for the daily controlled disbursement to ensure that investments are liquidated in time to meet the controlled disbursement requirements.
- (2) **Processing Investments.** The Treasurer may transact wire transfers for investment purposes for Travis County. The Investment Manager 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 Investment Manager approve the wire transfer form. The Treasurer records investments in the HTE investment module at par value.
- (3) **Depositing Investment Principal and Interest.** The Treasurer deposits principal and interest at maturity to the funds bank account indicated by the Investment Manager.
- (4) **Ensuring Security of Investments.** The Treasurer accesses the depository's files daily to verify Travis County's account balances. The Treasurer adds the certificates of deposit purchased by the Investment Manager, Tax Office, County Clerk, and District Clerk 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 banks. The collateral must be 105% of Travis County's total balances held with the depository. If the collateral is less than 105% of Travis 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.
- (5) **Reporting Accounts.** The Treasurer provides to the Auditor copies of monthly statements of all fund bank accounts which include beginning balances, deposits, disbursements, and ending balances. The Treasurer prepares and submits to the Auditor a monthly report of all outstanding checks for the Jury, CAPSO, and Cash bond funds.

#### **23.042 Cash/Investment Management Office**

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

- (1) **Developing Investment Strategies.** The Investment Manager develops an investment strategy to administer investments of Travis County. The Investment Manager uses the following procedures in the investment strategy:

- (A) summarizes the economic and market analysis;
  - (B) forecasts available cash for investment;
  - (C) formulates strategies for asset mix, investment instruments, maturities, and target yields;
  - (D) monitors performance against the current investment strategy and evaluating reasons for variances;
  - (E) reports portfolio performance for the previous quarter to the Investment Advisory Committee and the Commissioners Court; and
  - (F) revises the investment strategy based on recommendations by the Investment Advisory Committee.
- (2) **Selecting and Processing Investments.** The Investment Manager reviews the composition of the current portfolio and determines whether the securities under consideration maintain the portfolio within policy guidelines. The Investment Manager and the Treasurer approve the wire transfer form authorizing the transfer of funds for a specific investment transaction.
- (3) **Documenting Investments and Providing Details.** The Investment Manager retains documentation of all investment transactions, including bond swaps. The Investment Manager provides information and supporting documentation for all investment transactions to the Auditor's Financial Reporting Division for entry in the General Ledger. The Investment Manager 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.
- (4) **Developing Cash Flow Projections for All Portfolios.** The Investment Manager analyzes prior period data and meets with Travis County department staff to develop and amend cash flow projections of Travis County cash requirements. The Investment Manager uses cash flow projections to match assets and liabilities in addition to maximizing the return on investments.
- (5) **Determining Cash Available for Investment.** The Investment Manager determines the amount of county funds available for investment each business day. 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) **Monitoring Investment Performance.**
- (A) The Investment Manager 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, brokers, investment industry publications, and investment industry information systems.

- (B) The Investment Manager 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 Manager monitors yield spreads between various government agency issues and United States notes and bonds to determine the best value. The Investment Manager summarizes economic and market trend information and presents it at each regular meeting of the Investment Advisory Committee. The Investment Manager also presents recommendations for investment strategy based on economic and market conditions.
  - (C) If a Securities Lending agreement is executed, the Investment Manager will monitor the securities lending reports frequently or as needed, but not less than weekly, to reconcile safekeeping reports with lending reports. In addition to the investment manager's monitoring of the securities, regular valuation of the collateral also needs to be made to insure that the collateral held by the Lending Agent (the institution with which the securities lending agreement has been executed) is in compliance with the Travis County Investment Policy and remains above the 102% market value of the securities that were borrowed.
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- (7) Reconciling Investment Records and General Ledger. The Investment Manager provides the Auditor's Financial Reporting Division with a monthly report that states investments at par value, the identifying cusip number, the premium or discount and the interest purchased. The report includes monthly and year-to-date interest accruals and amortization/accretion of premium/discount. The Auditor reconciles this report to the investment accounts in the general ledger.
  - (8) Providing Revenue Estimates for All Portfolios. The Investment Manager provides an estimate of the investment revenue for the annual budget.

