RESOLUTION TO ADOPT MEDINA COUNTY INVESTMENT POLICY 2016-2017

STATE OF TEXAS }
}
COUNTY OF MEDINA }

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 annually by resolution a County Investment Policy and appoint a County Investment Officer; and

WHEREAS, the Commissioners' Court of Medina County has reviewed the Investment Policy 2016-2017 and its attachments and believes its adoption as amended would be appropriate for and to the financial benefit of Medina County, Texas.

NOW, THEREFORE, BE IT RESOLVED, the Commissioners' Court of Medina County, in a regular meeting convened and acting in its capacity as the governing body of Medina County, hereby affirms the attached Medina County Investment Policy 2016-2017, setting forth its investment strategies by fund type, and appointing the Medina County Treasurer as the Medina County Investment Officer, charged with implementing the stated investment policies.

IN WITNESS WHEREOF, we have hereunto set our hands and caused the great seal of Medina County to be affixed this 21st day of December 2016

Chris Schuchart, County Judge

Larry Sittre, Pct#2 Commissioner

Richard Saathoff, Pct#1 Commissioner

David Lynch, Pct#3 Commissioner

Jerry Beck, Pct#4 Commissioner

COMMISSIONERS COURT MEDINA COUNTY, TEXAS

ATTEST:

Lisa Wernette, County Clerk

MEDINA COUNTY INVESTMENT POLICY
APPROVED December 21, 2016

1.00 INVESTMENT SCOPE

1.01 GENERAL STATEMENT – This policy applies to the investment activities of the County of Medina, Hondo, Texas. This policy serves to satisfy the statutory requirement of Government Code Chapter 2256 and Local Government Code Chapter 116.112 to define and adopt a formal investment policy. This policy will be reviewed and adopted by Resolution at least annually, according to Govt. Code Section 2256.005(e).

1.02 FUNDS INCLUDED – All financial assets of all funds of the County of Medina, Hondo, Texas, at the present time, any funds to be created in the future, and any other funds held in custody by the County Treasurer shall be administered in accordance with the provisions of these policies, unless expressly prohibited by law or unless it violates any depository contract between Medina County and any depository bank.

1.03 COUNTY INVESTMENT OFFICER – In accordance with Section 116.112(a), Local Government Code and/or Government Code Section 2256.005(f) and (g), the Medina County Treasurer may invest County funds that are not immediately required to pay the obligations of the County. The Treasurer or Assistant Treasurer shall serve as the designated investment officer for the County. If either investment officer has a personal business relationship with an entity, as defined by the Public Funds Investment Act (PFIA), or is related within the second degree by affinity or consanguinity to an individual, seeking to sell an investment to the county, that investment officer must file a statement disclosing that personal business interest--or relationship--with the Texas Ethics Commission and the Medina County Commissioners' Court. (Government Code 2256.005i.)

2.00 INVESTMENT OBJECTIVES

2.01 GENERAL STATEMENT – Medina County funds will be invested in accordance with federal and state laws, this investment policy, and written administrative procedures. The County will invest according to investment strategies for each fund as they are adopted by Commissioners' Court resolution and the PFIA. [Sec. 2256.005(d)]

2.02 SAFETY –The County is concerned about the return of its principal; therefore, **safety of principal is a primary objective in any investment transaction** [Sec. 2256.005 (b)(2)]

2.03 LIQUIDITY – The County's investment portfolio must be structured in conformance with an asset/liability management plan which provides for liquidity necessary to pay obligations as they come due. [Sec. 2256.005(b)(2)]

2.04 DIVERSIFICATION – The policy of Medina County, except when investing in Certificates of Deposit with the depository bank or in diversified governmental investment pools, will be to diversify its investment portfolio The County's portfolio shall be diversified to reduce the risk of loss resulting from one concentration of assets in a specific maturity, a specific issuer, or a specific class of investments. [Sec.2256.005(b)(3)]

2.05 YIELD – it will be the objective of the County to earn the maximum interest 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. [Sec.2256.005(b)(3)]

2.06 MATURITY – Portfolio maturities will be structured to meet the obligations of the County first, and then to achieve the highest return of interest. The maximum allowable stated final maturity of any individual investment owned by the County would be thirty-six (36) months. [Sec. 2256.005 (b)(4)(B)] The Investment Officer will only invest funds with maturities of greater than twelve (12) months after Commissioners' Court assures the Investment Officer that the funds will not be needed during the term of investment.

