

## **Investment Policy**

### **County of Sabine**

#### **I. Investment Authority and Scope of Policy**

##### **General Statement**

This investment policy serves to satisfy the statutory requirements of Local Government Code 116.112 and Government Code Chapter 2256, cited as the Public Funds Investment Act, to define and adopt a formal investment policy for Sabine County. This policy will be reviewed and adopted by the Sabine County Commissioners Court at least annually according to Government Code 2256.005(e).

##### **Funds Included**

This investment policy applies to all financial assets of Sabine County, Texas at the present time and any funds to be created in the future and any other funds held in custody by the County Treasurer, unless expressly prohibited by law.

##### **County Investment Officer**

In accordance with Sec. 116.112(a), Local Government Code and/or Government Code Section 2256.005(f) and (g), the County Treasurer, under the supervision of the Sabine County Commissioners' Court, may invest County funds that are not immediately required to pay obligations of the County.

The Investment Officer shall attend training sessions, meeting the requirements of Government Code 2256.008(a) and (b). The Investment Officer shall receive not less than 10 hours of instruction in a two-year period. A certificate indicating the completion of such training shall be provided to the Sabine County Commissioners' Court upon completion of the required training. Training must include education in investment controls, security risks, strategy risk, market risk, diversification of investment portfolio, and compliance with Chapter 2256.

If the Investment Officer has a personal business relationship (as defined in the Public Funds Investment Act) with an entity or is related within the second degree by affinity or consanguinity to an individual seeking to sell an investment to the county, the investment officer must file a statement disclosing that personal business interest or relationship with the Texas Ethics Commission and the Commissioners' Court in accordance with Government Code 2256.005(i)

#### **II. Investment Objectives**

##### **General Statement**

Funds of the County will be invested in accordance with federal and state laws, this investment policy, and written administrative procedures. The County will invest according to investment strategies for each fund as they are adopted by Commissioners' Court in accordance with Sec. 2256.005(d).

##### **Safety**

Sabine County is concerned foremost about the return of its principal; therefore, safety of principal is the primary objective in any investment transaction.

**Liquidity**

The County's investment portfolio must be structured in conformity with an asset/liability management plan which provides for liquidity to pay obligations as they become due.

**Diversification**

It shall be the policy of Sabine County to diversify its portfolio to manage the risk of loss resulting from over concentration of assets in a specific maturity, a specific issuer or a specific class of investments. Investments of the County shall always be selected that provide for stability of income and reasonable liquidity.

**Yield**

It will be the objective of the County to earn the maximum rate of return allowed on its investments within the policies imposed by its safety and liquidity objectives.

**Maturity**

Portfolio maturities will be structured to meet the obligations of the County first and then to achieve the highest return of interest. When the County has funds that are not needed to meet current-year obligations, maturity restraints will be imposed based upon the investment strategy for each fund. The maximum allowable stated maturity of any individual investment owned by the County shall be thirty-six (36) months.

**Investment Strategies**

The County maintains control over the maintenance/operating funds. The primary objectives of these funds of the County are as follows:

- A. Understanding and matching the suitability of the investment to the financial requirements of the entity;
- B. Preservation and safety of principal;
- C. Liquidity
- D. Marketability of the investment if the need arises to liquidate the investment before maturity;
- E. Diversification of the investment portfolio;
- F. Yield; and
- G. Maturity restrictions

To insure diversity of investments, at no time shall over 50% of the County's total investments be placed in any one specific type of investment or in any one investment pool.

For operating funds, the County's investment strategy shall include the above objectives along with emphasis on assuring that anticipated cash flows are matched with investment liquidity.

**III. Investment Types****Authorized**

The Sabine County Investment Officer shall use any or all of the following authorized investment instruments consistent with Texas Local Government Code Chapter 2256.