#### **23.043 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:

- (1) **Posting Investments and Reconciling to General Ledger.** The Auditor's Financial Reporting Division posts investment transactions, investment interest revenue received, and accrued interest income to the General Ledger. The Auditor's Financial Reporting Division reviews and approves the monthly reconciliation of investments, investment interest revenue received, and accrued interest income to the General Ledger. The Auditor's Financial Reporting Division notifies the Investment Manager if there are any discrepancies between the monthly investment report described in 23.042 (7) and the general ledger so that these two departments can work together to reconcile the differences.
- (2) **Allocating Office Expenses.** The Auditor's Financial Reporting Division allocates the Cash/Investment Management Office budget expense against investment interest revenue in the Debt Service Fund.
- (3) **Confirming Balances and Performing Compliance Audit.** The Auditor's Internal Audit Division, in conjunction with its annual financial audit, shall perform a compliance audit of management controls on investments and adherence to chapter 23, Travis County Code and Tex. Gov't Code Ann. ch 2256, known as the Texas Public Funds Investment Act.
- (4) **Monitoring Arbitrage.** The Auditor monitors Travis County's arbitrage responsibilities and provides the bond fund transaction information required by Travis County's arbitrage advisors.
- (5) **Reconciling Safekeeping Reports with Investments.** On a quarterly basis, the Auditor's Financial Reporting Division reconciles the investment securities Safekeeping Report, provided to the Treasurer's Office by the depository Bank, to the Report of currently owned investment securities as of that date, provided by the Cash/Investment Management Office.
- (6) **Allocating Budget from Interest Revenue.** The Auditor's Financial Reporting Division allocates the interest revenue earned from investments proportionately to all funds that participate in the investment function.

#### *Subchapter H. Investment Purchasing Procedures*

##### **23.044 Competitive Bidding**

- (a) Travis County requires competitive bidding for all individual security purchases except for those transactions with MMMFs, LGIPs, treasuries purchased through the Federal Reserve Treasury Direct Accounts, and for

government securities purchased at issue through an approved broker/dealer at the auction price. The Investment Manager may rely not only on yield in selecting MMMFs and LGIPs but also on adherence to applicable Securities and Exchange Commission (SEC) guidelines for MMMFs and other criteria determined by her.

- (b) At least three bids or offers must be solicited in all transactions involving individual securities. For those situations where it may be impractical or unreasonable to receive three bids for an agency transaction due to secondary market availability, bids may be considered comparable for agencies with comparable structures and having maturities within 15 calendar days before and after the requested security. Competitive bidding for security swaps is also required. Bids may be solicited in any manner provided by law. All bids received must be documented and filed for auditing purposes.
- (c) At least three bids or offers must be solicited in transactions involving domestic commercial paper. These bids shall be obtained from approved broker/dealers or from a financial information source, such as Bloomberg. When bids are obtained from a financial information source, the commercial paper selected may be purchased directly from the issuer. Different issuers may be compared to select the highest yielding, domestic commercial paper. The Investment Manager may rely not only on yield in selecting commercial paper but also on other criteria determined by her. The criteria to follow when soliciting bids are as follows:
  - (1) The maturity dates must be the same, and
  - (2) The method of settlement must be the same whether regular settlement next day or cash settlement same day.

#### **23.045 Preliminary Requirements for Repurchase Agreements**

Before Travis County enters into a repurchase agreement with any issuer, that issuer must sign a Master Repurchase Agreement approved by Commissioners Court and return it to the Investment Manager for filing. All Repurchase Agreements are recommended by the Investment Manager, reviewed by Travis County Attorney's Office, and approved by Commissioners Court.

#### **23.046 Wire Transfer Procedures**

- (a) In executing investment transactions, the Treasurer must use pre-formatted repetitive wire transfers, whenever possible, to restrict transfers of funds to pre-authorized accounts.
- (b) For transfer of investment funds via wire to non-county accounts, the agreement with the depository bank must require the depository bank to call the Investment Manager for confirmation that this transfer is authorized prior to the transfer.

## *Subchapter I. Performance Evaluation And Reporting*

### **23.047 Levels of Evaluation**

Evaluation is conducted at several levels. The Investment Manager continually monitors and evaluates the investment performance. Cashflow forecasts will be reviewed by the Investment Advisory Committee. The Investment Advisory Committee evaluates the investment strategies and portfolio performance. The Travis County, County Executive for Planning and Budget or the Travis County Budget Director evaluates the Investment Manager's entire performance.

### **23.048 Investment Advisory Committee**

The Investment Advisory Committee reviews investment policies and procedures, investment strategies, and investment performance. Travis County members of the Committee include: two designated members of Commissioners Court, one of whom acts as Chair, the Executive Manager of Planning and Budget, the Investment Manager, the Treasurer, and the Auditor. Outside expertise is provided by at least six persons from the Austin Metropolitan Area, who have demonstrated knowledge and expertise in the area of investment portfolio management. The Chair calls annual meetings of the committee or more often as needed.

### **23.049 Performance Analysis and Reporting**

The Investment Manager determines the level and content of daily and weekly performance analysis and reporting. The Investment Manager and the Commissioners Court jointly decide the level and content of monthly performance analysis and reporting.

