

## Caldwell County Agenda Item Request Form

**To: All Elected Officials and Department Heads** – Hand deliver or scan & email to [hoppy.haden@co.caldwell.tx.us](mailto:hoppy.haden@co.caldwell.tx.us) and [ezzy.chan@co.caldwell.tx.us](mailto:ezzy.chan@co.caldwell.tx.us) . Deadline is 5:00 pm Tuesday before the Regular meetings, however, please submit this completed form ASAP. "Anything missing will cause the Agenda Item to be held over to the next Regular meeting," according to our Rules & Procedures.

**AGENDA DATE:** 05/10/2021

### Type of Agenda Item

- Consent     Discussion/Action     Executive Session     Workshop  
 Public Hearing

What will be discussed? What is the proposed motion?

To consider Amendment No. 2 to the Caldwell County Depository Contract.

**1. Costs:**

Actual Cost or     Estimated Cost    \$ 0.00

Is this cost included in the County Budget?    N/A

Is a Budget Amendment being proposed?    N/A

**2. Agenda Speakers:**

	<u>Name</u>	<u>Representing</u>	<u>Title</u>
(1)	Angela Rawlinson		County Treasurer
(2)	Hoppy Haden		County Judge
(3)	Danie Blake		Purchasing Agent

**3. Backup Materials:**     None     To Be Distributed    3 total # of backup pages  
(including this page)

4.   
\_\_\_\_\_  
**Signature of Court Member**

04/30/2021  
\_\_\_\_\_  
**Date**

**Commissioners Court-Tuesday May 10, 2021**  
**County Treasurer & Auditor's Office**  
**Depository Contract 19CCP02 Caldwell County Amendment No. 2**

**History:**

On August 26<sup>th</sup>, 2019, the Commissioner's Court approved the depository contract be awarded to First Lockhart National Bank for Caldwell County's Bank Depository Services effective for a period of four (4) years, with the option to extend the contract an additional two (2) years, ending sixty (60) days from the time fixed by law for the next selection of depository. The term commenced on October 1, 2019. (See original contract attached).

The current language in the "depository contract referencing **amount to be pledged is as follows: The initial amount of securities to be pledged against Caldwell County and CSCD will be \$9,000,000.00 (\$7.5 million named to county, \$1,528,000.00 million names to CSCD). This amount is subject to change as deposits fluctuate, with the approval of the Caldwell County Commissioner's Court. Any requested increase in pledging must be mutually agreed upon by the County and the Bank. Currently the Bank pledges what is necessary to cover the County's & CSCD's deposits with a maximum amount agreed upon. It is acknowledged that the maximum that will be pledged is \$9 million and enough pledging will be in place to cover balances as needed up to the maximum noted above. No change is anticipated in the process.**

02.25.2020 Amendment No. 1

Caldwell County currently has approximately \$9,061,000.00 in the bank when adding ALL county wide bank accounts. It has been approved in Commissioner's Court on February 25<sup>th</sup>, 2020 that the request to increase to pledge securities by an "additional \$1 million" totaling \$10 million (\$8.5 million names to County, \$1,528,000 named to CSCD) should suffice. This amount is subject to change as deposits fluctuate, with the approval of the Caldwell County Commissioner's Court. **Any requested increase in pledging must be mutually agreed upon by the County and the Bank. Currently the Bank pledges what is necessary to cover the County's & CSCD's deposits with a maximum amount agreed upon. It is acknowledged that the maximum that will be pledged is \$10 million and enough pledging will be in place to cover balances as needed up to the maximum noted above. No change is anticipated in the process.**

**Approved Items: Amendment No. 2**

It is the responsibility of the County to maintain the depository contractual agreement with FLNB (First Lockhart National Bank). Randy Till, Senior VP, Controller has increased the pledge securities because of the larger volume of unexpected cash that is being kept in over eighteen (18) agency bank accounts that are reconciled by the respected departments, (turned into the Auditor's Office monthly), plus fifteen (15) bank accounts reconciled by the County

Treasurer, chief custodian of county funds. The County Treasurer is responsible for managing the cash on the behalf of Caldwell County and the County Auditor audits validating compliance.

Caldwell County currently has approximately \$10,011,142.00 in the bank when adding ALL county wide bank accounts. It has been approved in Commissioner's Court on May 10<sup>th</sup>, 2021 that the request to increase to pledge securities by an "additional \$ 1 Million Dollars" totaling \$11 million (\$9.5 million names to County, \$1,528,000 named to CSCD) should suffice. This amount is subject to change as deposits fluctuate, with the approval of the Caldwell County Commissioner's Court. **Any requested increase in pledging must be mutually agreed upon by the County and the Bank. Currently the Bank pledges what is necessary to cover the County's & CSCD's deposits with a maximum amount agreed upon. It is acknowledged that the maximum that will be pledged is \$11 million and enough pledging will be in place to cover balances as needed up to the maximum noted above. No change is anticipated in the process. \*Signatures of respective parties on page #2. \***

*This agreement was approved by the governing boards of the respective parties at meetings that were posted and held in accordance with the Texas Open Meetings Act, Texas Government Code Chapter 551.*

The individuals signing below are authorized to do so by the respective parties to this agreement.

Member Entity:

Bank Name:

Caldwell County

First Lockhart National Bank

By:

Authorized Signature (Date)

By:

Authorized Signature (Date)

Print Name:

Print Name:

Title: Caldwell County Judge

Title:

Caldwell County Investment Committee Meeting

April 28 2021

2:00 – 2:30 PM

**Committee members:** Judge Hoppy Haden, County Treasurer Angela Rawlinson, Randy Till, FLNB Vice President and COO, County Auditor Barbara Gonzales, Assistant Auditor Mayra Castillo, Assistant District Attorney JJ Wells.

**Purpose of Meeting:** To discuss and recommend process for safekeeping of American Rescue Plan Funds in compliance with and in accordance to Government Code, Title 10, Subtitle F, Chapter 2256, Public Funds Investment and also in compliance with and accordance to the Caldwell County Investment Policy.

**Background:** As you may know, on March 11<sup>th</sup>, President Biden signed the American Rescue Plan Act (ARP) to provide further economic relief to state and local governments. Caldwell County's total allocation is \$8.47 million dollars. The funds will come in two separate installments directly from the U.S. Treasury Department; 50% (\$4.24 million) will be received on or about May 10, 2021, and then the remaining 50% in May of 2022. The eligible use of funds includes COVID-related expenditures (directly or indirectly); premium pay for essential workers; government service programs under certain circumstances; and necessary improvements in water, sewer or broadband infrastructure (whether related or not to COVID).

**Recommendation:**

Safety of principal is the primary objective, followed by Liquidity, then Yield. As such, it is the recommendation of the Caldwell County Investment Committee that the County establish a new investment pool account through TexPool for safekeeping of ARP funds exclusively. This recommendation is in compliance with Government Code, County Policy and Primary Objectives.

Commissioners Court approval is required.

**In other business:**

- A. The Committee received and reviewed 2020 Quarterly Investment Reports. These will be provided again during the next regular meeting of the Commissioners Court.
- B. Mr. Till recommends the County increase pledging by \$700,000 to satisfy additional collateralization based on current account cash balances. An amendment to the County's depository contract 19CCP02 will be needed once the pledge increase is approved by Commissioners Court.

DATE	DESC	TEXPOOL GENERAL FUND	LOGIC GENERAL FUND	TEXAS CLASS GENERAL FUND	
12/31/2019	Ending Balance	\$ 6,912,097.75	\$ 4,667,332.79	\$ 655,365.80	\$ 12,234,796.34

					Interest Credit Month/Q	
<b>Q1 2020</b>						
1/31/2020	Total Deposits	\$ 7,500,000.00	\$ 1,000,000.00	\$ -	\$ 8,500,000.00	
	Total Withdrawals	\$ -	\$ -	\$ -	\$ -	
	Total Interest	\$ 15,792.98	\$ 8,353.89	\$ 1,032.21	\$ 25,179.08	\$ 25,179.08
	Ending Balance, Jan 31 2020	\$ 14,427,890.73	\$ 5,675,686.68	\$ 656,398.01	\$ 20,759,975.42	
<b>2/29/2020</b>						
	Total Deposits	\$ -	\$ 3,000,000.00	\$ -	\$ 3,000,000.00	
	Total Withdrawals	\$ -	\$ (1,000,000.00)	\$ -	\$ (1,000,000.00)	
	Total Interest	\$ 18,235.00	\$ 10,162.86	\$ 921.69	\$ 29,319.55	\$ 29,319.55
	Ending Balance, Feb 29 2020	\$ 14,446,125.73	\$ 7,685,849.54	\$ 657,319.70	\$ 22,789,294.97	
<b>3/31/2020</b>						
	Total Deposits	\$ -	\$ -	\$ -	\$ -	
	Total Withdrawals	\$ (525,000.00)	\$ -	\$ -	\$ (525,000.00)	
	Total Interest (Cut from 1.5% to 0.25%)	\$ 12,174.39	\$ 9,308.39	\$ 817.11	\$ 22,299.89	\$ 22,299.89
	Ending Balance, Mar 31 2020	\$ 13,933,300.12	\$ 7,695,157.93	\$ 658,136.81	\$ 22,286,594.86	\$ 76,798.52

<b>Q2 2020</b>						
	Total Deposits	\$ -	\$ -	\$ -	\$ -	
	Total Withdrawals	\$ (1,750,000.00)	\$ -	\$ -	\$ (1,750,000.00)	
	Total Interest	\$ 4,941.74	\$ 6,679.98	\$ 593.36	\$ 12,215.08	\$ 12,215.08
	Ending Balance, Apr 30 2020	\$ 12,188,241.86	\$ 7,701,837.91	\$ 658,730.17	\$ 20,548,809.94	
<b>May 31 2020</b>						
	Total Deposits	\$ -	\$ -	\$ -	\$ -	
	Total Withdrawals	\$ -	\$ -	\$ -	\$ -	
	Total Interest	\$ 2,779.19	\$ 5,308.82	\$ 422.64	\$ 8,510.65	\$ 8,510.65
	Ending Balance, May 31 2020	\$ 12,191,021.05	\$ 7,707,146.73	\$ 659,152.81	\$ 20,557,320.59	
<b>Jun 30 2020</b>						
	Total Deposits	\$ -	\$ -	\$ -	\$ -	
	Total Withdrawals	\$ (1,500,000.00)	\$ -	\$ -	\$ (1,500,000.00)	
	Total Interest	\$ 1,964.94	\$ 3,985.55	\$ 318.77	\$ 6,249.26	\$ 6,249.26
	Ending Balance, Jun 30 2020	\$ 10,692,985.99	\$ 7,711,112.28	\$ 659,471.58	\$ 19,063,569.85	\$ 26,974.99

<b>Q3 2020</b>						
	Total Deposits	\$ -	\$ -	\$ -	\$ -	
	Total Withdrawals	\$ (871,706.78)	\$ -	\$ -	\$ (871,706.78)	
	Total Interest	\$ 1,833.16	\$ 2,752.51	\$ 254.02	\$ 4,839.69	\$ 4,839.69
	Ending Balance, Jul 31 2020	\$ 9,823,112.37	\$ 7,713,864.79	\$ 659,725.60	\$ 18,196,702.76	
<b>Aug 31 2020</b>						
	Total Deposits	\$ -	\$ -	\$ -	\$ -	
	Total Withdrawals	\$ (1,007,520.31)	\$ -	\$ -	\$ (1,007,520.31)	
	Total Interest	\$ 1,344.53	\$ 2,066.27	\$ 178.07	\$ 3,588.87	\$ 3,588.87
	Ending Balance, Aug 31 2020	\$ 8,816,936.59	\$ 7,715,931.06	\$ 659,903.67	\$ 17,192,771.32	
<b>Sep 30 2020</b>						
	Total Deposits	\$ -	\$ -	\$ -	\$ -	
	Total Withdrawals	\$ (405,252.51)	\$ (1,320,000.00)	\$ -	\$ (1,725,252.51)	
	Total Interest	\$ 1,054.32	\$ 1,526.16	\$ 135.75	\$ 2,716.23	\$ 2,716.23
	Ending Balance, Sep 30 2020	\$ 8,412,738.40	\$ 6,397,457.22	\$ 660,039.42	\$ 15,470,235.04	\$ 11,144.79