2.07 SALE OF SECURITIES BEFORE MATURITY – The Medina County Treasurer may sell securities before maturity if:

(1) market conditions present an opportunity for the County to benefit from sale;
(2) funds are urgently needed to meet unforeseen expenses, even if there is a loss of interest and/or principal due to the sale; and
(3) a security has lost its minimum required rating as an authorized investment [Sec. 2256.021]

3.00 INVESTMENT RESPONSIBILITIES AND CONTROL

3.01 INVESTMENT INSTITUTIONS DEFINED –The Medina County Investment Officer shall invest County funds with any or all of the following institutions or groups consistent with federal and state law and the current Depository Bank contract:

(1) Depository bank;
(2) Other state or national banks or credit unions, or branches thereof, domiciled in Texas that are insured by FDIC or NCUSIF, or their successors;
(3) Public funds investment pools; or
(4) Government securities brokers and dealers.

3.02 QUALIFICATIONS FOR APPROVAL OF BROKER/DEALERS – In accordance with PFIA 2256.005(k), a written copy of this investment policy shall be presented to any person seeking to engage in an investment transaction with Medina County. The qualified representative of the business organization offering to engage in an investment transaction shall execute a written instrument substantially to the effect that the registered principal has:

(1) received and thoroughly reviewed the investment policy of the county;
(2) has acknowledged that the organization has implemented reasonable procedures and controls in an effort to preclude imprudent investment transactions conducted between Medina County and the organization, and
(3) In accordance with PFIA Section 2256.025, the broker must be deemed by the Medina County Commissioners' Court to be qualified and authorized to engage in investment transactions with Medina County. (Attachment B)

The Investment Officer may not buy any securities from a person who has not delivered to the county an instrument in substantially the form provided in Attachment C and in accordance with Section 2256.005(1).

3.03 STANDARDS OF OPERATION - The County Investment Officer may develop and maintain written administrative procedures for the operation of the investment program, consistent with this investment policy.

3.04 DELIVERY VS. PAYMENT – It will be the policy of the 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. (PFIA 2256.005(b)(4)(e).

3.05 INVESTMENT TRAINING – It is the County's policy to provide training required by the Public Funds Investment Act, Sec. 2256.008, and additional periodic training in investments for the County Treasurer and other Investment Committee appointees,

through courses and seminars offered by professional organizations and associations in order to insure the quality, capability, and currency of the Investment Officer in making investment decisions. The County Treasurer will receive training under 2256.008 (a)(1) &(2) through courses offered by the County Treasurer's Association of Texas, Texas Association of Counties and the association's Certified Investment Officer (CIO) program, the National Association of County Treasurers and Financial Officers (NACTFO), the Government Treasurers' Organization of Texas (GTOT), the Government Finance Officers Association (GFOA), and others deemed appropriate by the Treasurer.

3.06 LIABILITY OF INVESTMENT OFFICER AND STANDARD OF CARE – Investments shall be made with judgment and care, such 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, and considering the probable safety of capital and 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.

Although the Investment Officer cannot be held responsible for any loss of the county funds through the failure or negligence of a depository, Section 113.005 Local Government Code does not release the Investment Officer from responsibility for a loss resulting from the official misconduct or negligence of the Treasurer, including a misappropriation of the funds or from responsibility for funds until a depository is selected and the funds are deposited. The "Standard of Care" as described above would apply in such a circumstance.

3.07 ACCOUNTING AND AUDIT CONTROL – The Medina County Treasurer will establish liaison with the Medina County Auditor in preparing necessary investment forms that may be needed for the County Auditor to provide for accounting and auditing controls.

3.08 ANNUAL AUDIT AND PERFORMANCE EVALUATION – It is the policy of the Medina County Commissioners' Court to have a yearly audit of all County funds by an independent auditing firm. In conjunction with its annual audit, Medina County shall also have a compliance audit of management controls on investments and adherence to the County's established investment policies. [Government Code 2256.005(m) and Section 2256.023(d) if applicable]

4.00 INVESTMENT TYPES

4.01 AUTHORIZED INVESTMENTS – The Medina County Investment Officer shall use any or all of the following authorized investment instruments consistent with governing law (Government Code 2256), the exceptions listed in Government Code 2256.009(b), the bank depository contract, and the current adopted investment strategies (Attachment A).

(1) Obligations, including letters of credit, of the United States or its agencies and instrumentalities;
(2) Direct obligations of Texas or its agencies and instrumentalities;
(3) Other obligations, the principal and interest of which are unconditionally guaranteed or insured by, or backed by the full faith and credit of, Texas or the United States or their respective agencies and instrumentalities.
(4) Obligations of the state, agencies, counties, cities, and other political subdivisions of Texas 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 if issued by a depository institution that has its main office or a branch office in Texas 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 would be an authorized investment:
   (a) The funds are invested by the County through a broker that has its main office or branch office in Texas and is selected from a list of brokers adopted by the County as required by Section 2256.025; or
   (b) The funds are invested by the county through the depository institution with its main office or branch in Texas, and that is selected by Medina County;
   (c) The broker or 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 Medina County;
   (d) 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;
   (e) The depository institution selected by the county or a clearing broker-dealer selected by the county who is registered with the Securities and Exchange Commission and operating pursuant to SEC Rule 15c3-3(17 CFR Sec 240.15c3-3) acts as custodian for the county with respect to the certificates of deposit issued for the account of Medina County;

(7) Letters of credit, as allowed by Government Code Sec. 2256.009(a), issued by a bank organized or existing under the laws of the United States or any other state, if FDIC approved and domiciled in this state, issued as collateral for public deposits in lieu of pledging securities.