### **23.050 Quarterly Performance Analysis and Reporting**

(a) The Investment Manager and the Assistant Investment Manager(s) must prepare, provide, and sign a quarterly summary report, for each fund group, that describes in detail the investment position of Travis County and evaluates investment performance based on investment policy objectives. The quarterly report will identify the method and source used to monitor the market price of investments and also will indicate whether the method and source changed from the previous quarterly report. This report must be submitted to the Investment Advisory Committee and Commissioners Court. A comparison of the performance of Travis County's portfolio to appropriate benchmarks selected by the Investment Manager is presented. The report addresses compliance with the investment policy in diversification by type and maturity. The report also includes the following information:

(1) Cash availability,

- (2) Market review,
  - (3) Investment strategy – next quarter,
  - (4) Performance measurement: the standard used by Travis County to measure its investment return is based on the yield to maturity of all investments in the portfolio, using the stated final maturity date of each security,
  - (5) Portfolio statistics,
  - (6) Collateral adequacy for repurchase agreements,
  - (7) Collateral adequacy for bank deposits and certificates of deposit,
  - (8) Investment activity,
  - (9) Market valuation:
    - (A) at beginning of quarter, and
    - (B) at end of the quarter, for each portfolio,
  - (10) Distribution of investments by broker/dealer/financial institution,
  - (11) Distribution of investments by type of investment,
  - (12) Fully accrued interest for the reporting period,
  - (13) For each separately invested asset,
    - (A) state book value and market value at the beginning and end of the quarter by the type of asset and fund type,
    - (B) state maturity date, and
    - (C) state the fund for which it was acquired, and
  - (14) Signatures of the Investment Manager and the Assistant Investment Manager(s) certifying compliance of the Travis County investment portfolios with the Travis County investment strategy, policy and the Public Funds Investment Act.
- (b) The reference to Generally Accepted Accounting Principles in 23.050 (a) relates only to internal reporting of investments by the Investment Manager as required under Texas Government Code 2256.023, and does not apply to annual financial statements and other external reports of Travis County as a whole.

**23.051 Annual Performance Analysis and Reporting**

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

An independent auditor chosen to audit the County’s annual financial statements must formally review the quarterly investment reports that are prepared in compliance with

the Public Funds Investment Act. In conjunction with this audit, Travis County shall perform a compliance audit of management controls on investments and adherence to this Investment Policy. This review should be performed at least annually and the results reported to Commissioners Court.

*Subchapter J. Investment Policy Review And Amendment*

**23.052 Review Procedures**

The Investment Manager and the Investment Advisory Committee must review chapter 23, Travis County Code annually to make revisions due to legislative actions and changing market conditions. This review must be done by the third quarter of the calendar year after each legislative session. The Investment Manager must present a summary report of the review with changes recommended by the Investment Advisory Committee to the Commissioners Court. The Commissioners Court must review the investment policy and strategies at least annually.

**23.053 Changes to the Investment Policy**

After adoption of chapter 23, Travis County Code, the Commissioners Court must approve any revisions to the policy manual before they become effective, by adopting a written instrument stating it has reviewed the Investment Policy and investment strategies. This written instrument must record any changes made to either the policy or strategies.

*Subchapter K. Interpretive Provisions*

**23.054 Authorization**

The Public Funds Investment Act and the Public Funds Collateral Act authorize the Commissioners Court to promulgate this chapter on investment policy and procedures.

**23.055 Effective Date**

Chapter 23, Travis County Code is effective upon adoption by the Commissioners Court.

**23.056 Definitions**

- (a) In this manual, the following words and phrases have the following meanings:
  - (1) "Auditor" means the Travis County Auditor or her designees.
  - (2) "Investment Manager" means the Travis County Investment Manager or her designees.

- (3) "Commissioners Court" means Travis County Commissioners Court.
  - (4) "Treasurer" means the Travis County Treasurer or her designees.
- (b) Definitions in the Public Funds Investment Act shall be used to interpret this chapter.

### **23.057 The Public Funds Investment Act**

When this chapter is provided to broker/dealer/financial institutions, the Investment Manager shall also include a copy of the Public Funds Investment Act.