<b>Q4 2020</b>						
	Total Deposits	\$ -	\$ -	\$ -	\$ -	
	Total Withdrawals	\$ -	\$ (1,750,000.00)	\$ -	\$ (1,750,000.00)	
	Total Interest	\$ 953.49	\$ 902.00	\$ 99.04	\$ 1,954.53	\$ 1,954.53
	Ending Balance, Oct 31 2020	\$ 8,413,691.89	\$ 4,648,359.22	\$ 660,138.46	\$ 13,722,189.57	
<b>Nov 30 2020</b>						
	Total Deposits	\$ -	\$ -	\$ -	\$ -	
	Total Withdrawals	\$ -	\$ (350,000.00)	\$ -	\$ (350,000.00)	
	Total Interest	\$ 851.27	\$ 576.55	\$ 80.43	\$ 1,508.25	\$ 1,508.25
	Ending Balance, Nov 30 2020	\$ 8,414,543.16	\$ 4,298,935.77	\$ 660,218.89	\$ 13,373,697.82	
<b>Dec 31 2020</b>						
	Total Deposits	\$ 4,000,000.00	\$ -	\$ -	\$ 4,000,000.00	
	Total Withdrawals	\$ -	\$ -	\$ -	\$ -	
	Total Interest	\$ 740.70	\$ 549.01	\$ 78.18	\$ 1,367.89	\$ 1,367.89
	Ending Balance, Dec 31 2020	\$ 12,415,283.86	\$ 4,299,484.78	\$ 660,297.07	\$ 17,375,065.71	\$ 4,830.67

Total Interest/Growth 2020

<b>Q1 2021</b>						
	Total Deposits	\$ -	\$ -	\$ -	\$ -	
	Total Withdrawals	\$ -	\$ -	\$ -	\$ -	
	Total Interest	\$ -	\$ 470.78	\$ 73.76	\$ 544.54	
	Ending Balance, Jan 31 2021	\$ -	\$ 4,299,955.56	\$ 660,370.83	\$ 4,960,326.39	

Total Deposits	\$ -	\$ -	\$ -	\$ -
Total Withdrawals	\$ -	\$ -	\$ -	\$ -
Total Interest	\$ -	\$ -	\$ -	\$ -
Ending Balance, Feb 28, 2021	\$ -	\$ -	\$ -	\$ -

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\$ 119,748.97	\$ 5,140,269.37
<i>Total Interest 2020</i>	<i>Net Growth 2020</i>

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DATE	DESC	TEXPOOL GEN. DEBT SVC FUND	TEXAS CLASS GEN. DEBT SVC FUND	TEXAS CLASS HEALTH SAVINGS ACCOUNT			
12/31/2019	Ending Balance	\$ 411,487.40	\$ 270,885.69	\$ 271,957.92	\$ 954,331.01		
<b>Q1 2020</b>							
1/31/2020	Total Deposits	\$ -	\$ -	\$ -	\$ -		
	Total Withdrawals	\$ -	\$ -	\$ -	\$ -		
	Total Interest	\$ 556.53	\$ 426.63	\$ 428.37	\$ 1,411.53	\$	1,411.53
	Ending Balance, Jan 31 2020	\$ 412,043.93	\$ 271,312.32	\$ 272,386.29	\$ 955,742.54		
2/29/2020	Total Deposits	\$ -	\$ -	\$ -	\$ -		
	Total Withdrawals	\$ -	\$ -	\$ -	\$ -		
	Total Interest	\$ 520.79	\$ 380.99	\$ 382.49	\$ 1,284.27	\$	1,284.27
	Ending Balance, Feb 29 2020	\$ 412,564.72	\$ 271,693.31	\$ 272,768.78	\$ 957,026.81		
3/31/2020	Total Deposits	\$ -	\$ -	\$ -	\$ -		
	Total Withdrawals	\$ -	\$ -	\$ -	\$ -		
	Total Interest [Cut from 1.5% to 0.]	\$ 351.57	\$ 337.74	\$ 339.11	\$ 1,028.42	\$	1,028.42
	Ending Balance, Mar 31 2020	\$ 412,916.29	\$ 272,031.05	\$ 273,107.89	\$ 958,055.23	\$	3,724.22
<b>Q2 2020</b>							
	Total Deposits	\$ -	\$ -	\$ -	\$ -		
	Total Withdrawals	\$ -	\$ -	\$ -	\$ -		
	Total Interest	\$ 154.46	\$ 245.25	\$ 246.22	\$ 645.93	\$	645.93
	Ending Balance, Apr 30 2020	\$ 413,070.75	\$ 272,276.30	\$ 273,354.11	\$ 958,701.16		
	Total Deposits	\$ -	\$ -	\$ -	\$ -		
	Total Withdrawals	\$ -	\$ -	\$ -	\$ -		
	Total Interest	\$ 94.18	\$ 174.69	\$ 175.38	\$ 444.25	\$	444.25
	Ending Balance, May 31 2020	\$ 413,164.93	\$ 272,450.99	\$ 273,529.49	\$ 959,145.41		
	Total Deposits	\$ -	\$ -	\$ -	\$ -		
	Total Withdrawals	\$ -	\$ -	\$ -	\$ -		
	Total Interest	\$ 73.54	\$ 131.75	\$ 132.27	\$ 337.56	\$	337.56
	Ending Balance, Jun 30 2020	\$ 413,238.47	\$ 272,582.74	\$ 273,661.76	\$ 959,482.97	\$	1,427.74
<b>Q3 2020</b>							
	Total Deposits	\$ -	\$ -	\$ -	\$ -		
	Total Withdrawals	\$ -	\$ -	\$ -	\$ -		
	Total Interest	\$ 73.08	\$ 104.98	\$ 105.41	\$ 283.47	\$	283.47
	Ending Balance, Jul 31 2020	\$ 413,311.55	\$ 272,687.72	\$ 273,767.17	\$ 959,766.44		
	Total Deposits	\$ -	\$ -	\$ -	\$ -		
	Total Withdrawals	\$ -	\$ -	\$ -	\$ -		
	Total Interest	\$ 62.04	\$ 73.62	\$ 73.89	\$ 209.55	\$	209.55
	Ending Balance, Aug 31 2020	\$ 413,373.59	\$ 272,761.34	\$ 273,841.06	\$ 959,975.99		
	Total Deposits	\$ -	\$ -	\$ -	\$ -		
	Total Withdrawals	\$ -	\$ -	\$ -	\$ -		
	Total Interest	\$ 50.10	\$ 56.11	\$ 56.33	\$ 162.54	\$	162.54
	Ending Balance, Sep 30 2020	\$ 413,423.69	\$ 272,817.45	\$ 273,897.39	\$ 960,138.53	\$	655.56
<b>Q4 2020</b>							
	Total Deposits	\$ -	\$ -	\$ -	\$ -		
	Total Withdrawals	\$ -	\$ -	\$ -	\$ -		
	Total Interest	\$ 46.87	\$ 40.92	\$ 41.10	\$ 128.89	\$	128.89
	Ending Balance, Oct 31 2020	\$ 413,470.56	\$ 272,858.37	\$ 273,938.49	\$ 960,267.42		
	Total Deposits	\$ -	\$ -	\$ -	\$ -		
	Total Withdrawals	\$ -	\$ -	\$ -	\$ -		
	Total Interest	\$ 41.84	\$ 33.26	\$ 33.38	\$ 108.48	\$	108.48
	Ending Balance, Nov 30 2020	\$ 413,512.40	\$ 272,891.63	\$ 273,971.87	\$ 960,375.90		
	Total Deposits	\$ -	\$ -	\$ -	\$ -		
	Total Withdrawals	\$ -	\$ -	\$ -	\$ -		
	Total Interest	\$ 31.95	\$ 32.30	\$ 32.45	\$ 96.70	\$	96.70
	Ending Balance, Dec 31 2020	\$ 413,544.35	\$ 272,923.93	\$ 274,004.32	\$ 960,472.60	\$	334.07
<b>Q1 2021</b>							
	Total Deposits	\$ -	\$ -	\$ -	\$ -		
	Total Withdrawals	\$ -	\$ -	\$ -	\$ -		
	Total Interest	\$ 27.86	\$ 30.53	\$ 30.62	\$ 89.01	\$	89.01
	Ending Balance, Jan 31 2021	\$ 413,572.21	\$ 272,954.46	\$ 274,034.94	\$ 960,561.61		
	Total Deposits	\$ -	\$ -	\$ -	\$ -		
	Total Withdrawals	\$ -	\$ -	\$ -	\$ -		
	Total Interest	\$ -	\$ -	\$ -	\$ -		
	Ending Balance, Feb 28, 2021	\$ -	\$ -	\$ -	\$ -		

Interest Credit  
Total Interest 2020

40

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\$ 6,141.59



# **CALDWELL COUNTY**

## **Investment Policy**

### **I. INVESTMENT AUTHORITY AND SCOPE OF POLICY**

#### **General Statement**

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

#### **Funds Included**

This investment policy applies to all financial assets of all funds of the Caldwell County, Texas at the present time, any funds to be created in the future, and any other funds held in custody by the Caldwell County Treasurer, unless expressly prohibited by law or unless it is in the contravene of any depository contract between Caldwell County and any depository bank as directed by Commissioner's Court.

#### **County's Investment Officer**

In accordance with (IAW) Sec. 116.112(a), Local Government Code and/or Chapter 2256, Sec. 2256.005(f) and (g), Government Code, the Caldwell County Treasurer, under the direction of the Caldwell County Commissioners Court, may invest County funds that are not immediately required to pay obligations of the County. The commissioners' court shall designate by resolution one or more officers or employees as investment officers. See Attachment B. If the investment officer has personal business relationships with as defined by PFIA (Public Funds Investment Act) with an entity - or is related with the second degree of 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 Caldwell County Commissioners Court in accordance with Government Code 2256.005 (i).

#### **Caldwell County's Investment Committee**

The standard of prudence to be used in the investment function shall be the "prudent person" standard and shall be applied in the context of managing the overall portfolio. These standard states:

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

### **Limitation of Personal Liability**

The Investment Officers and those delegated investment authority under this policy, when acting in accordance with the written procedures and this policy and in accord with the Prudent Person Rule, shall be relieved of personal responsibility and liability in the management of the portfolio provided that deviations from expectations for a specific security's credit risk or market price change or portfolio shifts are reported in a timely manner and that appropriate action is taken to control adverse market effects.

The Commissioner's Court will appoint a committee of experts to advise the court and the Caldwell County Treasurer on investment policy. All members of the committee will have a strong background in the financial industry. The County Treasurer will serve as the Chairman of the Investment Committee. The Committee will adhere to the following procedures:

- On a quarterly basis a member of the committee will inform the Caldwell County Commissioner's Court on the county's posture;
- Annually the Investment Policy will be reaffirmed or updated to the Commissioners Court; and
- In making such reports and recommendations to the Court, the Committee shall be governed by the following guidelines
  - Investing by the Investment Officer is not to be viewed as a profit center, but rather, as the timely return on principal.
  - No mortgage-backed or collateralized mortgage obligations of any type will be permitted;
- The Investment Officer will purchase securities only from brokers who meet the following requirements:
  - Approval by the Investment Committee

## **II. INVESTMENT POLICY**

It is the policy of the Caldwell County that the administration of its funds and the investments of those funds shall be handled as its highest public trust. Investments shall

be made in a manner which will provide the maximum security of principal invested through limitations and diversification while meeting the daily cash flow needs of the Caldwell County and conforming to all applicable federal and state laws Caldwell County statutes governing the investment of public funds. The receipt of a market rate of return will be secondary to the requirements for safety and liquidity. It is the intent of the Caldwell County to be in complete compliance with local law and the Texas Public Funds Investment Act. The earnings from investment will be used in a manner that best serves the public trust and interest of the Caldwell County.

### **III. INVESTMENT OBJECTIVES AND STRATEGIES**

#### **General Statement**

Caldwell County funds will be invested in accordance with (IAW) federal and state laws, this investment policy and written administrative procedures. The County will invest according to investment strategies for each fund as are adopted by commissioners' court resolution IAW the PFI, Section 2256 of the Texas Government Code.

#### **Safety and Maintenance of Adequate Liquidity**

Caldwell County is concerned about the return of its principal; *therefore, safety of principal is the primary objective in any investment transaction.* The County's investment portfolio must be structured in conformance with an asset/liability management plan that provides for liquidity necessary to pay obligations as they become due.

#### **Diversification**

It will be the policy of Caldwell County to diversity its portfolio to eliminate 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 protection of principal, for stability of income and reasonable liquidity. No more than twenty-five percent (25%) of the funds as determined from the County's total available cash balance on November 30<sup>th</sup> will be invested in maturities of 24 to 36 months. The period from 24 to 36 months will be committed after the Commissioner's Court assures the Treasurer that the funds will not be needed during the term of the investment. The remaining funds will be invested in maturities of up to 24 months.

#### **Yield**

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

## **Maturity**

Portfolio maturities will be structured to meet the obligations of the County first and then achieve the highest rate of return of interest. When the County has funds that will not be 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 is thirty-six (36) months. The County Treasurer will invest funds with maturities less than twenty-four (24) months and can invest funds, not to exceed a cumulative total of \$5,000,000.00, with maturities between 25 and 36 months. These investments will be brought to the attention of Commissioners' Court with the next quarter's Treasurer's Quarterly Report.