(8) Eligible investment pools (as discussed in the Public Funds Investment Act, Section 2256.016-2256.019) if the Commissioners' Court by resolution authorizes investment in the particular pool.. An investment pool shall invest the funds it receives from entities in authorized investments permitted by the Public Funds Investment Act. An investment pool may invest its funds in money market mutual funds to the extent permitted by and consistent with the Public Funds Investment Act and the investment policies and objectives adopted by the investment pool. A county by contract may delegate to an investment pool the authority to hold legal title as custodian of investments purchased with its local funds. To maintain eligibility to receive funds from and invest funds on behalf of an entity under PFIA, an investment pool must furnish to the investment officer the yield and expense ratio of the pool, including a statement regarding how yield is calculated. 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 reasonable 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 .995 or greater than 1.005, portfolio holdings shall be sold as necessary to maintain a stable ratio. In addition to the requirements of its investment policy, such a public funds investment pool shall report yield to its investors in accordance with regulations of the SEC applicable to reporting by other money market funds. A public funds investment pool must be continuously rated no lower than AAA or AAA-m or its equivalent by at least one nationally recognized rating service.

(9). In addition to investment in obligations, certificates, letters of credit or investment pools described above, bond proceeds of a county may be invested in common trust funds or comparable investment devices owned or administered by banks domiciled in Texas and whose assets consist exclusively of all or a combination of the obligations described above. Common trust funds of banks domiciled in this state may be used if they:
   (1) Are available;
   (2) Comply with the provisions of the Tax Reform Act of 1986 and applicable federal regulations governing the investment of bond proceeds; and
   (3) Meet the cash flow requirements and the investment needs of the political subdivision or institution.

If going outside of the depository contract, competitive bids must be solicited from at least three Medina County banks for common trust fund investments. If there are not three banks available for the investments within Medina County, the County may solicit bids from any bank within the state in addition to those banks, if any, that are located within the boundaries of the County. Bids may be solicited orally.

4.02 PROHIBITED INVESTMENTS – The Medina County Investment Officer has no authority to use any of the following investment instruments:

(1) Obligations whose payment represents the coupon payments on the outstanding principal balance of the underlying mortgage-backed security collateral and pay 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 of any type
(4). Repurchase agreements
(5) Bankers' acceptances
(6) Commercial paper
(7) Money market mutual funds and other mutual funds

4.03 ACTIVE PORTFOLIO MANAGEMENT – The County intends to pursue active versus passive portfolio management philosophy. That is, securities may be sold before they mature if market conditions present an opportunity for the County to benefit from the trade. Under this investment policy, all investments will be made with the intent of pursuing, at the time of purchase, the best interest rate on securities held until maturity and not with the intent of speculative trading.

5.00 INVESTMENT REPORTING AND PERFORMANCE EVALUATION

5.01 QUARTERLY REPORT – In accordance with Government Code 2256.023, the investment officer shall prepare and submit to the Commissioners' Court a written report of investment transactions for all funds for the preceding reporting period, not less than quarterly, 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 by the investment officer of the county;
(3) Be signed by the investment officer of the county;
(4) Contain a summary statement of each pooled fund group that states the:
  (a) Beginning market value for the reporting period;
  (b) Additions and changes to the investments during the period;
  (c) Ending market value for the period; and
  (d) Fully accrued interest for the reporting period.

(5) State the book value and market value, if appropriate, 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 county for which each individual investment was acquired;
(8) State the percentage of portfolio as it pertains to each of the individual invested asset;
(9) State the weighted average maturity (WAM) of each individual invested asset, where appropriate;
(10) State the Standard and Poor's (S&P) Rating (or its equivalent) of each individual invested asset, where appropriate;
(11) State the compliance of the investment portfolio of the county as it relates to:
(a) the investment strategy expressed in the county's investment policy; and

(b) relevant provisions of the PFIA.

(12) Be approved and filed in the minutes of the Commissioners' Court.

5.02 METHODS TO MONITOR MARKET VALUES - The Investment Officer will obtain the market value for each security held in all portfolios at least on a quarterly basis, from a recognized market pricing source. On a monthly basis, the collateral pledged to Medina County for bank deposits shall be valued, also from a recognized market pricing source.