- A. Except as provided by Government Code 2256.009, the following are authorized investments:
1. Obligations of the United States or its agencies and instrumentalities, including the Federal Home Loan Banks;
  2. Direct obligations of this state or its agencies and instrumentalities;
  3. Collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States;
  4. Other obligations, the principal and interest of which are unconditionally guaranteed or insured by, or backed by the full faith and credit of, this state or the United States or their respective agencies and instrumentalities, 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; and
  5. Obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than "A" or its equivalent;
- B. Certificates of deposit, as defined in Government Code 2256.010, issued by a depository institution that has its main office or a branch office in this state and is:
1. Guaranteed or insured by the Federal Deposit Insurance Corporation or its successor or the National Credit Union Share Fund or its successor;
  2. Secured by obligations that are described by Section 2256.009(a), including mortgage backed securities directly issued by a federal agency or instrumentality that have a market value of not less than the principal amount of the certificates, but excluding those mortgage backed securities of the nature described by Section 2256.009(b); or
  3. Secured in accordance with Chapter 2257 or in any other manner and amount provided by law for deposits of the County.
- C. A fully collateralized direct repurchase agreement, as defined in Government Code 2256.011, if it:
1. Has a defined termination date;
  2. Is secured by a combination of cash and obligations described by Section 2256.009(a)(1) of the Public Funds Investment Act; and
  3. Requires the securities being purchased by the County to be pledged to the County, held in the County's name, and deposited at the time the investment is made with the County or with a third party selected and approved by the County; and
  4. Is placed through a primary government securities dealer, as defined by the Federal Reserve, or a financial institution doing business in this state.
- D. Commercial paper, as defined in Government Code 2256.013, is an authorized investment if the commercial paper:
1. Has a stated maturity of 270 days or less from the date of its issuance; and
  2. Is rated not less than A-1 or P-1 or an equivalent rating by at least:
    - A. Two nationally recognized credit rating agencies; or
    - B. One nationally recognized credit rating agency and is fully secured by an irrevocable letter of credit issued by a bank organized and existing under the laws of the United States or any state.

- E. Mutual funds and money market mutual funds, as defined in Government Code 2256.014, with limitations described below:
1. A no-load money market mutual fund is authorized if it:
    - A. Is registered with and regulated by the Securities and Exchange Commission;
    - B. Provides the investment officer(s) a prospectus;
    - C. Has a dollar-weighted average stated maturity of 90 days or fewer; and
    - D. Includes in its investment objectives the maintenance of a stable net asset value of \$1 for each share.
  2. A no-load mutual fund is authorized if it:
    - A. Is registered with and regulated by the Securities and Exchange Commission;
    - B. Has an average weighted maturity of less than two years;
    - C. Is invested exclusively in obligations approved by this subchapter;
    - D. Is continuously rated as to investment quality by at least one nationally recognized investment rating firm of not less than AAA or its equivalent; and
    - E. Conforms to the requirements set forth in Section 2256.016(b) and (c) relating to the eligibility of investment pools to receive and invest funds of investing entities.
  3. Relative to mutual funds and money market mutual funds, the County may not:
    - A. Invest in the aggregate more than 15 percent of its monthly average fund balance, excluding bond proceeds and reserves and other funds held for debt service, in mutual funds;
    - B. Invest any portion of bond proceeds, reserves, and funds held for debt service, in mutual funds; or
    - C. Invest its funds or funds under its control, including bond proceeds and reserves and other funds held for debt service, in any one mutual fund or money market mutual fund in an amount that exceeds 10 percent of the total assets of the mutual fund or money market mutual fund.
- F. Investment pools as defined in Government Code 2256.019:
1. An entity may invest its funds and funds under its control through an eligible investment pool if the governing body of the entity by rule, order, ordinance, or resolution, as appropriate, authorizes investment in the particular pool;
  2. An investment pool shall invest the funds its receives from entities in authorized investments permitted by this subchapter;
  3. An investment pool may invest its funds in money market mutual funds to the extent permitted by and consistent with this subchapter and the investment policies and objectives adopted by the investment pool;
  4. An entity by contract may delegate to an investment pool the authority to hold legal title as custodian of investments purchased with its local funds; and
  5. A public funds investment pool must be continuously rated no lower than AAA or AAA-m or at an equivalent rating by at least one nationally recognized rating service.