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

It is Caldwell County's policy to provide training required by the Public Funds Act, Sec. 2256.08 and periodic training in investments for the County Investment Officer through courses and seminars offered by professional organizations and associations in order to insure the quality, capability and currency of Caldwell County's Investment Officer in making investment decisions. The Investment Officer and designee(s) shall attend at least one training session from an independent source approved by the governing body of the local government or a designated investment committee advising the investment officer as provided for in the investment policy of the local government and containing at least 10 hours of instruction relating to the Investment officer and designee(s) responsibilities within 12 months after taking office or assuming duties; and have on file with the Texas Ethics Commission appropriate paperwork, if pertinent.

Attend an investment training session not less than once in a two-year period that begins on the first day of that local government's fiscal year and consists of the two consecutive fiscal years after that date, and receive not less than 10 hours of instruction relating to investment responsibilities from an independent source approved by the governing body of the local government or a designated investment committee advising the investment officer as provided for in the investment policy of the local government.

Training under this section must include education in investment controls, security risks, strategy risks, market risks, diversification of investment portfolio, and compliance with this chapter.

## **Investment Strategies**

I AW the PFIA, Section 2256.005(d), a separate written investment strategy will be developed for each of the funds under Caldwell County's control. Each investment strategy must describe the investment objectives for the particular fund using the following priorities of importance:

- Understanding of the suitability of the investment to the financial requirements of the entity;
- Preservation an safety of principal;
- Liquidity;
- Marketability of the investment if the need arises to liquidate the investment before maturity;
- Diversification of the investment portfolio;
- Yield;
- Maturity restrictions.

*Attachment C includes investment strategies for all funds. LAW the Public Funds Investment Section 2256.005(e), investment strategies will be reviewed and adopted by resolution at least annually.*

#### **IV. INVESTMENT TYPES**

##### **Authorized Investments:**

The Caldwell County Investment officers shall use any or all of the following authorized investment instruments consistent with governing laws and the PFIA contained in Texas Government Code 2256;

- (1) Obligations, including letters of credit, of the United States or its agencies and instrumentalities;
- (2) Direct obligations of this state or its agencies and instrumentalities;
- (3) Other obligations, the principal and interest which are unconditionally guaranteed or insured by, or backed by the full faith and credit of, this state or the United States or their respective agencies and instrumentalities; and
- (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) Certificates of deposit and Share Certificates are investment if the certificate is issued by a depository institution that has its main office or a branch office in this state and is:
  - (a) Guaranteed or insured by the Federal Deposit Insurance Corporation ("FDIC") or its successor, or the National Credit Union Share Insurance Fund ("NCUSIF") or its successor; or

(b) Secured in any other manner and amount provided by law for deposits of the county.

(6) In addition to the authority to invest funds in certificates of deposit as detailed in (5) above, an investment in certificates of deposit made in accordance with the following conditions is an authorized investment if:

- (a) The funds are invested by the county through a depository institution that has its main office or a branch office in Texas and that is selected by Caldwell County;
- (b) The depository institution selected by the county 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 Caldwell County;
- (c) The full amount of the principal and accrued interest of each of certificates of deposit is insured by the United States or an instrumentality of the United States;
- (d) The depository institution selected by the county acts as custodian for the county with respect to the certificates of deposit issued for the account of Caldwell County; and
- (e) At the same time that the funds are deposited and at the certificates of deposit are issued for the account of the county, the depository institution selected by the county receives an amount of deposits from customers other federally insured depository institutions, wherever located, that is equal to or greater than the amount of the funds invested by the county through the deposited institution selected.

(7) A fully collateralized repurchase agreement, as defined in the Public Funds Investment Act, if it:

- (a) Has a defined termination date;
- (b) Is secured by obligations described by Section 2256.009(a)(1) of the Public Funds Investment Act: and
- (c) Requires the securities being purchased by 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
- (d) Is placed through a primary government securities dealer, as defined by the Federal Reserve, or a financial institution doing business in this state.

(e) Notwithstanding any law, the term of any reverse security repurchase agreement may not exceed 90 days after the date the reverse security repurchase agreement is delivered.

(f) Money received by a county under the terms of a reverse security repurchase agreement shall be used to acquire additional authorized investments, but the term of the authorized investments acquired must mature not later than the expiration date stated in the reverse security repurchase agreement.

(8) A bankers' acceptance if it:

(a) Has a stated maturity of 270 days or fewer from the date of its issuance;

(b) Will be, IAW its terms, liquidated in full at maturity;

(c) Is eligible for collateral for borrowing from a Federal Reserve Bank; and

(d) Is accepted by a bank organized and existing under the laws of the United States or any state, if the short term obligations of the bank, or a of a bank holding company of which the bank is the largest subsidiary, are rated not less than A-1 or P-1 or an equivalent rating by at least one nationally recognized credit rating agency

(9) Mutual funds and Money Market Funds with limitations as described below:

(a) No-Load Money Market Mutual Fund is authorized if it:

1. Is registered with and regulated by the Securities and Exchange Commission;

2. Has a dollar-weighted average stated maturity of 90 days or fewer;

3. Includes in its investment objectives the maintenance of a stable net asset value of \$1 for each share; AND,

4. Provides Investment Officer with an annual prospectus IAW Section 2256.014. AND

(b) NO-LOAD MUTUAL FUND is authorized if it:

1. Is registered with the Securities and Exchange Commission;

2. Has an average weighted maturity of less than two years;

3. Is invested exclusively in obligation approved by this subchapter;

4. Is continuously rated as to investment quality by at least one national recognized investment rating firm of not less than AAA or its equivalent;  
AND

5. Conforms to the requirements set forth in PFIA Sections 2256.016 (b) and (c) relating to the eligibility of investment pools to receive and invest funds of investing entities such as Caldwell County.

Relative to mutual funds and money market mutual funds, Caldwell County is not authorized by this section to:

1. 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 no-load mutual funds.
2. Invest any portion of bond proceeds, reserves and funds held for debt service, in no-load mutual funds; or
3. Invest its funds or funds under its control, including bond proceeds and reserves and other funds held for debt service, in any one money market mutual fund or no-load mutual fund in an amount that exceeds 10 percent of the total assets of the mutual fund.

#### **Authorized Investments: Investment Pools**

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. An investment pool shall invest the funds it receives from entities in authorized investments permitted by this subchapter. 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.

To be eligible to receive funds from and invest funds on behalf of an entity under this chapter, an investment pool must furnish to the investment officer or other authorized representative of the entity an offering circular or other similar disclosure instrument that contains, at a minimum, the following information:

- (1) the types of investments in which money is allowed to be invested;
- (2) the maximum average dollar-weighted maturity allowed, based on the stated maturity date, of the pool;



- (3) the maximum stated maturity date any investment security within the portfolio has;
  - (4) the objectives of the pool;
  - (5) the size of the pool;
  - (6) the names of the members of the advisory board of the pool and the dates their terms expire;
  - (7) the custodian bank that will safekeep the pool's assets;
  - (8) whether the intent of the pool is to maintain a net asset value of one dollar and the risk of market price fluctuation;
  - (9) whether the only source of payment is the assets of the pool at market value or whether there is a secondary source of payment, such as insurance or guarantees, and a description of the secondary source of payment;
  - (10) the name and address of the independent auditor of the pool;
  - (11) the requirements to be satisfied for an entity to deposit funds in and withdraw funds from the pool and any deadlines or other operating policies required for the entity to invest funds in and withdraw funds from the pool; and
  - (12) the performance history of the pool, including yield, average dollar-weighted maturities, and expense ratios.
  - (13) the pool's policy regarding holding deposits in cash.
- (c) To maintain eligibility to receive funds from and invest funds on behalf of an entity under this chapter, an investment pool must furnish to the investment officer or other authorized representative of the entity:
- (1) investment transaction confirmations; and
  - (2) a monthly report that contains, at a minimum, the following information:
    - A. the types and percentage breakdown of securities in which the pool is invested;
    - B. the current average dollar-weighted maturity, based on the stated maturity date, of the pool;
    - C. the current percentage of the pool's portfolio in investments that have stated maturities of more than one year;

- D. the book value versus the market value of the pool's portfolio, using amortized cost valuation;
- E. the size of the pool;
- F. the number of participants in the pool;
- G. the custodian bank that is safekeeping the assets of the pool;
- H. a listing of daily transaction activity of the entity participating in the pool;
- I. the yield and expense ratio of the pool, including a statement regarding how yield is calculated;
- J. the portfolio managers of the pool; and
- K. any changes or addenda to the offering circular.

(d) 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.

(e) In this section, "yield" shall be calculated in accordance with regulations governing the registration of open-end management investment companies under the Investment Company Act of 1940, as promulgated from time to time by the federal Securities and Exchange Commission.

(f) To be eligible to receive funds from and invest funds on behalf of an entity under this chapter, a public funds investment pool created to function as a money market mutual fund must mark its portfolio to market daily, and, to the extent reasonably possible, stabilize at a \$1 net asset value. If the ratio of the market value of the portfolio divided by the book value of the portfolio is less than 0.995 or greater than 1.005, portfolio holdings shall be sold as necessary to maintain the ratio between 0.995 and 1.005. In addition to the requirements of its investment policy and any other forms of reporting, a public funds investment pool created to function as a money market mutual fund shall report yield to its investors in accordance with regulations of the federal Securities and Exchange Commission applicable to reporting by money market funds.

(g) To be eligible to receive funds from and invest funds on behalf of an entity under this chapter, a public funds investment pool must have an advisory board composed:

- (1) equally of participants in the pool and other persons who do not have a business relationship with the pool and are qualified to advise the pool, for a public funds investment pool created under Chapter 791 and managed by a state agency; or

(2) of participants in the pool and other persons who do not have a business relationship with the pool and are qualified to advise the pool, for other investment pools.

(h) To maintain eligibility to receive funds from and invest funds on behalf of an entity under this chapter, an 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.

(i) If the investment pool operates an Internet website, the information in a disclosure instrument or report described in Subsections, (b), (c) (2), and (f) must be posted on the website.

(j) To maintain eligibility to receive funds from and invest funds on behalf of an entity under this chapter, an investment pool must make available to the entity an annual audited financial statement of the investment pool in which the entity has funds invested.

(k) If an investment pool offers fee breakpoints based on fund balances invested, the investment pool in advertising investment rates must include either all levels of return based on the breakpoints provided or state the lowest possible level of return based on the smallest level of funds invested.

#### ***Prohibited Investments***

*The Caldwell County Investment Officer will not invest any funds in any type or form of collateralized mortgage obligation of any description.*

### **V. INVESTMENT RESPONSIBILITY AND CONTROL**

#### **Investment Institutions Defined**

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

1. Depository bank
2. Other state or national banks domiciled in Texas that are insured by the FDIC or NCUSIF, or their successors;
3. Public funds investment pools
4. Government securities broker and dealers.

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

IAW Section 2256.005(k), a written copy of this investment policy shall be presented to any person seeking to sell to Caldwell County an authorized investment. The qualified representative of the business organization offering to engage in an investment transaction with Caldwell County shall execute a written instrument substantially to the effect that the business organization has;

1. Received and thoroughly reviewed the investment policy of the Caldwell County;
2. Acknowledged that the organization has implemented reasonable procedures and controls in an effort to preclude imprudent investment activities IAW with current Caldwell County Investment Policy arising out investment transactions conducted between Caldwell County and the organization; and
3. IAW PFIA Section 2256.025 the broker must be deemed by the Caldwell County Investment Committee as qualified and authorized to engage in investment transactions with Caldwell County.

The investment officer may not buy securities from a person who has not delivered to the county and instrument in substantially the form provided in Attachment D and IAW Section 2256.005(1).

#### **Standards of Operation**

The Caldwell 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**

It will be the policy of Caldwell County that all Treasury Bills, Notes and Bonds and Government Agencies' securities shall be purchased 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 Caldwell County Investment Officer will establish liaison with the Caldwell County Auditor in preparing investment forms to assist the County Auditor for accounting and auditing control. The Investment Officer is subject to audit by the County Auditors. In addition, the Caldwell County, at a minimum, will have an annual financial audit of all CALDWELL COUNTY funds by an independent auditing firm, as well as an annual compliance audit of management controls on investments and adherence to the entity's established investment policies in accordance with Section 2256.005(m).

#### **Standard of Care**

1. IAW with Section 2256.006, investments shall be made with judgment and care, under prevailing circumstance, that a person of prudence, discretion, and intelligence would exercise in the management of the person's own affairs, not for speculation, but for investment, considering the probable safety of capital and probable income to be derived, Investment of funds shall be governed by the following investment objectives, in order of priority: preservation and safety of; principal; liquidity; and yield.

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

the investment of all funds, or funds under the Caldwell County's control, over which the officer has the responsibility rather than a consideration as to the prudence of a single investment; whether the investment decision was consistent with the written investment policy of the Caldwell County.