### **23.058 Construction, Precedents, and Interpretation**

Chapter 23, Travis County Code must be construed to meet the following provisions:

- (1) This chapter must be construed liberally to give all of the authorization intended for the investment of all portfolios.
- (2) Commissioners Court resolves any questions about the interpretation of this chapter.
- (3) If there is any conflict between this chapter and the state constitution, or any state law or any rule adopted under a state law or the United States constitution, this chapter prevails to the greatest extent possible without violating the United States constitution, the state constitution, any constitutional federal or state law or any constitutional rule adopted under either of these.
- (4) The masculine, feminine and neuter genders are construed to include the other genders if required by the context or facts. The singular and plural are construed to include the other number if required by the context or facts. Words in the present tense are construed to include the future tense.
- (5) Words and phrases are read in context and construed according to the rules of grammar and common usage. Words and phrases that have acquired a technical or particular meaning whether by definition in this chapter or otherwise, are construed according to the acquired meaning. Throughout the chapter, words defined in this section are shown with an initial capital. The use of an initial capital is construed to mean that the definition of the capitalized word or phrase is the definition in this section.
- (6) Throughout this chapter, headings for sections, subsections and portions of the text are inserted for convenience only. These headings are not to be construed to expand or limit the interpretation of the text that follows the heading.
- (7) When a period is stated in days, the days are construed as calendar days unless otherwise stated. If the last day of any period is a

**Saturday, Sunday or county holiday, the period is extended to include the next day that is not a Saturday, Sunday or county holiday.**



*Subchapter L. Forms*

**23.059 Disclosure**

Investment officers required by 23.007 to make disclosure shall report in a manner that is substantially similar to the forms in 23.059 (1) and (2).

- (1) Personal business interests which require disclosure should be reported in a format similar to the following:

**Disclosure of Required Personal Business Interest Form**

Date

Texas Ethics Commission

201 E. 14<sup>th</sup> Street (or current address)

Sam Houston Building, 10<sup>th</sup> Floor

Austin, Texas 78701

Dear Sir or Madam:

This letter is a disclosure statement to comply with the 1999 Public Funds Investment Act passed by the Texas Legislature, which requires, in § 2256.005 (i), that an investment officer of an entity who has a personal business relationship with a business organization offering to engage in an investment transaction with the entity shall file a statement disclosing that personal business interest.

Travis County purchases investments through *Name of Business Organization*. As an investment officer of the Travis County Cash/Investment Department, I hereby disclose that I use *Name of Business Organization* for personal investment transactions.

Sincerely,

Signature of Travis County Investment Officer

Name of Travis County Investment Officer

CC: Travis County Commissioners Court  
Travis County Executive Manager, Planning and Budget  
Travis County Investment Manager

- (2) Investment officers who have a relationship within the second degree by affinity or consanguinity must use a form similar to the following example:

**Disclosure of Relationship Within Second Degree of Affinity or Consanguinity**

Date

Texas Ethics Commission

201 E. 14<sup>th</sup> Street (or current address)

Sam Houston Building, 10<sup>th</sup> Floor

Austin, Texas 78701

Dear Sir or Madam:

This letter is a disclosure statement to comply with the 1999 Public Funds Investment Act passed by the Texas Legislature, which requires, in § 2256.005 (i), that an investment officer who is related within the second degree by affinity or consanguinity, as determined under Chapter 573, to an individual seeking to sell an investment to the investment officer's entity shall file a statement disclosing that relationship.

Travis County purchases investments through *Name of Individual* with *Name of Business Organization*. As an investment officer of the Travis County Cash/Investment Department, I hereby disclose that I am related to *Name of Individual* with *Name of Business Organization* within the second degree of affinity or consanguinity.

Sincerely,

Signature of Travis County Investment Officer

Name of Travis County Investment Officer

CC: Travis County Commissioners Court  
Travis County Executive Manager, Planning and Budget  
Travis County Investment Manager

**23.060 Certification**

**TEXAS PUBLIC FUNDS INVESTMENT ACT**

**CERTIFICATION BY BUSINESS ORGANIZATION**

This certification is executed on behalf of Travis County and (the Business Organization) pursuant to the Texas Public Funds Investment Act, Chapter 2256, Government Code, Texas Codes Annotated (the Act), in connection with investment transactions conducted between Travis County and the Business Organization.

The undersigned Qualified Representative of the Business Organization hereby certifies on behalf of the Business Organization that:

- (i) Public Funds Investment Act Section 2256.005 (k): Nothing in this Certification relieves Travis County of the responsibility for monitoring the investments made by Travis County to determine that they are in compliance with the Travis County Investment Policy.
- (ii) The undersigned is a Qualified Representative of the Business Organization offering to enter into an investment transaction with Travis County as such terms are used in the Public Funds Investment Act, Chapter 2256, Texas Government Code;
- (iii) The Qualified Representative of the Business Organization has received and thoroughly reviewed the Investment Policy furnished by the Travis County Investment Officer;
- (iv) Public Funds Investment Act Section 2256.005 (k) (2): The Qualified Representative of the Business Organization has implemented reasonable procedures and controls in an effort to preclude investment transactions conducted between Travis County and the Business Organization that are not authorized by Travis County's Investment Policy, except to the extent that this authorization is dependent on an analysis of the makeup of Travis County's entire portfolio or requires an interpretation of subjective investment standards.