**Prohibited**

The Sabine County Investment Officer has no authority and is prohibited from purchasing any of the following investment instruments which are strictly prohibited:

- A. Obligations whose payment represents the coupon payments on the outstanding principal balance of the underlying mortgage-backed security collateral and pays no principal;
- B. Obligations whose payment represents the principal stream of cash flow from the underlying mortgage-backed security collateral and bears no interest;
- C. Collateralized mortgage obligations that have a stated final maturity date of greater than 2 years; or
- D. Collateralized mortgage obligations of which the interest rate is determined by an index that adjusts opposite to the changes in a market index.

#### **IV. Investment Responsibility and Control**

##### **Investment Institutions Defined**

The Sabine County Investment Officer shall invest County funds with any or all of the following institutions or groups consistent with federal and state law and the current Depository Bank contract:

- A. Depository Bank;
- B. Other state or national banks domiciled in Texas that are insured by FDIC;
- C. Public Funds Investment pools; or
- D. Government securities brokers and dealers.

##### **Qualifications for Approval of Broker/Dealers**

In accordance with 2256.005(k), a written copy of this investment policy shall be presented to any person offering to engage in an investment transaction with the County. The qualified representative of the business organization offering to engage in an investment transaction with the County shall execute a written instrument substantially to the effect that the business organization has:

- A. Received and reviewed the investment policy of the County;
- B. Acknowledged that the organization has implemented reasonable procedures and controls in an effort to preclude investment activities arising out of investment transactions conducted between the County and the organization; and
- C. Has adequate capital or insurance coverage to cover any investment if there is a default on any purchase and the business organization is found liable.

The investment officer of the county may not acquire or otherwise obtain any authorized investment described in the investment policy of the investing entity from a business organization that has not delivered to the entity the instrument required by Section 2256.005(k).

##### **Standards of Operation**

The County Investment Officer shall develop and maintain written administrative procedures for the operation of the investment program, consistent with this investment policy.

##### **Delivery vs. Payment**

According to Section 2256.005(b)(4)(E), it will be the policy of Sabine County that all securities, except for investment pool funds and mutual funds, will settle using the Delivery vs. Payment (DVP) method through the Federal Reserve System. By so doing, County funds are not released until the County has received, through the Federal Reserve wire, the securities purchased.

##### **Audit Control**

The County Investment Officer is subject to audit by the Sabine County Auditor. In addition, it is the policy of the Sabine County Commissioners Court, at a minimum to have an annual audit of all

County funds, investments and investment procedures by an independent auditing firm. The County Investment Officer and the County's investment procedures shall be subject to an annual compliance audit of management controls on investment and adherence to the County's established investment policies in accordance to Government Code 2256.005(m).

#### **Standard of Care**

In accordance with Government Code 2256.006, investments shall be made with judgment and care, under prevailing circumstances, that a person of prudence, discretion, and intelligence would exercise in the management of the persons own affairs, not for speculation, but for investment, considering the probable safety of capital and the probable income to be derived. Investment of funds shall be governed by the following investment objectives, in order of priority:

- A. Preservation and safety of principal;
- B. Liquidity; and
- C. Yield

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

- A. The investment of all funds, or funds under the County's control, over which the officer had responsibility rather than a consideration as to the prudence of a single investment; and
- B. Whether the investment decision was consistent with the written investment policy of the County.

#### **Liability of Investment Officer**

The County Investment Officer is not responsible for any loss of county funds through the failure or negligence of the depository. This policy does not release the investment officer or any other person for a loss resulting from an act of official misconduct, or negligence, or for any misappropriation of such funds.