## **VI. INVESTMENT REPORTING AND PERFORMANCE EVALUATION**

### **Quarterly Report**

IAW with Section 2256.023, not less than quarterly, the investment officer shall prepare and submit to the Caldwell County Commissioners Court 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;

1. Describe in detail the investment position of the county on the date of the report;
2. Be prepared jointly by all investment officers of the county;
3. Be signed by each investment officer of the county;
4. Contain a summary statement of each pooled fund group that states the;
  - Beginning market value for the reporting period;
  - Additions and changes to the market value during the reporting period;
  - Ending market value for the period; and
  - Fully accrued interest for the reporting period
5. State the book value and market value of each separately invested asset at the end of the reporting period by the type of asset and fund type invested.
6. State the maturity date of each separately invested assets that has a maturity date;
7. State the account or fund or pooled group fund in the county for which each individual investment was acquired; and
8. State the compliance of the investment portfolio of the Caldwell County as it relates to:

- ✓ the investment strategy expressed in the Caldwell County's investment policy;
- ✓ relevant provisions of Section 2256.023

**Methods to Monitor Market Value:**

The County Investment officer will obtain the market value from each security held in all portfolios at least on a monthly basis. On a monthly basis the collateral pledged to Caldwell County for bank deposits shall be valued from recognized market pricing sources.

**Notification of Investment Changes**

It shall be the duty of the County Investment Officer of Caldwell County, Texas to notify the Caldwell County of any significant changes in current investment methods and procedures prior to their implementation, regardless of whether they are authorized by this policy.

**VIII. INVESTMENT COLLATERAL AND SAFEKEEPING**

**Collateral or Insurance**

The Caldwell County Investment Officer shall insure that all county funds are fully collateralized or insured consistent with federal and state laws and the current Bank Depository Contract in one or more of the following manners:

1. FDIC insurance coverage
2. obligation of the United States or its agencies and instrumentality's.

**Safekeeping**

1. All purchased securities shall be held in safekeeping by the Caldwell County, or a Caldwell County account in a third party financial institution, or with the Federal Reserve Bank.
2. All certificates of deposit, insured by the FDIC, purchased outside the Depository Bank shall be held in safekeeping by either the Caldwell County or a Caldwell County account in a third party financial institution.

All pledged securities by the Depository Bank shall be held in safekeeping by the Caldwell County or with a Federal Reserve Bank.

**Attachment A:**

**RESOLUTION TO ADOPT COUNTY INVESTMENT POLICY AND FUND STRATEGIES AND APPOINT INVESTMENT OFFICER**

**STATE OF TEXAS                      3**  
**3**  
**COUNTY OF CALDWELL                3**

**ADOPTION OF 2020 CALDWELL COUNTY INVESTMENT POLICY & STRATEGIES, INVESTMENT COMMITTEE AND APPOINTMENT OF AN INVESTMENT OFFICER**

**WHEREAS**, the Texas Legislature set forth the Public Funds Investment Act in Government Code Section 2256, and

**WHEREAS**, compliance with the Public Funds Investment Act requires that each county adopt by resolution a County Investment Policy & Investment Strategies and appoint a County Investment Officer.

**NOW, THEREFORE, BE IT RESOLVED**, the Commissioners' Court of Caldwell County, in a regular meeting duly convened and acting in its capacity as the governing body of Caldwell County, hereby affirms the attached 2020 Caldwell County Investment Policy, setting forth its investment strategies by fund type and designating the Caldwell County Investment Committee, and hereby appointing the Caldwell County Treasurer, as the Caldwell County Investment Officer to implement and carry out the stated investment policy.

**IN WITNESS WHEREOF**, we have hereunto set our hands and caused the great seal of Caldwell County to be affixed this 23rd day of June, 2020.

\_\_\_\_\_   
CALDWELL COUNTY Administrative Judge

**Attachment B: APPOINTMENT TO CALDWELL COUNTY INVESTMENT POLICY COMMITTEE**

The following persons were appointed to the CALDWELL COUNTY Investment Policy Committee:

**County Treasurer**

**County Auditor**

**Budget Officer / County Judge**

**County Attorney**

**Citizen appointed by Commissioners Court**



## **Attachment C: INVESTMENT STRATEGIES BY FUND TYPE**

1. Funds of the General Operating Fund may be invested in the following types of instruments

1. Investment Pools IAW policy
2. Money Market Funds IAW policy
3. Certificates of Deposit, including the Certificates of Deposit Account Registry Service (CDARS) IAW policy.

2. Fund of the Facilities Fund may be invested in the following types of instruments.

1. Investment Pools IAW policy
2. Money Market Funds IAW policy
3. Certificates of Deposit, including the Certificates of Deposit Account Registry Service (CDARS) IAW policy.

**Attachment D SECURITIES BROKER/ DEALER ACKNOWLEDGMENT & CERTIFICATION**

I hereby certify that I have received and thoroughly reviewed the investment policy of the CALDWELL COUNTY. I have implemented reasonable procedures and controls designed to preclude imprudent investment activities arising out of invest transaction conducted between this firm and the CALDWELL COUNTY. Further, transactions between this firm and the CALDWELL COUNTY will be directed toward protecting the CALDWELL COUNTY form credit and market risk.

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

This firm pledges due diligence in informing the CALDWELL COUNTY of foreseeable risks associated with financial transactions connected to this firm.

\_\_\_\_\_  
Firm

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Firm

\_\_\_\_\_  
Firm

## GOVERNMENT CODE

## TITLE 10. GENERAL GOVERNMENT

## SUBTITLE F. STATE AND LOCAL CONTRACTS AND FUND MANAGEMENT

## CHAPTER 2256. PUBLIC FUNDS INVESTMENT

## SUBCHAPTER A. AUTHORIZED INVESTMENTS FOR GOVERNMENTAL ENTITIES

Sec. 2256.001. SHORT TITLE. This chapter may be cited as the Public Funds Investment Act.

Amended by Acts 1995, 74th Leg., ch. 402, Sec. 1, eff. Sept. 1, 1995.

Sec. 2256.002. DEFINITIONS. In this chapter:

(1) "Bond proceeds" means the proceeds from the sale of bonds, notes, and other obligations issued by an entity, and reserves and funds maintained by an entity for debt service purposes.

(2) "Book value" means the original acquisition cost of an investment plus or minus the accrued amortization or accretion.

(3) "Funds" means public funds in the custody of a state agency or local government that:

(A) are not required by law to be deposited in the state treasury; and

(B) the investing entity has authority to invest.

(4) "Institution of higher education" has the meaning assigned by Section 61.003, Education Code.

(5) "Investing entity" and "entity" mean an entity subject to this chapter and described by Section 2256.003.

(6) "Investment pool" means an entity created under this code to invest public funds jointly on behalf of the entities that participate in the pool and whose investment objectives in order of priority are:

(A) preservation and safety of principal;

(B) liquidity; and

(C) yield.

(7) "Local government" means a municipality, a county, a school district, a district or authority created under Section 52(b)(1) or (2), Article III, or Section 59, Article XVI, Texas Constitution, a fresh water supply district, a hospital district, and any political subdivision, authority, public corporation, body politic, or instrumentality of the

State of Texas, and any nonprofit corporation acting on behalf of any of those entities.

(8) "Market value" means the current face or par value of an investment multiplied by the net selling price of the security as quoted by a recognized market pricing source quoted on the valuation date.

(9) "Pooled fund group" means an internally created fund of an investing entity in which one or more institutional accounts of the investing entity are invested.

(10) "Qualified representative" means a person who holds a position with a business organization, who is authorized to act on behalf of the business organization, and who is one of the following:

(A) for a business organization doing business that is regulated by or registered with a securities commission, a person who is registered under the rules of the National Association of Securities Dealers;

(B) for a state or federal bank, a savings bank, or a state or federal credit union, a member of the loan committee for the bank or branch of the bank or a person authorized by corporate resolution to act on behalf of and bind the banking institution;

(C) for an investment pool, the person authorized by the elected official or board with authority to administer the activities of the investment pool to sign the written instrument on behalf of the investment pool; or

(D) for an investment management firm registered under the Investment Advisers Act of 1940 (15 U.S.C. Section 80b-1 et seq.) or, if not subject to registration under that Act, registered with the State Securities Board, a person who is an officer or principal of the investment management firm.

(11) "School district" means a public school district.

(12) "Separately invested asset" means an account or fund of a state agency or local government that is not invested in a pooled fund group.

(13) "State agency" means an office, department, commission, board, or other agency that is part of any branch of state government, an institution of higher education, and any nonprofit corporation acting on behalf of any of those entities.

Amended by Acts 1995, 74th Leg., ch. 402, Sec. 1, eff. Sept. 1, 1995; Acts 1997, 75th Leg., ch. 1421, Sec. 1, eff. Sept. 1, 1997; Acts 1999, 76th Leg., ch. 1454, Sec. 1, eff. Sept. 1, 1999.

Sec. 2256.003. AUTHORITY TO INVEST FUNDS; ENTITIES SUBJECT TO THIS CHAPTER. (a) Each governing body of the following entities may purchase, sell, and invest its funds and funds under its control in investments authorized under this subchapter in compliance with investment policies approved by the governing body and according to the standard of care prescribed by Section 2256.006:

- (1) a local government;
- (2) a state agency;
- (3) a nonprofit corporation acting on behalf of a local government or a state agency; or
- (4) an investment pool acting on behalf of two or more local governments, state agencies, or a combination of those entities.

(b) In the exercise of its powers under Subsection (a), the governing body of an investing entity may contract with an investment management firm registered under the Investment Advisers Act of 1940 (15 U.S.C. Section 80b-1 et seq.) or with the State Securities Board to provide for the investment and management of its public funds or other funds under its control. A contract made under authority of this subsection may not be for a term longer than two years. A renewal or extension of the contract must be made by the governing body of the investing entity by order, ordinance, or resolution.

(c) This chapter does not prohibit an investing entity or investment officer from using the entity's employees or the services of a contractor of the entity to aid the investment officer in the execution of the officer's duties under this chapter.

Amended by Acts 1995, 74th Leg., ch. 402, Sec. 1, eff. Sept. 1, 1995; Acts 1999, 76th Leg., ch. 1454, Sec. 2, eff. Sept. 1, 1999.

Sec. 2256.004. APPLICABILITY. (a) This subchapter does not apply to:

- (1) a public retirement system as defined by Section 802.001;
- (2) state funds invested as authorized by Section 404.024;
- (3) an institution of higher education having total endowments of at least \$150 million in book value on September 1, 2017;
- (4) funds invested by the Veterans' Land Board as authorized by Chapter 161, 162, or 164, Natural Resources Code;
- (5) registry funds deposited with the county or district clerk under Chapter 117, Local Government Code; or

(6) a deferred compensation plan that qualifies under either Section 401(k) or 457 of the Internal Revenue Code of 1986 (26 U.S.C. Section 1 et seq.), as amended.

(b) This subchapter does not apply to an investment donated to an investing entity for a particular purpose or under terms of use specified by the donor.

Amended by Acts 1995, 74th Leg., ch. 402, Sec. 1, eff. Sept. 1, 1995; Acts 1997, 75th Leg., ch. 505, Sec. 24, eff. Sept. 1, 1997; Acts 1997, 75th Leg., ch. 1421, Sec. 2, eff. Sept. 1, 1997; Acts 1999, 76th Leg., ch. 62, Sec. 8.21, eff. Sept. 1, 1999; Acts 1999, 76th Leg., ch. 1454, Sec. 3, eff. Sept. 1, 1999.

Amended by:

Acts 2017, 85th Leg., R.S., Ch. 773 (H.B. 1003), Sec. 1, eff. June 14, 2017.

Sec. 2256.005. INVESTMENT POLICIES; INVESTMENT STRATEGIES; INVESTMENT OFFICER. (a) The governing body of an investing entity shall adopt by rule, order, ordinance, or resolution, as appropriate, a written investment policy regarding the investment of its funds and funds under its control.

(b) The investment policies must:

- (1) be written;
- (2) primarily emphasize safety of principal and liquidity;
- (3) address investment diversification, yield, and maturity and the quality and capability of investment management; and
- (4) include:
  - (A) a list of the types of authorized investments in which the investing entity's funds may be invested;
  - (B) the maximum allowable stated maturity of any individual investment owned by the entity;
  - (C) for pooled fund groups, the maximum dollar-weighted average maturity allowed based on the stated maturity date for the portfolio;
  - (D) methods to monitor the market price of investments acquired with public funds;
  - (E) a requirement for settlement of all transactions, except investment pool funds and mutual funds, on a delivery versus payment basis; and

(F) procedures to monitor rating changes in investments acquired with public funds and the liquidation of such investments consistent with the provisions of Section 2256.021.

(c) The investment policies may provide that bids for certificates of deposit be solicited:

- (1) orally;
- (2) in writing;
- (3) electronically; or
- (4) in any combination of those methods.

