



INVESTMENT POLICY

County of Rockwall, Texas

Updated April 9, 2019

For

**Rockwall County Commissioners Court
101 East Rusk, Suite 202
Rockwall, Texas 75087**

By

**David E. Peek
Investment Officer**

Revisions for the April 2019 Update

April 9, 2019 Revisions

1. Made minor typographical changes throughout.
2. Made minor Font size and Font style changes throughout.
3. Page 8 – Certificates of Deposit, removed “as amended by the 79th Regular Session of the State Legislature.”
4. Page 9 – 6.e., Texas Class, changed “MBIA Asset Management” to “Public Trust Advisors, LLC”
5. Page 10 – Delivery vs. Payment, added “DTC eligible (brokered) CDs” to the list of authorized investments adhering to the delivery vs. payment method of purchase.
6. Page 13 – Safekeeping, added “Non DTC eligible (physical CDs)” and “NCUA” to the safekeeping requirement.

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I. INVESTMENT AUTHORITY AND SCOPE OF POLICY

General Statement

This policy serves to satisfy the statutory requirements of the Public Funds Investment Act (PFIA) as set forth in Local Government Code 116.112 and Government Code Chapter 2256, subchapters A&B to define and adopt a formal investment policy. This policy will be reviewed and adopted by resolution of the Commissioners Court at least annually.

Funds Included

This investment policy applies to all financial assets of all funds of the County of Rockwall, Texas, at the present time and any funds to be created in the future, and any other funds held in custody by the County Investment Officer unless expressly prohibited by law or unless it is in contravention of any depository contract between County of Rockwall and any depository bank.

County Investment Officer

In accordance with Sec.116.112 (A), Local Government Code and/or Chapter 2256, Sec. 2256.005(f) and (g), the County Investment Officer, under the direction of the County of Rockwall 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 officer(s) or employee(s) as investment officer(s).

If the investment officer(s) has (have) a personal business relationship with an entity – or is (are) related within the second degree by affinity or consanguinity to an individual seeking to sell an investment to the County, the investment officer must file a statement disclosing that personal business interest or relationship with the Texas Ethics Commission and the County of Rockwall Commissioners Court.

As specified in Section 2256.008, the investment officer(s) shall attend at least one training session relating to the responsibilities under subchapter A of Chapter 2256 within 12 months after taking office or assuming duties. In addition, the investment officer(s) must attend an investment training session not less than once in a two-year period and receive not less than 10 hours of instruction relating to investment responsibilities under this subchapter from an independent source.

II. INVESTMENT OBJECTIVES

General Statement

Funds of the County will be invested in accordance with federal and state laws, this investment policy, and written procedures. The County will follow investment strategies appropriate to each type of fund as hereinafter established in this document.

Safety and Maintenance of Adequate Liquidity

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

Diversification

County of Rockwall will diversify 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. Its investment officer shall always select investments that provide for stability of income and reasonable liquidity.

Yield

It will be an objective of the County to earn the maximum rate of return allowed on its investments within the policies imposed by its safety and liquidity objectives, 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 to achieve the highest 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 held in the General Fund shall not exceed 60 months nor shall the invested amount in such securities exceed 15% of the General Fund operating reserve. The maximum allowable stated maturity of any individual investment held in all other funds shall not exceed 24 months.

Quality and Capability of Investment Management

It is the policy of the County to provide the training necessary for its investment officer and any other persons involved in the investment process to meet and maintain the requirements of the PFIA, Sec. 2256.008. It is desirable that the investment officer achieves and maintains the Certified Investment Officer (CIO) credential offered by the Texas Association of Counties.

III. INVESTMENT STRATEGIES

General Statement

In accordance with the PFIA Sec. 2256.005(d), a separate written investment strategy shall be developed for each type of fund under control of the County. Each strategy must describe the investment objectives for the particular fund type using the following priorities of importance:

1. Establishment of the suitability of the investment to the financial requirements of the fund
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
6. Earning a reasonable yield in view of achieving the foregoing priorities

Investment Strategies Applicable to Fund Types

All funds available for investment are maintained in the County Depository or investment pools as specified in Sec. 2256.016 until an investment is purchased. In managing its investment portfolio, the County will specifically avoid purchase of any investments or any investment practice not specifically authorized under terms of this document.