5.03 NOTIFICATION OF INVESTMENT CHANGES – It shall be the duty of the County Investment Officer of Medina County, Texas, to notify the Medina County Commissioners' Court of any significant changes in current investment methods and procedures prior to their implementation, regardless of whether they are authorized by this policy or not. Such notification shall be approved and filed in the minutes of Commissioners' Court.

6.00 INVESTMENT COLLATERAL AND SAFEKEEPING

6.01 COLLATERAL OR INSURANCE – The Medina County Investment Officer shall insure that all county funds are fully collateralized or insured consistent with federal and state law and the current Bank Depository Contract in one or more of the following manners:

(1) FDIC insurance coverage; or

(2) Obligations of the United States or its agencies and instrumentalities.

(3) Direct obligations of Texas or its agencies and instrumentalities;

(4) Other obligations, the principal and interest of which are unconditionally guaranteed or insured by, or backed by the full faith and credit of Texas or the United States or their respective agencies and instrumentalities; and

(5) Obligations of the state, agencies, counties, cities, and other political subdivisions of Texas, rated as to investment quality by a nationally recognized investment rating firm, not less than A or its equivalent.

(6) Certificates of deposit and Share Certificates if issued by a depository institution that has its main office or a branch office in Texas if
(a) guaranteed or insured by FDIC or its successor; or the National Credit Union Share Insurance Fund or its successor; or
(b) secured in any other manner and amount provided by law for deposits of Medina County.

6.02 SAFEKEEPING -

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

(2) All certificates of deposit, insured by the FDIC, or share certificates insured by the NCUSIF, purchased outside the Depository Bank, shall be held in safekeeping by the County or a County account in a third party financial institution.

(3) All pledged securities by the Depository Bank shall be held in safekeeping by the County, with a Federal Reserve Bank, or with an appropriate 3rd party entity.

ATTACHMENT A—

Strategies for Funds Eligible for Investment

General strategy: When cash exceeds the 90-day projected cash needs of a particular fund, the excess cash may be invested in an authorized investment pool if liquidity is desired or in a Certificate of Deposit of an appropriate maturity. The Commissioners' Court of Medina County has authorized investment in Texas Class (MBIA), Tex Pool, and Logic governmental investment pools. When cash needs are uncertain or needed currently for operations, funds are deposited in interest-bearing accounts depository accounts, when not prohibited by law.

Specific strategies:

Funds Eligible for Investment	Investment Strategy
Elected Official Escrow Fund	Investment pool, when appropriate.
County Clerk Preservation/Restoration Fund	Investment pool or CDs for longer term
District Clerk Records Management Fund	Investment pool or CDs for longer term
Justice Court Security Fund	Investment pool or CDs for longer term
Medina County Records Management Fund	Investment pool or CDs for longer term
Medina County Courthouse Security Fund	Investment pool or CDs for longer term
Medina County General Fund	Investment pool or CDs for longer term
County Clerk Records Management Fund	Investment pool or CDs for longer term
Precinct Road and Bridge Funds	Investment pool or CDs for longer term
Medina County Debt Sinking Funds	Investment pool or CDs for longer term
Tobacco Funds	Investment pool or CDs for longer term
Justice Court Technology Fund	Investment pool or CDs for longer term
Capital Project Funds	Investment pool or CDs for longer term
Medina Co. 38th Judicial D.A. Seizure Fund	Investment pool for liquidity
Medina County Sheriff Forfeiture Fund	Investment pool for liquidity
Constable Forfeiture Funds	Investment pool for liquidity
Medina County Employee Trust Fund	Investment pool or CDs for longer term
Juvenile Probation IV-E Fund	Investment pool or CDs for longer term
Medina County State Fees	Investment pool for liquidity
TAN 2016-2017	Investment pool for liquidity

ATTACHMENT B

APPROVED BROKER/DEALER LIST

Medina County currently has no approved brokers and is not planning to use any brokers at this time. In the event that Medina County elects to use brokers, this Addendum will be updated.

ATTACHMENT C:

SECURITIES BROKER/DEALER ACKNOWLEDGMENT & CERTIFICATION

I hereby certify that I have received and thoroughly reviewed the current investment policy of Medina County. I have implemented reasonable procedures and controls designed to preclude imprudent investment activities arising out of investment transactions conducted between the firm and Medina County. Further, transactions between this firm and Medina County will be directed toward protecting Medina County from credit and market risk, in accordance with the Medina County Investment Policy.

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

This firm pledges due diligence in informing Medina County of foreseeable risks associated with financial transactions connected to this firm, and that it is authorized to engage in investment transactions in the state of Texas.

_____
Firm

_____
Name

_____
Title

_____ _____
Signature of Registered Principal Date

_____
National Assn of Securities Dealers (NASD) Number