(d) As an integral part of an investment policy, the governing body shall adopt a separate written investment strategy for each of the funds or group of funds under its control. Each investment strategy must describe the investment objectives for the particular fund using the following priorities in order of importance:

- (1) understanding of the suitability of the investment to the financial requirements of the entity;
- (2) preservation and safety of principal;
- (3) liquidity;
- (4) marketability of the investment if the need arises to liquidate the investment before maturity;
- (5) diversification of the investment portfolio; and
- (6) yield.

(e) The governing body of an investing entity shall review its investment policy and investment strategies not less than annually. The governing body shall adopt a written instrument by rule, order, ordinance, or resolution stating that it has reviewed the investment policy and investment strategies and that the written instrument so adopted shall record any changes made to either the investment policy or investment strategies.

(f) Each investing entity shall designate, by rule, order, ordinance, or resolution, as appropriate, one or more officers or employees of the state agency, local government, or investment pool as investment officer to be responsible for the investment of its funds consistent with the investment policy adopted by the entity. If the governing body of an investing entity has contracted with another investing entity to invest its funds, the investment officer of the other investing entity is considered to be the investment officer of the first investing entity for purposes of this chapter. Authority granted to a person to invest an entity's funds is effective until rescinded by the investing entity, until the expiration of the officer's term or the termination of the person's employment by the

investing entity, or if an investment management firm, until the expiration of the contract with the investing entity. In the administration of the duties of an investment officer, the person designated as investment officer shall exercise the judgment and care, under prevailing circumstances, that a prudent person would exercise in the management of the person's own affairs, but the governing body of the investing entity retains ultimate responsibility as fiduciaries of the assets of the entity. Unless authorized by law, a person may not deposit, withdraw, transfer, or manage in any other manner the funds of the investing entity.

(g) Subsection (f) does not apply to a state agency, local government, or investment pool for which an officer of the entity is assigned by law the function of investing its funds.

Text of subsec. (h) as amended by Acts 1997, 75th Leg., ch. 685, Sec. 1

(h) An officer or employee of a commission created under Chapter 391, Local Government Code, is ineligible to be an investment officer for the commission under Subsection (f) if the officer or employee is an investment officer designated under Subsection (f) for another local government.

Text of subsec. (h) as amended by Acts 1997, 75th Leg., ch. 1421, Sec. 3

(h) An officer or employee of a commission created under Chapter 391, Local Government Code, is ineligible to be designated as an investment officer under Subsection (f) for any investing entity other than for that commission.

(i) 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. 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. A statement required under this subsection must be filed with the Texas Ethics Commission and the governing body of the entity. For purposes of this subsection, an investment officer has a personal business relationship with a business organization if:

(1) the investment officer owns 10 percent or more of the voting stock or shares of the business organization or owns \$5,000 or more of the



fair market value of the business organization;

(2) funds received by the investment officer from the business organization exceed 10 percent of the investment officer's gross income for the previous year; or

(3) the investment officer has acquired from the business organization during the previous year investments with a book value of \$2,500 or more for the personal account of the investment officer.

(j) The governing body of an investing entity may specify in its investment policy that any investment authorized by this chapter is not suitable.

(k) A written copy of the investment policy shall be presented to any business organization offering to engage in an investment transaction with an investing entity. For purposes of this subsection and Subsection (l), "business organization" means an investment pool or investment management firm under contract with an investing entity to invest or manage the entity's investment portfolio that has accepted authority granted by the entity under the contract to exercise investment discretion in regard to the investing entity's funds. Nothing in this subsection relieves the investing entity of the responsibility for monitoring the investments made by the investing entity to determine that they are in compliance with the investment policy. The qualified representative of the business organization offering to engage in an investment transaction with an investing entity shall execute a written instrument in a form acceptable to the investing entity and the business organization substantially to the effect that the business organization has:

(1) received and reviewed the investment policy of the entity;  
and

(2) acknowledged that the business organization has implemented reasonable procedures and controls in an effort to preclude investment transactions conducted between the entity and the organization that are not authorized by the entity's investment policy, except to the extent that this authorization:

(A) is dependent on an analysis of the makeup of the entity's entire portfolio;

(B) requires an interpretation of subjective investment standards; or

(C) relates to investment transactions of the entity that are not made through accounts or other contractual arrangements over which the business organization has accepted discretionary investment authority.

(l) The investment officer of an entity 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 Subsection (k).

(m) An investing entity other than a state agency, in conjunction with its annual financial audit, shall perform a compliance audit of management controls on investments and adherence to the entity's established investment policies.

(n) Except as provided by Subsection (o), at least once every two years a state agency shall arrange for a compliance audit of management controls on investments and adherence to the agency's established investment policies. The compliance audit shall be performed by the agency's internal auditor or by a private auditor employed in the manner provided by Section 321.020. Not later than January 1 of each even-numbered year a state agency shall report the results of the most recent audit performed under this subsection to the state auditor. Subject to a risk assessment and to the legislative audit committee's approval of including a review by the state auditor in the audit plan under Section 321.013, the state auditor may review information provided under this section. If review by the state auditor is approved by the legislative audit committee, the state auditor may, based on its review, require a state agency to also report to the state auditor other information the state auditor determines necessary to assess compliance with laws and policies applicable to state agency investments. A report under this subsection shall be prepared in a manner the state auditor prescribes.

(o) The audit requirements of Subsection (n) do not apply to assets of a state agency that are invested by the comptroller under Section 404.024.

Amended by Acts 1995, 74th Leg., ch. 402, Sec. 1, eff. Sept. 1, 1995; Acts 1997, 75th Leg., ch. 685, Sec. 1, eff. Sept. 1, 1997; Acts 1997, 75th Leg., ch. 1421, Sec. 3, eff. Sept. 1, 1997; Acts 1999, 76th Leg., ch. 1454, Sec. 4, eff. Sept. 1, 1999; Acts 2003, 78th Leg., ch. 785, Sec. 41, eff. Sept. 1, 2003.

Amended by:

Acts 2011, 82nd Leg., R.S., Ch. 1004 (H.B. 2226), Sec. 1, eff. June 17, 2011.

Acts 2017, 85th Leg., R.S., Ch. 149 (H.B. 1701), Sec. 1, eff. September 1, 2017.

Sec. 2256.006. STANDARD OF CARE. (a) 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 person's 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:

- (1) preservation and safety of principal;
- (2) liquidity; and
- (3) yield.

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

- (1) the investment of all funds, or funds under the entity's control, over which the officer had responsibility rather than a consideration as to the prudence of a single investment; and
- (2) whether the investment decision was consistent with the written investment policy of the entity.

Amended by Acts 1995, 74th Leg., ch. 402, Sec. 1, eff. Sept. 1, 1995.

Sec. 2256.007. INVESTMENT TRAINING; STATE AGENCY BOARD MEMBERS AND OFFICERS. (a) Each member of the governing board of a state agency and its investment officer shall attend at least one training session relating to the person's responsibilities under this chapter within six months after taking office or assuming duties.

(b) The Texas Higher Education Coordinating Board shall provide the training under this section.

(c) Training under this section must include education in investment controls, security risks, strategy risks, market risks, diversification of investment portfolio, and compliance with this chapter.

(d) An investment officer shall attend a training session not less than once each state fiscal biennium and may receive training from any independent source approved by the governing body of the state agency. The investment officer shall prepare a report on this subchapter and deliver the report to the governing body of the state agency not later than the 180th day after the last day of each regular session of the legislature.

Amended by Acts 1995, 74th Leg., ch. 402, Sec. 1, eff. Sept. 1, 1995; Acts 1997, 75th Leg., ch. 73, Sec. 1, eff. May 9, 1997; Acts 1997, 75th Leg.,

ch. 1421, Sec. 4, eff. Sept. 1, 1997; Acts 1999, 76th Leg., ch. 1454, Sec. 5, eff. Sept. 1, 1999.

Amended by:

Acts 2011, 82nd Leg., R.S., Ch. 1004 (H.B. 2226), Sec. 2, eff. June 17, 2011.

Sec. 2256.008. INVESTMENT TRAINING; LOCAL GOVERNMENTS.

(a) Except as provided by Subsections (a-1), (b), (b-1), (e), and (f), the treasurer, the chief financial officer if the treasurer is not the chief financial officer, and the investment officer of a local government shall:

(1) attend at least one training session from an independent source approved by the governing body of the local government or a designated investment committee advising the investment officer as provided for in the investment policy of the local government and containing at least 10 hours of instruction relating to the treasurer's or officer's responsibilities under this subchapter within 12 months after taking office or assuming duties; and

(2) attend an investment training session not less than once in a two-year period that begins on the first day of that local government's fiscal year and consists of the two consecutive fiscal years after that date, and receive not less than 10 hours of instruction relating to investment responsibilities under this subchapter from an independent source approved by the governing body of the local government or a designated investment committee advising the investment officer as provided for in the investment policy of the local government.

(a-1) Except as provided by Subsection (g), the treasurer, or the chief financial officer if the treasurer is not the chief financial officer, and the investment officer of a school district or a municipality, in addition to the requirements of Subsection (a)(1), shall attend an investment training session not less than once in a two-year period that begins on the first day of the school district's or municipality's fiscal year and consists of the two consecutive fiscal years after that date, and receive not less than eight hours of instruction relating to investment responsibilities under this subchapter from an independent source approved by the governing body of the school district or municipality, or by a designated investment committee advising the investment officer as provided for in the investment policy of the school district or municipality.

(b) An investing entity created under authority of Section 52(b), Article III, or Section 59, Article XVI, Texas Constitution, that has

contracted with an investment management firm under Section 2256.003(b) and has fewer than five full-time employees or an investing entity that has contracted with another investing entity to invest the entity's funds may satisfy the training requirement provided by Subsection (a)(2) by having an officer of the governing body attend four hours of appropriate instruction in a two-year period that begins on the first day of that local government's fiscal year and consists of the two consecutive fiscal years after that date. The treasurer or chief financial officer of an investing entity created under authority of Section 52(b), Article III, or Section 59, Article XVI, Texas Constitution, and that has fewer than five full-time employees is not required to attend training required by this section unless the person is also the investment officer of the entity.

(b-1) A housing authority created under Chapter 392, Local Government Code, may satisfy the training requirement provided by Subsection (a)(2) by requiring the following person to attend, in each two-year period that begins on the first day of that housing authority's fiscal year and consists of the two consecutive fiscal years after that date, at least five hours of appropriate instruction:

- (1) the treasurer, or the chief financial officer if the treasurer is not the chief financial officer, or the investment officer; or
- (2) if the authority does not have an officer described by Subdivision (1), another officer of the authority.

(c) Training under this section must include education in investment controls, security risks, strategy risks, market risks, diversification of investment portfolio, and compliance with this chapter.

(d) Not later than December 31 each year, each individual, association, business, organization, governmental entity, or other person that provides training under this section shall report to the comptroller a list of the governmental entities for which the person provided required training under this section during that calendar year. An individual's reporting requirements under this subsection are satisfied by a report of the individual's employer or the sponsoring or organizing entity of a training program or seminar.

(e) This section does not apply to a district governed by Chapter 36 or 49, Water Code.

(f) Subsection (a)(2) does not apply to an officer of a municipality or housing authority if the municipality or housing authority:

- (1) does not invest municipal or housing authority funds, as applicable; or
- (2) only deposits those funds in:

- (A) interest-bearing deposit accounts; or
- (B) certificates of deposit as authorized by Section

2256.010.

(g) Subsection (a-1) does not apply to the treasurer, chief financial officer, or investment officer of a school district if:

- (1) the district:
  - (A) does not invest district funds; or
  - (B) only deposits those funds in:
    - (i) interest-bearing deposit accounts; or
    - (ii) certificates of deposit as authorized by Section

2256.010; and

(2) the treasurer, chief financial officer, or investment officer annually submits to the agency a sworn affidavit identifying the applicable criteria under Subdivision (1) that apply to the district.

Amended by Acts 1995, 74th Leg., ch. 402, Sec. 1, eff. Sept. 1, 1995; Acts 1997, 75th Leg., ch. 1421, Sec. 5, eff. Sept. 1, 1997; Acts 1999, 76th Leg., ch. 1454, Sec. 6, eff. Sept. 1, 1999; Acts 2001, 77th Leg., ch. 69, Sec. 4, eff. May 14, 2001.

Amended by:

Acts 2011, 82nd Leg., R.S., Ch. 1004 (H.B. 2226), Sec. 3, eff. June 17, 2011.

Acts 2015, 84th Leg., R.S., Ch. 222 (H.B. 1148), Sec. 1, eff. September 1, 2015.

Acts 2015, 84th Leg., R.S., Ch. 1248 (H.B. 870), Sec. 1, eff. September 1, 2015.

Acts 2017, 85th Leg., R.S., Ch. 324 (S.B. 1488), Sec. 8.015, eff. September 1, 2017.