Qualified Representative of the Business Organization

Signature \_\_\_\_\_

Name \_\_\_\_\_

Title \_\_\_\_\_

Date \_\_\_\_\_

**23.061 Broker/Dealer/Financial Institution Questionnaire**

Non-Primary Broker/Dealer/Financial Institutions must complete a Broker/Dealer Questionnaire in the following form to comply with 23.019 and 23.020:

**TRAVIS COUNTY, TEXAS**

**BROKER/DEALER/FINANCIAL INSTITUTION QUESTIONNAIRE**

Travis County operates under the laws of the State of Texas, including the State of Texas Public Funds Investment Act. Travis County manages an investment portfolio ranging in size from \$373 million to \$668 million, which is comprised mainly of U.S. Treasury and Agency obligations, Commercial Paper, and Local Government Investment Pools. Travis County has adopted a written Investment Policy which regulates the standards and procedures used in its cash management activities. A copy of the Investment Policy is included, as well as a copy of the Public Funds Investment Act.

Travis County will review and substantiate information and references requested in this Questionnaire; therefore, please answer all questions as thoroughly as possible. Travis County will notify Broker/Dealers of their approval/non-approval in writing. No transactions will be conducted with a Broker/Dealer who has not signed the Travis County Certification. Travis County solicits competitive bids and offers on the majority of its transactions. All securities will be delivered against payment to the third party custodian named by Travis County.

Note that instructions in bold print require information to be provided in addition to the completed questionnaire.

1. Name of Firm \_\_\_\_\_

2. Local Address \_\_\_\_\_

3. National Address \_\_\_\_\_

4. Local telephone number (\_\_\_\_) \_\_\_\_\_

National telephone number (\_\_\_\_) \_\_\_\_\_

5. Primary representative (the person Travis County will be primarily doing business with)

Name \_\_\_\_\_

Title \_\_\_\_\_

Telephone number (\_\_\_\_) \_\_\_\_\_ CRD # \_\_\_\_\_

6. Secondary representative

Name \_\_\_\_\_  
Title \_\_\_\_\_  
Telephone number (\_\_\_\_) \_\_\_\_\_ CRD # \_\_\_\_\_

7. Identify all personnel who will be trading with or quoting securities to the Travis County Cash/Investment Management staff (additional back-ups)

Name	Title	CRD number
_____	_____	_____
_____	_____	_____
_____	_____	_____

**PLEASE ATTACH RESUMES of all the above persons.**

8. Have all of the above personnel read our investment policies and procedures and signed our certification?

Yes [ ] No [ ]

If above answer is no, please explain: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

9. (A) If you are a broker/dealer or subsidiary of a national bank, is your firm licensed to do business in Texas?

Yes [ ] No [ ]

(B) If you are a broker/dealer or subsidiary of a national bank, is your firm a member of Financial Industry Regulatory Authority (FINRA) in good standing?

Yes [ ] No [ ]

**Please provide your firm's CRD number \_\_\_\_\_**

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

Firm-wide \$ \_\_\_\_\_  
Number of Transaction \_\_\_\_\_  
Local office \$ \_\_\_\_\_  
Number of Transactions \_\_\_\_\_

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

- Treasury Bills
- Treasury notes/bonds
- Agencies - specify

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- Commercial paper
- Other – specify

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12. Please identify at least three of your most directly comparable public sector clients in Texas who have done business with the primary representative listed in question 5.

Entity	Contact Person	Telephone no.	Client since
_____	_____	(____) _____	_____
_____	_____	(____) _____	_____
_____	_____	(____) _____	_____
_____	_____	(____) _____	_____

13. 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.

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14. Please provide the most recent AUDITED financial statements for your firm.

15. Are you representing a parent corporation or a subsidiary of another corporation?

Parent  Subsidiary

**If you are a SUBSIDIARY, please provide the most recent audited financial statements for your PARENT corporation.**

16. If your institution is a bank,

- (A) Has your bank consistently complied with the Federal Reserve Bank's capital adequacy guidelines?
- (B) Is your bank 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 bank 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.**

**17. If your institution is a broker/dealer or a subsidiary of a national bank, please provide your most recent FOCUS report.**

**18. Please provide your delivery instructions. Our Safekeeping unit requires that we provide this information when we purchase a security.**

19. What portfolio information do you require from your clients?

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