In general, County of Rockwall's strategy is to maintain safety of principal and allow immediate liquidity, while returning highest yield. Monitoring of account balances at the depository bank ensures that total County funds, including those not under the control of the Treasurer's Officer, are fully collateralized.

The following sets forth the basic investment strategy for each fund type:

- **General Fund** – The resources associated with this fund shall be split between those associated with the current fiscal year and those resulting from prior fiscal year surpluses. Those for the current fiscal year are to be invested to ensure that funds are available to meet the operating needs of the County during the fiscal year. The investment of current fiscal year funds is to be determined based upon a forecast of cash flow requirements made at the beginning of the fiscal year and reviewed periodically. Prior fiscal year surplus balances may be invested to provide improved yield through a structured method that assures funds will be continuously available for reinvestment or to meet unforeseen needs. As noted earlier, the maximum stated maturity for any security held in this fund shall not exceed 60 months nor shall the total of such invested securities exceed 15% of the General Fund operating reserve.
- **Road & Bridge Fund** – All resources associated with this fund shall be invested to ensure that funds are available to meet the projected operating needs of the department.
- **Debt Service Fund** – The resources for this fund shall be invested in a local government investment pool and used to meet the debt service obligations of the County.
- **Capital Project Funds** – Monies received from the sale of bonds or other types of debt obligations that are for the purpose of supporting capital purchases or major

improvement projects shall be invested in securities that will safely meet the cash flow needs of the applicable project or projects.

- **Tax Assessor / Collector Funds** – These are funds that are collected by the department and held prior to disbursement to the County Treasurer, State Agencies, individual taxpayers, etc. These funds are to be maintained in the County’s Depository pending appropriate disposition.
- **County Clerk Trust Funds** – These are funds that are deposited in the registry of the County Courts and the Commissioners Court. These funds are to be invested in securities that meet the availability requirements set forth in court orders.
- **District Clerk Trust Funds** – These are funds that are deposited in the registry of the District Courts. These funds are to be invested in securities that meet the availability requirements set forth in court orders
- **Insurance Trust Fund** – This fund receives monies from the County, its employees and insurance distributions that are used to pay medical insurance claims, stop loss insurance premiums, administrative and consultation fees, flexible spending and dependent care reimbursements, and to establish reserves. These funds are to be invested in the depository bank and local government investment pools to ensure immediate availability. Funds remaining from prior fiscal years or specified as reserves may be invested in longer term securities not exceeding 24 months stated maturity.
- **Special Revenue Funds** – This includes monies received for legally restricted purposes such as grants. These funds are to be invested in very short term securities unless the benefiting organization provides a cash flow that allows a longer duration investment.
- **New or Funds not Listed** – Should a new fund be created or an existing type of fund failed to have been listed here, the investment officer will present an addendum to this section of the policy for approval by resolution of the Commissioners Court establishing its identification and its investment strategy.

IV. INVESTMENT TYPES

General Statement

Each and all investments made by the investment officer must comply with the PFIA 2256, subchapter A and all federal, state and local statutes, rules or regulations.

Allowed Investment Types

Subchapter A allows investments of many types; however this policy restricts County of Rockwall to the following investment types:

- 1. Obligations of, or guaranteed by, governmental entities:**
 - a. Obligations, including letters of credit of the United States or its agencies and instrumentalities;
 - b. Direct obligations of the state of Texas or its agencies and instrumentalities;
 - c. Collateralized mortgage obligations directly issued by federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States with a stated final maturity of less than ten years;
 - d. 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; and
 - e. 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.
- 2. Certificates of Deposit issued by a state or national bank meeting the specifications set for in Sec. 2256.010.**
 - a. The County is specifically permitted to invest in CDs using deposit placement services such as, but not limited to CDARS. CDARS is a deposit placement service offered through members of the Promontory Network. The process allows the investment officer to place a lump sum amount exceeding the FDIC limit with the service provider who in turn distributes the amount among multiple banks, thereby insuring that no individual deposit exceeds the FDIC insured limit.
 - b. To the extent permitted by law, the County may invest in brokered CDs.
- 3. A fully collateralized repurchase agreement, as defined in Sec. 2256.011 of the PFIA.**
- 4. Commercial paper as permitted and defined in Sec. 2256.013 of the PFIA.**
- 5. Mutual funds and money market mutual funds with limitations described below:**
 - a. A no-load money market mutual fund is authorized if it:
 - i. is regulated by the Securities and Exchange Commission;
 - ii. provides a prospectus and other information required by the Securities Exchange Act;

- iii. has a dollar-weighted average stated maturity of 90 days or fewer; and
 - iv. includes in its investment objectives the maintenance of a stable net asset value of \$1 for each share.
- b. A no-load mutual fund is authorized if it:
- i. is registered with the Securities and Exchange Commission;
 - ii. has an average weighted maturity of less than two years;
 - iii. is invested exclusively in obligation approved under subchapter A of Sec. 2256 of the PFIA;
 - iv. is continuously rated as to investment quality by at least one nationally recognized investment rating firm of no less than AAA or its equivalent; and
 - v. conforms to the requirements set forth in Section 2256.016(b) and (c) relating to the eligibility of investment pools to receive and invest funds of investing entities.

6. Eligible Investment Pools (as discussed in the PFIA Section 2256.016-2256.019), including the following specific Local Government Investment Pools (LGIPs):

- a. TexPool, managed by Lehman Brothers or its successors
- b. TexPool Prime, managed by Lehman Brothers or its successors
- c. TexSTAR, managed by J.P. Morgan Chase & Company or its successors
- d. LOGIC, managed by J.P. Morgan Chase & Company or its successors
- e. Texas Class, managed by Public Trust Advisors, LLC or its successors

Prohibited

The investment officer may not invest in the security types prohibited by Sec. 2256.009(b).

V. INVESTMENT RESPONSIBILITY AND CONTROL

Investment Institution Defined

The County of Rockwall Investment Officer shall invest County funds with any or all of the following in 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 FDIC;
3. public funds investment pools rated no less than AAA or AAA-m, which have been authorized by Commissioners Court resolution
4. government securities brokers and dealers that meet the qualifications listed next.

Qualifications for approval of Broker/Dealers

A written copy of this investment policy shall be presented to any person seeking to sell to the county an authorized investment. The registered principal of the business organization seeking to sell an authorized investment shall execute a written instrument substantially to the effect that the registered principal has:

1. received and thoroughly reviewed the investment policy of this County; and
2. acknowledged that the organization has implemented reasonable procedures and controls in an effort to preclude imprudent investment activities arising out of investment transactions conducted between the County and the organization;

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 above. Attachment C hereto is a pro forma copy of the required certification. Annual recertification of each broker/dealer is not required unless the investment policy has been revised during its periodic review.

Standards of Operation

This 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 the County that all DTC eligible (brokered) CDs, Treasury Bills, Notes, Bonds and Government Agencies' securities shall be purchased using the delivery vs. payment (DVP) method through the Federal Reserve System. By doing so, County funds are not released until the County has received, through Federal Reserve wire, the securities purchased.

Auditor Control

The County of Rockwall Investment Officer will establish liaison with the County of Rockwall 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 Auditor. In addition, the County of Rockwall Commissioners Court, at a minimum, will have an annual financial audit of all County funds by an independent auditing firm, as well as a compliance audit of management controls on investments and adherence to this investment policy.

Standard of Care

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: preservation and safety of principal, liquidity, and yield. 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 County'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 County.