Acts 2017, 85th Leg., R.S., Ch. 1000 (H.B. 1238), Sec. 1, eff. September 1, 2017.

Acts 2017, 85th Leg., R.S., Ch. 1000 (H.B. 1238), Sec. 2, eff. September 1, 2017.

Acts 2019, 86th Leg., R.S., Ch. 477 (H.B. 293), Sec. 1, eff. June 7, 2019.

Sec. 2256.009. AUTHORIZED INVESTMENTS: OBLIGATIONS OF, OR GUARANTEED BY GOVERNMENTAL ENTITIES. (a) Except as provided by Subsection (b), the following are authorized investments under this subchapter:

- (1) obligations, including letters of credit, 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;

(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;

(6) bonds issued, assumed, or guaranteed by the State of Israel;

(7) interest-bearing banking deposits that are guaranteed or insured by:

(A) the Federal Deposit Insurance Corporation or its successor; or

(B) the National Credit Union Share Insurance Fund or its successor; and

(8) interest-bearing banking deposits other than those described by Subdivision (7) if:

(A) the funds invested in the banking deposits are invested through:

(i) a broker with a main office or branch office in this state that the investing entity selects from a list the governing body or designated investment committee of the entity adopts as required by Section 2256.025; or

(ii) a depository institution with a main office or branch office in this state that the investing entity selects;

(B) the broker or depository institution selected as described by Paragraph (A) arranges for the deposit of the funds in the banking deposits in one or more federally insured depository institutions, regardless of where located, for the investing entity's account;

(C) the full amount of the principal and accrued interest of the banking deposits is insured by the United States or an instrumentality

of the United States; and

(D) the investing entity appoints as the entity's custodian of the banking deposits issued for the entity's account:

(i) the depository institution selected as described by Paragraph (A);

(ii) an entity described by Section 2257.041(d); or

(iii) a clearing broker dealer registered with the Securities and Exchange Commission and operating under Securities and Exchange Commission Rule 15c3-3 (17 C.F.R. Section 240.15c3-3).

(b) The following are not authorized investments under this section:

(1) obligations whose payment represents the coupon payments on the outstanding principal balance of the underlying mortgage-backed security collateral and pays no principal;

(2) obligations whose payment represents the principal stream of cash flow from the underlying mortgage-backed security collateral and bears no interest;

(3) collateralized mortgage obligations that have a stated final maturity date of greater than 10 years; and

(4) collateralized mortgage obligations the interest rate of which is determined by an index that adjusts opposite to the changes in a market index.

Amended by Acts 1995, 74th Leg., ch. 402, Sec. 1, eff. Sept. 1, 1995; Acts 1999, 76th Leg., ch. 1454, Sec. 7, eff. Sept. 1, 1999; Acts 2001, 77th Leg., ch. 558, Sec. 1, eff. Sept. 1, 2001.

Amended by:

Acts 2011, 82nd Leg., R.S., Ch. 1004 (H.B. 2226), Sec. 4, eff. June 17, 2011.

Acts 2017, 85th Leg., R.S., Ch. 773 (H.B. 1003), Sec. 2, eff. June 14, 2017.

Acts 2017, 85th Leg., R.S., Ch. 863 (H.B. 2647), Sec. 1, eff. June 15, 2017.

Acts 2017, 85th Leg., R.S., Ch. 874 (H.B. 2928), Sec. 1, eff. September 1, 2017.

Sec. 2256.010. AUTHORIZED INVESTMENTS: CERTIFICATES OF DEPOSIT AND SHARE CERTIFICATES. (a) A certificate of deposit or share certificate is an authorized investment under this subchapter if the certificate is 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 Insurance 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 investing entity.

(b) In addition to the authority to invest funds in certificates of deposit under Subsection (a), an investment in certificates of deposit made in accordance with the following conditions is an authorized investment under this subchapter:

(1) the funds are invested by an investing entity through:

(A) 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 Section 2256.025; or

(B) a depository institution that has its main office or a branch office in this state and that is selected by the investing entity;

(2) the broker or the depository institution selected by the investing entity under Subdivision (1) arranges for the deposit of the funds in certificates of deposit in one or more federally insured depository institutions, wherever located, for the account of the investing entity;

(3) the full amount of the principal and accrued interest of each of the certificates of deposit is insured by the United States or an instrumentality of the United States; and

(4) the investing entity appoints the depository institution selected by the investing entity under Subdivision (1), an entity described by Section 2257.041(d), or a clearing broker-dealer registered with the Securities and Exchange Commission and operating pursuant to Securities and Exchange Commission Rule 15c3-3 (17 C.F.R. Section 240.15c3-3) as custodian for the investing entity with respect to the certificates of deposit issued for the account of the investing entity.

Amended by Acts 1995, 74th Leg., ch. 32, Sec. 1, eff. April 28, 1995; Acts 1995, 74th Leg., ch. 402, Sec. 1, eff. Sept. 1, 1995; Acts 1997, 75th Leg., ch. 1421, Sec. 6, eff. Sept. 1, 1997.

Amended by:

Acts 2005, 79th Leg., Ch. 128 (H.B. 256), Sec. 1, eff. September 1, 2005.

Acts 2011, 82nd Leg., R.S., Ch. 1004 (H.B. 2226), Sec. 5, eff. June 17, 2011.

Acts 2017, 85th Leg., R.S., Ch. 874 (H.B. 2928), Sec. 2, eff. September 1, 2017.

Sec. 2256.011. AUTHORIZED INVESTMENTS: REPURCHASE AGREEMENTS. (a) A fully collateralized repurchase agreement is an authorized investment under this subchapter if the repurchase agreement:

- (1) has a defined termination date;
- (2) is secured by a combination of cash and obligations described by Section 2256.009(a)(1) or 2256.013 or, if applicable, Section 2256.0204;
- (3) requires the securities being purchased by the entity or cash held by the entity to be pledged to the entity, held in the entity's name, and deposited at the time the investment is made with the entity or with a third party selected and approved by the entity; 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.

(b) In this section, "repurchase agreement" means a simultaneous agreement to buy, hold for a specified time, and sell back at a future date obligations described by Section 2256.009(a)(1) or 2256.013 or, if applicable, Section 2256.0204, at a market value at the time the funds are disbursed of not less than the principal amount of the funds disbursed. The term includes a direct security repurchase agreement and a reverse security repurchase agreement.

(c) Notwithstanding any other law, the term of any reverse security repurchase agreement may not exceed 90 days after the date the reverse security repurchase agreement is delivered.

(d) Money received by an entity under the terms of a reverse security repurchase agreement shall be used to acquire additional authorized investments, but the term of the authorized investments acquired must mature not later than the expiration date stated in the reverse security repurchase agreement.

(e) Section 1371.059(c) applies to the execution of a repurchase agreement by an investing entity.

Amended by Acts 1995, 74th Leg., ch. 402, Sec. 1, eff. Sept. 1, 1995.

Amended by:

Acts 2011, 82nd Leg., R.S., Ch. 1004 (H.B. 2226), Sec. 6, eff. June 17, 2011.

Acts 2017, 85th Leg., R.S., Ch. 773 (H.B. 1003), Sec. 3, eff. June 14, 2017.

Acts 2019, 86th Leg., R.S., Ch. 1133 (H.B. 2706), Sec. 1, eff. September 1, 2019.

Sec. 2256.0115. AUTHORIZED INVESTMENTS: SECURITIES LENDING PROGRAM.

(a) A securities lending program is an authorized investment under this subchapter if it meets the conditions provided by this section.

(b) To qualify as an authorized investment under this subchapter:

(1) the value of securities loaned under the program must be not less than 100 percent collateralized, including accrued income;

(2) a loan made under the program must allow for termination at any time;

(3) a loan made under the program must be secured by:

(A) pledged securities described by Section 2256.009;

(B) pledged irrevocable letters of credit issued by a bank

that is:

(i) organized and existing under the laws of the United States or any other state; and

(ii) continuously rated by at least one nationally recognized investment rating firm at not less than A or its equivalent; or

(C) cash invested in accordance with Section:

(i) 2256.009;

(ii) 2256.013;

(iii) 2256.014; or

(iv) 2256.016;

(4) the terms of a loan made under the program must require that the securities being held as collateral be:

(A) pledged to the investing entity;

(B) held in the investing entity's name; and

(C) deposited at the time the investment is made with the entity or with a third party selected by or approved by the investing entity;

(5) a loan made under the program must be placed through:

(A) 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

(B) a financial institution doing business in this state;

and

(6) an agreement to lend securities that is executed under this section must have a term of one year or less.

Added by Acts 2003, 78th Leg., ch. 1227, Sec. 1, eff. Sept. 1, 2003.

Sec. 2256.012. AUTHORIZED INVESTMENTS: BANKER'S ACCEPTANCES. A bankers' acceptance is an authorized investment under this subchapter if the bankers' acceptance:

(1) has a stated maturity of 270 days or fewer from the date of its issuance;

(2) will be, in accordance with its terms, liquidated in full at maturity;

(3) is eligible for collateral for borrowing from a Federal Reserve Bank; and

(4) is accepted by a bank organized and existing under the laws of the United States or any state, if the short-term obligations of the bank, or of a bank holding company of which the bank is the largest subsidiary, are rated not less than A-1 or P-1 or an equivalent rating by at least one nationally recognized credit rating agency.

Amended by Acts 1995, 74th Leg., ch. 402, Sec. 1, eff. Sept. 1, 1995.

Sec. 2256.013. AUTHORIZED INVESTMENTS: COMMERCIAL PAPER. Commercial paper is an authorized investment under this subchapter if the commercial paper:

(1) has a stated maturity of 365 days or fewer 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.

Amended by Acts 1995, 74th Leg., ch. 402, Sec. 1, eff. Sept. 1, 1995.

Amended by:

Acts 2019, 86th Leg., R.S., Ch. 1133 (H.B. 2706), Sec. 2, eff. September 1, 2019.

## Sec. 2256.014. AUTHORIZED INVESTMENTS: MUTUAL FUNDS.

(a) A no-load money market mutual fund is an authorized investment under this subchapter if the mutual fund:

(1) is registered with and regulated by the Securities and Exchange Commission;

(2) provides the investing entity with a prospectus and other information required by the Securities Exchange Act of 1934 (15 U.S.C. Section 78a et seq.) or the Investment Company Act of 1940 (15 U.S.C. Section 80a-1 et seq.); and

(3) complies with federal Securities and Exchange Commission Rule 2a-7 (17 C.F.R. Section 270.2a-7), promulgated under the Investment Company Act of 1940 (15 U.S.C. Section 80a-1 et seq.).

(b) In addition to a no-load money market mutual fund permitted as an authorized investment in Subsection (a), a no-load mutual fund is an authorized investment under this subchapter if the mutual fund:

(1) is registered with the Securities and Exchange Commission;

(2) has an average weighted maturity of less than two years; and

(3) either:

(A) has a duration of one year or more and is invested exclusively in obligations approved by this subchapter; or

(B) has a duration of less than one year and the investment portfolio is limited to investment grade securities, excluding asset-backed securities.

(c) An entity is not authorized by this section to:

(1) 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 described in Subsection (b);

(2) invest any portion of bond proceeds, reserves and funds held for debt service, in mutual funds described in Subsection (b); or

(3) 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 described in Subsection (a) or (b) in an amount that exceeds 10 percent of the total assets of the mutual fund.

Amended by Acts 1995, 74th Leg., ch. 402, Sec. 1, eff. Sept. 1, 1995; Acts 1997, 75th Leg., ch. 1421, Sec. 7, eff. Sept. 1, 1997; Acts 1999, 76th Leg., ch. 1454, Sec. 8, eff. Sept. 1, 1999.

Amended by:

Acts 2017, 85th Leg., R.S., Ch. 773 (H.B. 1003), Sec. 4, eff. June 14, 2017.

Sec. 2256.015. AUTHORIZED INVESTMENTS: GUARANTEED INVESTMENT CONTRACTS. (a) A guaranteed investment contract is an authorized investment for bond proceeds under this subchapter if the guaranteed investment contract:

- (1) has a defined termination date;
- (2) is secured by obligations described by Section 2256.009(a)(1), excluding those obligations described by Section 2256.009(b), in an amount at least equal to the amount of bond proceeds invested under the contract; and
- (3) is pledged to the entity and deposited with the entity or with a third party selected and approved by the entity.

(b) Bond proceeds, other than bond proceeds representing reserves and funds maintained for debt service purposes, may not be invested under this subchapter in a guaranteed investment contract with a term of longer than five years from the date of issuance of the bonds.