### **V. Investment Reporting and Performance Evaluation**

#### **Quarterly Reports**

In accordance with Government Code 2256.023, not less than quarterly, the investment officer shall prepare and submit to the Commissioners Court a written report of investment transactions for all funds for the preceding reporting period within a reasonable time after the end of the period. The report must:

- A. Describe in detail the investment position of the County on the date of the report;
- B. Be prepared jointly by all investment officers of the County;
- C. Be signed by each investment officer of the County;
- D. Contain a summary statement of each pooled fund group that states the:
  - 1. Beginning market value for the reporting period;
  - 2. Additions and changes to the market value during the period;
  - 3. Ending market value for the period; and
  - 4. Fully accrued interest for the reporting period;
- E. State the book value and market value of each separately invested asset at the beginning and end of the reporting period by the type of asset and fund type invested;
- F. State the maturity date of each separately invested asset that has a maturity date;

- G. State the account or fund or pooled group fund in the County for which each individual investment was acquired; and
- H. State the compliance of the investment portfolio of the County as it relates to:
  - 1. The investment strategy expressed in the County's investment policy; and
  - 2. Relevant provisions of this chapter.

**Notification of Investment Changes**

It shall be the duty of the County Investment Officer of Sabine County, Texas to notify the Sabine County Commissioners Court of any significant changes in current investment methods and procedures prior to their implementation, regardless of whether they are authorized by this policy or not.

**Methods to Monitor Market Value**

In accordance with Government Code 2256.005(b)(4)(d), the investment policy must include methods to monitor market value of county investments. The County Investment Officer will obtain the market value for each security held in all portfolios and for collateral pledged to the County for bank deposits from recognized market pricing sources.

Market valuation of the County's investments and pledged collateral should be done at least quarterly.

**VI. Investment Collateral and Safekeeping**

**Collateral or Insurance**

Pursuant to the requirements of Government Code 2256 and 2257, it is the policy of Sabine County to require full collateralization of all County investments and funds on deposit with a depository bank, other than investments which are obligations of the U.S. Government and its agencies and instrumentalities. Sabine County, at its discretion, reserves the right to require a higher level of collateralization for certain investment securities.

**Safekeeping**

All purchased securities shall be held in safekeeping by the County, or a County account in a third party financial institution, or with the Federal Reserve Bank. All

All certificates of deposit shall be held in safekeeping by either the County or a County account in a third party financial institution.

All pledged securities by the depository bank shall be held in safekeeping by the County, or a County account in a third party financial institution, or with a Federal Reserve Bank.

County of Sabine

The State of Texas

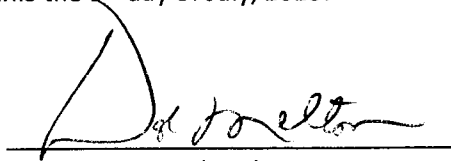
RESOLUTION

WHEREAS, the Public Funds Investment Act requires Commissioners Court to annually adopt an Investment Policy; and

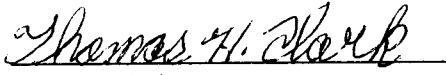
WHEREAS, the Commissioners Court of Sabine County wishes to comply with the Act and faithfully safeguard and properly invest the taxpayers' dollars; and

NOW THEREFORE BE IT RESOLVED, that the Sabine County Commissioners' Court hereby adopts the attached Investment Policy for the County of Sabine.

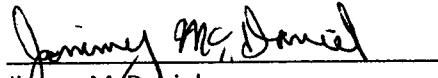
APPROVED UNANIMOUSLY this the 9<sup>th</sup> day of July, 2018.



Daryl Melton  
County Judge



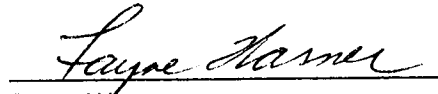
Thomas Clark  
Commissioner, Pct. #1



Jimmy McDaniel  
Commissioner, Pct. #2

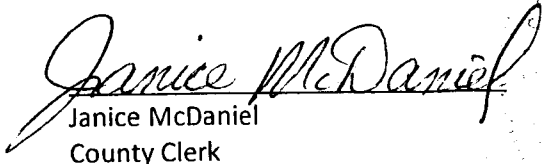


Charles Ellison  
Commissioner, Pct. #3



Fayne Warner  
Commissioner, Pct. #4

Attest:



Janice McDaniel  
County Clerk