VI. INVESTMENT REPORTING AND PERFORMANCE EVALUATION

Quarterly Report

At least quarterly, the investment officer shall prepare and submit to the Commissioners Court a written report of investment transactions of all county funds for the preceding reporting period, within a reasonable time after the end of the period. The report must:

1. describe the investment position of the County on the date of the report;
2. be prepared and signed by each investment officer of the County, if applicable;
3. contain a summary statement, prepared in compliance with generally accepted accounting principles, of each pooled fund group that states the:
 - a. beginning market value for the reporting period;
 - b. additions and changes to the market value during the period;
 - c. ending market value for the period; and
 - d. fully accrued interest for the reporting period;
4. state the book value and market value of each separately invested asset at the beginning and end of the reporting period by the type of asset and fund type invested;
5. state the maturity date of each separately invested asset that has a maturity date;
6. state the account or fund or pooled group fund in the County for which each individual investment was acquired; and
7. state the compliance of the investment portfolio of the county as it relates to:
 - a. the investment strategy expressed in this investment policy; and
 - b. relevant provisions of this chapter.
8. 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.

Notifications of Investment Changes

It shall be the duty of the County of Rockwall Investment Officer to notify the County of Rockwall Commissioners Court of any significant changes in current investment methods and procedures prior to their implementation. Should the County of Rockwall Statement of Investment Policy conflict in any way with any portion of Chapter 2256, the language of the Government Code shall prevail.

VII. INVESTMENT COLLATERAL AND SAFEKEEPING

Collateral and Insurance

The County of Rockwall Investment Officer shall insure that all County funds are fully collateralized or insured consistent with federal and state law and current depository contract in one or more of the following manners: collateral must be pledged at a minimum of 102% of county funds on deposit, and that collateral must be allowed under Chapter 2257 of the Texas Government Code, (Public Funds Collateral Act). For example:

1. FDIC insurance coverage
2. Obligations of the United States or its agencies and instrumentalities.

Safekeeping

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

Non DTC eligible CDs (physical CDs), insured by the FDIC or NCUA, purchased outside the depository bank shall be held in safekeeping by either the County or a County account in a third party financial institution.

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

Attachment A
To
County of Rockwall Investment Policy

Resolutions



**RESOLUTION TO ADOPT REVISED INVESTMENT POLICY
COUNTY OF ROCKWALL, TEXAS**

The Rockwall County Commissioners Court, having read and understood the County's Revised Investment Policy, and finding it in compliance with Chapter 2256 of Government Code, do hereby adopt and approve the County of Rockwall, Texas Investment Policy.

Approved by Commissioners Court in a duly posted meeting on this 9th day of April, 2019

A large, stylized blue ink signature of David Sweet, County Judge, written over a horizontal line.

**David Sweet
County Judge**

A blue ink signature of Cliff Seyler, Commissioner, Pct. 1, written over a horizontal line.

Cliff Seyler, Comm. Pct. 1

A blue ink signature of Lee Gilbert, Commissioner, Pct. 2, written over a horizontal line.

Lee Gilbert, Comm. Pct. 2

A blue ink signature of Dennis Bailey, Commissioner, Pct. 3, written over a horizontal line.

Dennis Bailey, Comm. Pct. 3

A blue ink signature of David Magness, Commissioner, Pct. 4, written over a horizontal line.

David Magness, Comm. Pct. 4

ATTEST:

A blue ink signature of Shelli Miller, County Clerk, written over a horizontal line.

Shelli Miller, County Clerk

Attachment B

To

County of Rockwall Investment Policy

**Investment Officer
Certifications**

County Treasurers' Association of Texas
2018 Certificate of Compliance
Public Funds Investment Act



This Certifies That
Hon. David Peek
County Treasurer
Rockwall County

Successfully completed the required hours of investment training approved by the County Treasurers' Association of Texas for the two year period fully satisfying the education requirements for County Treasurers established by chapter 2256 of the Texas Government Code, the Public Funds Investment Act, Section 2256.008. Investment Training; Local Governments.

Handwritten signature of Jan Hartl in cursive script.

Honorable Jan Hartl, President
County Treasurers' Association of Texas

Handwritten signature of Alan Dierschke in cursive script.