(c) To be eligible as an authorized investment:

(1) the governing body of the entity must specifically authorize guaranteed investment contracts as an eligible investment in the order, ordinance, or resolution authorizing the issuance of bonds;

(2) the entity must receive bids from at least three separate providers with no material financial interest in the bonds from which proceeds were received;

(3) the entity must purchase the highest yielding guaranteed investment contract for which a qualifying bid is received;

(4) the price of the guaranteed investment contract must take into account the reasonably expected drawdown schedule for the bond proceeds to be invested; and

(5) the provider must certify the administrative costs reasonably expected to be paid to third parties in connection with the guaranteed investment contract.

(d) Section 1371.059(c) applies to the execution of a guaranteed investment contract by an investing entity.

Amended by Acts 1995, 74th Leg., ch. 402, Sec. 1, eff. Sept. 1, 1995; Acts 1997, 75th Leg., ch. 1421, Sec. 8, eff. Sept. 1, 1997; Acts 1999, 76th Leg., ch. 1454, Sec. 9, 10, eff. Sept. 1, 1999.

Amended by:

Acts 2017, 85th Leg., R.S., Ch. 773 (H.B. 1003), Sec. 5, eff. June 14, 2017.

Sec. 2256.016. AUTHORIZED INVESTMENTS: INVESTMENT POOLS. (a) 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. An investment pool shall invest the funds it receives from entities in authorized investments permitted by this subchapter. 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.

(b) To be eligible to receive funds from and invest funds on behalf of an entity under this chapter, an investment pool must furnish to the investment officer or other authorized representative of the entity an offering circular or other similar disclosure instrument that contains, at a minimum, the following information:

- (1) the types of investments in which money is allowed to be invested;
- (2) the maximum average dollar-weighted maturity allowed, based on the stated maturity date, of the pool;
- (3) the maximum stated maturity date any investment security within the portfolio has;
- (4) the objectives of the pool;
- (5) the size of the pool;
- (6) the names of the members of the advisory board of the pool and the dates their terms expire;
- (7) the custodian bank that will safekeep the pool's assets;
- (8) whether the intent of the pool is to maintain a net asset value of one dollar and the risk of market price fluctuation;
- (9) whether the only source of payment is the assets of the pool at market value or whether there is a secondary source of payment, such as insurance or guarantees, and a description of the secondary source of payment;
- (10) the name and address of the independent auditor of the pool;
- (11) the requirements to be satisfied for an entity to deposit funds in and withdraw funds from the pool and any deadlines or other operating policies required for the entity to invest funds in and withdraw funds from the pool;
- (12) the performance history of the pool, including yield, average dollar-weighted maturities, and expense ratios; and
- (13) the pool's policy regarding holding deposits in cash.

(c) To maintain eligibility to receive funds from and invest funds on behalf of an entity under this chapter, an investment pool must furnish to the investment officer or other authorized representative of the entity:

(1) investment transaction confirmations; and

(2) a monthly report that contains, at a minimum, the following information:

(A) the types and percentage breakdown of securities in which the pool is invested;

(B) the current average dollar-weighted maturity, based on the stated maturity date, of the pool;

(C) the current percentage of the pool's portfolio in investments that have stated maturities of more than one year;

(D) the book value versus the market value of the pool's portfolio, using amortized cost valuation;

(E) the size of the pool;

(F) the number of participants in the pool;

(G) the custodian bank that is safekeeping the assets of the pool;

(H) a listing of daily transaction activity of the entity participating in the pool;

(I) the yield and expense ratio of the pool, including a statement regarding how yield is calculated;

(J) the portfolio managers of the pool; and

(K) any changes or addenda to the offering circular.

(d) 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.

(e) In this section, for purposes of an investment pool for which a \$1.00 net asset value is maintained, "yield" shall be calculated in accordance with regulations governing the registration of open-end management investment companies under the Investment Company Act of 1940, as promulgated from time to time by the federal Securities and Exchange Commission.

(f) To be eligible to receive funds from and invest funds on behalf of an entity under this chapter:

(1) a public funds investment pool that uses amortized cost or fair value accounting must mark its portfolio to market daily; and

(2) if the investment pool uses amortized cost:

(A) the investment pool must, to the extent reasonably possible, stabilize at a \$1.00 net asset value, when rounded and expressed



to two decimal places;

(B) the governing body of the investment pool must, if the ratio of the market value of the portfolio divided by the book value of the portfolio is less than 0.995 or greater than 1.005, take action as the body determines necessary to eliminate or reduce to the extent reasonably practicable any dilution or unfair result to existing participants, including a sale of portfolio holdings to attempt to maintain the ratio between 0.995 and 1.005; and

(C) the investment pool must, in addition to the requirements of its investment policy and any other forms of reporting, report yield to its investors in accordance with regulations of the federal Securities and Exchange Commission applicable to reporting by money market funds.

(g) To be eligible to receive funds from and invest funds on behalf of an entity under this chapter, a public funds investment pool must have an advisory board composed:

(1) equally of participants in the pool and other persons who do not have a business relationship with the pool and are qualified to advise the pool, for a public funds investment pool created under Chapter 791 and managed by a state agency; or

(2) of participants in the pool and other persons who do not have a business relationship with the pool and are qualified to advise the pool, for other investment pools.

(h) To maintain eligibility to receive funds from and invest funds on behalf of an entity under this chapter, an 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.

(i) If the investment pool operates an Internet website, the information in a disclosure instrument or report described in Subsections (b), (c)(2), and (f) must be posted on the website.

(j) To maintain eligibility to receive funds from and invest funds on behalf of an entity under this chapter, an investment pool must make available to the entity an annual audited financial statement of the investment pool in which the entity has funds invested.

(k) If an investment pool offers fee breakpoints based on fund balances invested, the investment pool in advertising investment rates must include either all levels of return based on the breakpoints provided or state the lowest possible level of return based on the smallest level of funds invested.

Amended by Acts 1995, 74th Leg., ch. 402, Sec. 1, eff. Sept. 1, 1995; Acts 1997, 75th Leg., ch. 1421, Sec. 9, eff. Sept. 1, 1997.

Amended by:

Acts 2011, 82nd Leg., R.S., Ch. 1004 (H.B. 2226), Sec. 7, eff. June 17, 2011.

Acts 2017, 85th Leg., R.S., Ch. 773 (H.B. 1003), Sec. 6, eff. June 14, 2017.

Acts 2019, 86th Leg., R.S., Ch. 1133 (H.B. 2706), Sec. 3, eff. September 1, 2019.

Sec. 2256.017. EXISTING INVESTMENTS. Except as provided by Chapter 2270, an entity is not required to liquidate investments that were authorized investments at the time of purchase.

Added by Acts 1995, 74th Leg., ch. 76, Sec. 5.46(a), eff. Sept. 1, 1995; Acts 1995, 74th Leg., ch. 402, Sec. 1, eff. Sept. 1, 1995. Amended by Acts 1997, 75th Leg., ch. 1421, Sec. 10, eff. Sept. 1, 1997.

Amended by:

Acts 2017, 85th Leg., R.S., Ch. 96 (S.B. 253), Sec. 2, eff. May 23, 2017.

Sec. 2256.019. RATING OF CERTAIN INVESTMENT POOLS. 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.

Added by Acts 1995, 74th Leg., ch. 402, Sec. 1, eff. Sept. 1, 1995.

Amended by Acts 1997, 75th Leg., ch. 1421, Sec. 11, eff. Sept. 1, 1997.

Amended by:

Acts 2011, 82nd Leg., R.S., Ch. 1004 (H.B. 2226), Sec. 8, eff. June 17, 2011.

Sec. 2256.020. AUTHORIZED INVESTMENTS: INSTITUTIONS OF HIGHER EDUCATION. In addition to the authorized investments permitted by this subchapter, an institution of higher education may purchase, sell, and invest its funds and funds under its control in the following:

(1) cash management and fixed income funds sponsored by organizations exempt from federal income taxation under Section 501(f), Internal Revenue Code of 1986 (26 U.S.C. Section 501(f));

(2) negotiable certificates of deposit issued by a bank that has a certificate of deposit rating of at least 1 or the equivalent by a nationally recognized credit rating agency or that is associated with a

holding company having a commercial paper rating of at least A-1, P-1, or the equivalent by a nationally recognized credit rating agency; and

(3) corporate bonds, debentures, or similar debt obligations rated by a nationally recognized investment rating firm in one of the two highest long-term rating categories, without regard to gradations within those categories.

Added by Acts 1995, 74th Leg., ch. 402, Sec. 1, eff. Sept. 1, 1995.

Sec. 2256.0201. AUTHORIZED INVESTMENTS; MUNICIPAL UTILITY. (a) A municipality that owns a municipal electric utility that is engaged in the distribution and sale of electric energy or natural gas to the public may enter into a hedging contract and related security and insurance agreements in relation to fuel oil, natural gas, coal, nuclear fuel, and electric energy to protect against loss due to price fluctuations. A hedging transaction must comply with the regulations of the Commodity Futures Trading Commission and the Securities and Exchange Commission. If there is a conflict between the municipal charter of the municipality and this chapter, this chapter prevails.

(b) A payment by a municipally owned electric or gas utility under a hedging contract or related agreement in relation to fuel supplies or fuel reserves is a fuel expense, and the utility may credit any amounts it receives under the contract or agreement against fuel expenses.

(c) The governing body of a municipally owned electric or gas utility or the body vested with power to manage and operate the municipally owned electric or gas utility may set policy regarding hedging transactions.

(d) In this section, "hedging" means the buying and selling of fuel oil, natural gas, coal, nuclear fuel, and electric energy futures or options or similar contracts on those commodities and related transportation costs as a protection against loss due to price fluctuation.

Added by Acts 1999, 76th Leg., ch. 405, Sec. 48, eff. Sept. 1, 1999.

Amended by:

Acts 2007, 80th Leg., R.S., Ch. 7 (S.B. 495), Sec. 1, eff. April 13, 2007.

Sec. 2256.0202. AUTHORIZED INVESTMENTS: MUNICIPAL FUNDS FROM MANAGEMENT AND DEVELOPMENT OF MINERAL RIGHTS. (a) In addition to other investments authorized under this subchapter, a municipality may invest funds received by the municipality from a lease or contract for the management and development of land owned by the municipality and leased for

oil, gas, or other mineral development in any investment authorized to be made by a trustee under Subtitle B, Title 9, Property Code (Texas Trust Code).

(b) Funds invested by a municipality under this section shall be segregated and accounted for separately from other funds of the municipality.

Added by Acts 2009, 81st Leg., R.S., Ch. 1371 (S.B. 894), Sec. 1, eff. September 1, 2009.

Sec. 2256.0203. AUTHORIZED INVESTMENTS: PORTS AND NAVIGATION DISTRICTS. (a) In this section, "district" means a navigation district organized under Section 52, Article III, or Section 59, Article XVI, Texas Constitution.

(b) In addition to the authorized investments permitted by this subchapter, a port or district may purchase, sell, and invest its funds and funds under its control in negotiable certificates of deposit issued by a bank that has a certificate of deposit rating of at least 1 or the equivalent by a nationally recognized credit rating agency or that is associated with a holding company having a commercial paper rating of at least A-1, P-1, or the equivalent by a nationally recognized credit rating agency.

Added by Acts 2011, 82nd Leg., R.S., Ch. 804 (H.B. 2346), Sec. 1, eff. September 1, 2011.

Sec. 2256.0204. AUTHORIZED INVESTMENTS: INDEPENDENT SCHOOL DISTRICTS. (a) In this section, "corporate bond" means a senior secured debt obligation issued by a domestic business entity and rated not lower than "AA-" or the equivalent by a nationally recognized investment rating firm. The term does not include a debt obligation that:

(1) on conversion, would result in the holder becoming a stockholder or shareholder in the entity, or any affiliate or subsidiary of the entity, that issued the debt obligation; or

(2) is an unsecured debt obligation.

(b) This section applies only to an independent school district that qualifies as an issuer as defined by Section 1371.001.

(c) In addition to authorized investments permitted by this subchapter, an independent school district subject to this section may purchase, sell, and invest its funds and funds under its control in corporate bonds that, at the time of purchase, are rated by a nationally

recognized investment rating firm "AA-" or the equivalent and have a stated final maturity that is not later than the third anniversary of the date the corporate bonds were purchased.

(d) An independent school district subject to this section is not authorized by this section to:

(1) invest in the aggregate more than 15 percent of its monthly average fund balance, excluding bond proceeds, reserves, and other funds held for the payment of debt service, in corporate bonds; or

(2) invest more than 25 percent of the funds invested in corporate bonds in any one domestic business entity, including subsidiaries and affiliates of the entity.

(e) An independent school district subject to this section may purchase, sell, and invest its funds and funds under its control in corporate bonds if the governing body of the district:

(1) amends its investment policy to authorize corporate bonds as an eligible investment;

(2) adopts procedures to provide for:

(A) monitoring rating changes in corporate bonds acquired with public funds; and

(B) liquidating the investment in corporate bonds; and

(3) identifies the funds eligible to be invested in corporate bonds.