Honorable Alan Dierschke, Chair
Certification and Validation Committee



Emmett & Miriam
McCoy
College of Business Administration

TEXAS ASSOCIATION OF COUNTIES

2018 Certificate of Membership
County Investment Academy

Hon. David Peek

Successfully completed investment education that satisfies Section 2256.008 of
the Texas Public Funds Investment Act. This ongoing commitment to
continuing education provides maximum benefit to

Rockwall County

Issued by the Texas Association of Counties the thirty-first day of December, 2018

Larry Gallardo

Hon. Larry Gallardo, President

Susan M Redford

Ms. Susan Redford, Executive Director

TEXAS ASSOCIATION OF COUNTIES

PUBLIC FUNDS INVESTMENT ACT CONTINUING EDUCATION

Reporting Period: 1/1/17 - 12/31/18

Hon. David Peek
Treasurer
Rockwall County
1111 E Yellowjacket Ln Ste 306
Rockwall, TX 75087

ID: 232188
Phone: (972) 204-6100
Fax: (972) 204-6109

The requirements for the program are 10 hours of continuing education every 2 years. No hours may be carried forward to the next period.

7/31/17	2017 Conference of the County Investment Academy	5.00
5/17/17	45th Annual County Treasurers' Continuing Education	5.00
4/19/18	46th Annual County Treasurers' Continuing Education	5.00
6/29/18	2018 Conference of the County Investment Academy	10.50

Total Hours for Period: 25.50

You have completed your program.

You have met your 2017 - 2018 Public Funds Investment Act education requirement.

TEXAS ASSOCIATION OF COUNTIES

COUNTY INVESTMENT ACADEMY CONTINUING EDUCATION

Reporting Period: 01/01/2018 - 12/31/2018

Hon. David Peek	ID:	232188
Treasurer	Phone:	(972) 204-6100
Rockwall County	Fax:	(972) 204-6109
1111 E Yellowjacket Ln Ste 306	Enrollment Date:	10/17/2012
Rockwall, TX 75087		

The Texas Association of Counties County Investment Academy and its continuing education requisites exceed the investment training for local government education education mandates as outlined in Section 2256.008 of the Public Funds Investment Act, revision effective September 1, 1998.

The requirements for the program are 15 hours required, 5 outside hours allowed and a max of 5 hours can be carried forward.

4/19/18	46th Annual County Treasurers' Continuing Education	5.00
6/29/18	2018 Conference of the County Investment Academy	10.50

Total TAC Hours for year:	10.50
Applicable Outside Hours:	5.00
Total Hours for year:	15.50

You have completed your program.

You have met your 2018 annual County Investment Academy education requirement.

You may carry forward 0.50 hours to the next reporting period.

Attachment C

To

County of Rockwall Investment Policy

**Broker/Dealer Certification
Form**

ATTACHMENT C – BROKER/DEALER CERTIFICATION

ATTACHED TO AND MADE A PART OF THE COUNTY OF ROCKWALL INVESTMENT POLICY

I hereby certify that I have personally read and understand the investment policy of the County of Rockwall, Texas, and have implemented reasonable procedures and controls designed to fulfill said policy's objectives and conditions. Transactions between this firm and the County of Rockwall will at all times reflect due concern for the preclusion of imprudent investment activities.

All sales personnel of this firm dealing with the County of Rockwall accounts have been informed of the County's investment horizons, limitations, strategies, and risk constraints. Sales personnel will be updated on these guidelines whenever material changes to the County's policy are communicated to or by County of Rockwall investment officer.

This firm will notify County of Rockwall immediately by phone and in writing in the event of a material adverse change in our financial condition. This firm pledges to exercise due diligence in informing County of Rockwall of all foreseeable risks associated with financial transactions conducted with our firm.

Firm: _____

Registered Principal: _____

Dealer Registration Number: _____

Title: _____

Signature: _____ Date: _____

I, David E. Peek, have provided a copy of County of Rockwall Investment Policy to:

_____ (name) of
_____ (firm) and will maintain this
certification on file.

David E. Peek, CIO
County of Rockwall Treasurer

Date