(f) The investment officer of an independent school district, acting on behalf of the district, shall sell corporate bonds in which the district has invested its funds not later than the seventh day after the date a nationally recognized investment rating firm:

(1) issues a release that places the corporate bonds or the domestic business entity that issued the corporate bonds on negative credit watch or the equivalent, if the corporate bonds are rated "AA-" or the equivalent at the time the release is issued; or

(2) changes the rating on the corporate bonds to a rating lower than "AA-" or the equivalent.

(g) Repealed by Acts 2019, 86th Leg., R.S., Ch. 1133 (H.B. 2706), Sec. 5, eff. September 1, 2019.

Added by Acts 2011, 82nd Leg., R.S., Ch. 1347 (S.B. 1543), Sec. 1, eff. June 17, 2011.

Amended by:

Acts 2019, 86th Leg., R.S., Ch. 1133 (H.B. 2706), Sec. 5, eff. September 1, 2019.

## Sec. 2256.0205. AUTHORIZED INVESTMENTS; DECOMMISSIONING TRUST. (a)

In this section:

(1) "Decommissioning trust" means a trust created to provide the Nuclear Regulatory Commission assurance that funds will be available for decommissioning purposes as required under 10 C.F.R. Part 50 or other similar regulation.

(2) "Funds" includes any money held in a decommissioning trust regardless of whether the money is considered to be public funds under this subchapter.

(b) In addition to other investments authorized under this subchapter, a municipality that owns a municipal electric utility that is engaged in the distribution and sale of electric energy or natural gas to the public may invest funds held in a decommissioning trust in any investment authorized by Subtitle B, Title 9, Property Code.

Added by Acts 2005, 79th Leg., Ch. 121 (S.B. 1464), Sec. 1, eff. September 1, 2005.

## Sec. 2256.0206. AUTHORIZED INVESTMENTS: HEDGING TRANSACTIONS. (a)

In this section:

(1) "Eligible entity" means a political subdivision that has:

(A) a principal amount of at least \$250 million in:

(i) outstanding long-term indebtedness;

(ii) long-term indebtedness proposed to be issued; or

(iii) a combination of outstanding long-term

indebtedness and long-term indebtedness proposed to be issued; and

(B) outstanding long-term indebtedness that is rated in one of the four highest rating categories for long-term debt instruments by a nationally recognized rating agency for municipal securities, without regard to the effect of any credit agreement or other form of credit enhancement entered into in connection with the obligation.

(2) "Eligible project" has the meaning assigned by Section 1371.001.

(3) "Hedging" means acting to protect against economic loss due to price fluctuation of a commodity or related investment by entering into an offsetting position or using a financial agreement or producer price agreement in a correlated security, index, or other commodity.

(b) This section prevails to the extent of any conflict between this section and:

- (1) another law; or
- (2) an eligible entity's municipal charter, if applicable.

(c) The governing body of an eligible entity shall establish the entity's policy regarding hedging transactions.

(d) An eligible entity may enter into hedging transactions, including hedging contracts, and related security, credit, and insurance agreements in connection with commodities used by an eligible entity in the entity's general operations, with the acquisition or construction of a capital project, or with an eligible project. A hedging transaction must comply with the regulations of the federal Commodity Futures Trading Commission and the federal Securities and Exchange Commission.

(e) An eligible entity may pledge as security for and to the payment of a hedging contract or a security, credit, or insurance agreement any general or special revenues or funds the entity is authorized by law to pledge to the payment of any other obligation.

(f) Section 1371.059(c) applies to the execution by an eligible entity of a hedging contract and any related security, credit, or insurance agreement.

(g) An eligible entity may credit any amount the entity receives under a hedging contract against expenses associated with a commodity purchase.

(h) An eligible entity's cost of or payment under a hedging contract or agreement may be considered:

- (1) an operation and maintenance expense of the eligible entity;
- (2) an acquisition expense of the eligible entity;
- (3) a project cost of an eligible project; or
- (4) a construction expense of the eligible entity.

Added by Acts 2017, 85th Leg., R.S., Ch. 773 (H.B. 1003), Sec. 7, eff. June 14, 2017.

Sec. 2256.0207. AUTHORIZED INVESTMENTS: PUBLIC JUNIOR COLLEGE DISTRICT FUNDS FROM MANAGEMENT AND DEVELOPMENT OF MINERAL RIGHTS. (a) In addition to other investments authorized under this subchapter, the governing board of a public junior college district may invest funds received by the district from a lease or contract for the management and development of land owned by the district and leased for oil, gas, or other mineral development in any investment authorized to be made by a trustee under Subtitle B, Title 9, Property Code (Texas Trust Code).

(b) Funds invested by the governing board of a public junior college district under this section shall be segregated and accounted for separately from other funds of the district.

Added by Acts 2017, 85th Leg., R.S., Ch. 344 (H.B. 1472), Sec. 1, eff. September 1, 2017.

Redesignated from Government Code, Section 2256.0206 by Acts 2019, 86th Leg., R.S., Ch. 467 (H.B. 4170), Sec. 21.001(34), eff. September 1, 2019.

Sec. 2256.0208. LOCAL GOVERNMENT INVESTMENT OF BOND PROCEEDS AND PLEDGED REVENUE. (a) In this section, "pledged revenue" means money pledged to the payment of or as security for:

- (1) bonds or other indebtedness issued by a local government;
- (2) obligations under a lease, installment sale, or other agreement of a local government; or
- (3) certificates of participation in a debt or obligation described by Subdivision (1) or (2).

(b) The investment officer of a local government may invest bond proceeds or pledged revenue only to the extent permitted by this chapter, in accordance with:

- (1) statutory provisions governing the debt issuance or the agreement, as applicable; and
- (2) the local government's investment policy regarding the debt issuance or the agreement, as applicable.

Added by Acts 2019, 86th Leg., R.S., Ch. 1133 (H.B. 2706), Sec. 4, eff. September 1, 2019.

Sec. 2256.021. EFFECT OF LOSS OF REQUIRED RATING. An investment that requires a minimum rating under this subchapter does not qualify as an authorized investment during the period the investment does not have the minimum rating. An entity shall take all prudent measures that are consistent with its investment policy to liquidate an investment that does not have the minimum rating.

Added by Acts 1995, 74th Leg., ch. 402, Sec. 1, eff. Sept. 1, 1995.

Sec. 2256.022. EXPANSION OF INVESTMENT AUTHORITY. Expansion of investment authority granted by this chapter shall require a risk assessment by the state auditor or performed at the direction of the state



auditor, subject to the legislative audit committee's approval of including the review in the audit plan under Section 321.013.

Added by Acts 1995, 74th Leg., ch. 402, Sec. 1, eff. Sept. 1, 1995.

Amended by Acts 2003, 78th Leg., ch. 785, Sec. 42, eff. Sept. 1, 2003.

Sec. 2256.023. INTERNAL MANAGEMENT REPORTS. (a) Not less than quarterly, the investment officer shall prepare and submit to the governing body of the entity a written report of investment transactions for all funds covered by this chapter for the preceding reporting period.

(b) The report must:

- (1) describe in detail the investment position of the entity on the date of the report;
- (2) be prepared jointly by all investment officers of the entity;
- (3) be signed by each investment officer of the entity;
- (4) contain a summary statement of each pooled fund group that states the:
  - (A) beginning market value for the reporting period;
  - (B) ending market value for the period; and
  - (C) fully accrued interest for the reporting period;
- (5) state the book value and market value of each separately invested asset at the end of the reporting period by the type of asset and fund type invested;
- (6) state the maturity date of each separately invested asset that has a maturity date;
- (7) state the account or fund or pooled group fund in the state agency or local government for which each individual investment was acquired; and
- (8) state the compliance of the investment portfolio of the state agency or local government as it relates to:
  - (A) the investment strategy expressed in the agency's or local government's investment policy; and
  - (B) relevant provisions of this chapter.

(c) The report shall be presented not less than quarterly to the governing body and the chief executive officer of the entity within a reasonable time after the end of the period.

(d) If an entity invests in other than money market mutual funds, investment pools or accounts offered by its depository bank in the form of certificates of deposit, or money market accounts or similar accounts, the reports prepared by the investment officers under this section shall be

formally reviewed at least annually by an independent auditor, and the result of the review shall be reported to the governing body by that auditor.

Added by Acts 1995, 74th Leg., ch. 402, Sec. 1, eff. Sept. 1, 1995.

Amended by Acts 1997, 75th Leg., ch. 1421, Sec. 12, eff. Sept. 1, 1997.

Amended by:

Acts 2011, 82nd Leg., R.S., Ch. 1004 (H.B. 2226), Sec. 9, eff. June 17, 2011.

Sec. 2256.024. SUBCHAPTER CUMULATIVE. (a) The authority granted by this subchapter is in addition to that granted by other law. Except as provided by Subsection (b) and Section 2256.017, this subchapter does not:

(1) prohibit an investment specifically authorized by other law;

or

(2) authorize an investment specifically prohibited by other law.

(b) Except with respect to those investing entities described in Subsection (c), a security described in Section 2256.009(b) is not an authorized investment for a state agency, a local government, or another investing entity, notwithstanding any other provision of this chapter or other law to the contrary.

(c) Mortgage pass-through certificates and individual mortgage loans that may constitute an investment described in Section 2256.009(b) are authorized investments with respect to the housing bond programs operated by:

(1) the Texas Department of Housing and Community Affairs or a nonprofit corporation created to act on its behalf;

(2) an entity created under Chapter 392, Local Government Code;

or

(3) an entity created under Chapter 394, Local Government Code.

Added by Acts 1995, 74th Leg., ch. 402, Sec. 1, eff. Sept. 1, 1995.

Amended by:

Acts 2017, 85th Leg., R.S., Ch. 96 (S.B. 253), Sec. 3, eff. May 23, 2017.

Sec. 2256.025. SELECTION OF AUTHORIZED BROKERS. The governing body of an entity subject to this subchapter or the designated investment committee of the entity shall, at least annually, review, revise, and adopt a list of qualified brokers that are authorized to engage in investment transactions with the entity.

Added by Acts 1997, 75th Leg., ch. 1421, Sec. 13, eff. Sept. 1, 1997.

Sec. 2256.026. STATUTORY COMPLIANCE. All investments made by entities must comply with this subchapter and all federal, state, and local statutes, rules, or regulations.

Added by Acts 1997, 75th Leg., ch. 1421, Sec. 13, eff. Sept. 1, 1997.

#### SUBCHAPTER B. MISCELLANEOUS PROVISIONS

Sec. 2256.051. ELECTRONIC FUNDS TRANSFER. Any local government may use electronic means to transfer or invest all funds collected or controlled by the local government.

Amended by Acts 1995, 74th Leg., ch. 402, Sec. 1, eff. Sept. 1, 1995.

Sec. 2256.052. PRIVATE AUDITOR. Notwithstanding any other law, a state agency shall employ a private auditor if authorized by the legislative audit committee either on the committee's initiative or on request of the governing body of the agency.

Amended by Acts 1995, 74th Leg., ch. 402, Sec. 1, eff. Sept. 1, 1995.

Sec. 2256.053. PAYMENT FOR SECURITIES PURCHASED BY STATE. The comptroller or the disbursing officer of an agency that has the power to invest assets directly may pay for authorized securities purchased from or through a member in good standing of the National Association of Securities Dealers or from or through a national or state bank on receiving an invoice from the seller of the securities showing that the securities have been purchased by the board or agency and that the amount to be paid for the securities is just, due, and unpaid. A purchase of securities may not be made at a price that exceeds the existing market value of the securities.

Amended by Acts 1995, 74th Leg., ch. 402, Sec. 1, eff. Sept. 1, 1995; Acts 1997, 75th Leg., ch. 1423, Sec. 8.67, eff. Sept. 1, 1997.

Sec. 2256.054. DELIVERY OF SECURITIES PURCHASED BY STATE. A security purchased under this chapter may be delivered to the comptroller, a bank, or the board or agency investing its funds. The delivery shall be made

under normal and recognized practices in the securities and banking industries, including the book entry procedure of the Federal Reserve Bank.

Amended by Acts 1995, 74th Leg., ch. 402, Sec. 1, eff. Sept. 1, 1995; Acts 1997, 75th Leg., ch. 1423, Sec. 8.68, eff. Sept. 1, 1997.

Sec. 2256.055. DEPOSIT OF SECURITIES PURCHASED BY STATE. At the direction of the comptroller or the agency, a security purchased under this chapter may be deposited in trust with a bank or federal reserve bank or branch designated by the comptroller, whether in or outside the state. The deposit shall be held in the entity's name as evidenced by a trust receipt of the bank with which the securities are deposited.

Amended by Acts 1995, 74th Leg., ch. 402, Sec. 1, eff. Sept. 1, 1995; Acts 1997, 75th Leg., ch. 1423, Sec. 8.69, eff. Sept. 1, 1997.