



CENTRAL HEALTH

# Fiscal Year 2019 Proposed Budget

## Letter from CEO

On behalf of the people we serve, it is my honor and privilege to present Central Health's fiscal year 2019 proposed budget. Central Health holds the fiduciary responsibility entrusted by the residents of Travis County to effectively manage its resources. The information in this document will allow people a greater understanding of how we plan to leverage those resources to improve the health of our community in the coming year.

In 2017, more than 180,000 people received health care services through Central Health partners. We anticipate this number will continue to increase as the population grows. The geography of our patient population is changing as well, however, as many of our community's low-income, resource-challenged residents are relocating to suburban and rural areas to avoid Austin's high cost of living. This means we must be innovative and responsive to addressing new needs in previously underserved areas.

Knowing the challenges ahead, Central Health staff has worked closely with its Board of Managers and members of the community to develop a strategic work plan to guide its efforts through 2024. We also engaged an independent, third-party vendor to conduct a performance review of Central Health's operations and partnerships. This document represents the natural integration of community and stakeholder input into our annual budget preparation.

Finally, I would like to encourage anyone with an interest in Central Health to participate in our budget process. From today through the end of September we will continue to craft and refine our upcoming fiscal year budget. This will include opportunities for public comment and feedback. Please refer to our budget calendar on page 18 for a list of key dates for our public meetings. Our website, at [www.centralhealth.net](http://www.centralhealth.net), is also a valuable resource for learning more on how Central Health operates, who we serve, and how we work with community partners to deliver care.

Respectfully submitted,

**Mike Geeslin**

*Central Health President and CEO*

**Vision**

**Central Texas is a model healthy community.**

<b>Mission</b>	<b>By caring for those who need it most, Central Health improves the health of our community.</b>
<b>Values</b>	<p data-bbox="570 285 1305 312"><b>Central Health will achieve excellence through:</b></p> <p data-bbox="570 359 1052 443"><b>Stewardship:</b> We maintain public trust through fiscal discipline and open transparent communication.</p> <p data-bbox="570 468 1377 495"><b>Innovation:</b> We create solutions to improve health care access.</p> <p data-bbox="570 510 1092 594"><b>Respect:</b> We honor our relationship with those we serve and those with whom we work.</p> <p data-bbox="570 619 1414 674"><b>Collaboration:</b> We partner with others to improve the health of our community.</p>
<b>Goals</b>	<p data-bbox="570 768 1349 823"><b>Access:</b> Increase access to health care for residents of Travis County.</p> <p data-bbox="570 848 1143 932"><b>Technology:</b> Maximize the use of technology community wide to inform health care decisions and delivery.</p> <p data-bbox="570 957 956 1041"><b>Quality:</b> Strategically invest in practice designed to improve health care outcomes.</p> <p data-bbox="570 1066 1138 1148"><b>Leadership:</b> Assume a leadership role in convening and planning for the health care needs of our community.</p>

## Table of Contents

<u>STRATEGIC WORK PLAN</u>	<b>5</b>
<u>ROLE OF THE HEALTHCARE DISTRICT</u>	<b>6</b>
<u>PARTNERSHIPS FOR HEALTH CARE</u>	<b>7</b>
<u>HEALTH CARE ENVIROMENTAL OVERVIEW AND BUDGET CONSIDERATIONS</u>	<b>9</b>
<u>A LOCAL APPROACH—HISTORY OF HOW WE FUND HEALTH CARE</u>	<b>13</b>
<u>LOCAL ENVIRONMENTAL OVERVIEW AND BUDGET CONSIDERATION</u>	<b>14</b>
<u>BUDGET PROCESS FOR CENTRAL HEALTH</u>	<b>17</b>
<u>BUDGET CALENDAR</u>	<b>18</b>
<u>FISCAL YEAR 2019 OPERATING BUDGET</u>	<b>19</b>
<u>SOURCES OF FUNDS</u>	<b>19</b>
<u>USES OF FUNDS</u>	<b>24</b>
<u>COMMUNITY CARE COLLABORATIVE</u>	<b>26</b>
<u>GET INVOLVED IN CENTRAL HEALTH</u>	<b>30</b>
<u>ATTACHMENT A – FY 2018 APPROVED BUDGET AND FY 2019 PROPOSED BUDGET SOURCES AND USES SUMMARY</u>	<b>31</b>
<u>ATTACHMENT B – FY 2018 APPROVED BUDGET AND BY 2019 PROPOSED BUDGET USES DETAIL</u>	<b>32</b>
<u>ATTACHMENT C — ADDITIONAL DETAIL ON 1115 WAIVER PROGRAM</u>	<b>34</b>
<u>ATTACHMENT D — ADDITIONAL DETAIL ON COMMUNITY CARE COLLABORATIVE</u>	<b>37</b>
<u>ATTACHMENT E — GLOSSARY</u>	<b>45</b>
<u>ATTACHMENT F — FINANCIAL POLICIES</u>	<b>47</b>
<u>ATTACHMENT G — SUPPLEMENTAL CHARTS</u>	<b>81</b>
<u>ATTACHMENT H — FINANCIAL STATEMENTS AS OF AND FOR THE YEAR ENDED SEPTEMBER 30, 2017 AND INDEPENDENT AUDITORS REPORT</u>	<b>83</b>

In 2018, Central Health has worked closely with community members to identify and refine the healthcare district's strategic objectives for the years ahead. In preparing the Fiscal Year 2019 budget, the financial priorities were linked directly to these strategic objectives:

## Objective 1

Develop and execute health care delivery strategy based on people and place

- 1.1 Service Locations and care delivery: By data analysis, provider input, and community-based advisory groups, determine funding of business plans for future service delivery sites, and/or mobile services, and/or technology solutions for delivering care to the served population.
- 1.2 Population Health: Provide funding or reimbursement to provider partners for resources to establish population health goals and work with governmental and other organizations to address social determinants affecting the population served.
- 1.3 Communication: Improve communication with consumers and the community about Central Health's pivotal role ensuring the delivery of care to people with low incomes.

## Objective 2

Implement patient-focused and coordinated health care system

2.1 Patient wait times: Establish measures and fund projects to improve patient wait times and network adequacy for access to primary and specialty care services.

2.2 Patient reported outcomes and experiences: Establish measures, including measures that address inequity, and improve patient reported health outcomes and experiences; develop quality-of-life and patient experience dashboards.

2.3 Women's reproductive health: Expand and improve women's reproductive health system through Dell Medical School and provider partners.

2.4 Technology and data: Improve continuity of care through integrated technology, data, planning and information exchange.

## Objective 3

Implement sustainable financial model for health care delivery and system strategies through 2024

3.4 Determine optimal use or disposition of Brackenridge Campus sections.

3.5 Contracting and Payment: Implement value based provider reimbursement models and reporting standards related to patient-reported outcomes, population or health condition outcomes, and positive patient experience measures.

## Role of the Healthcare District

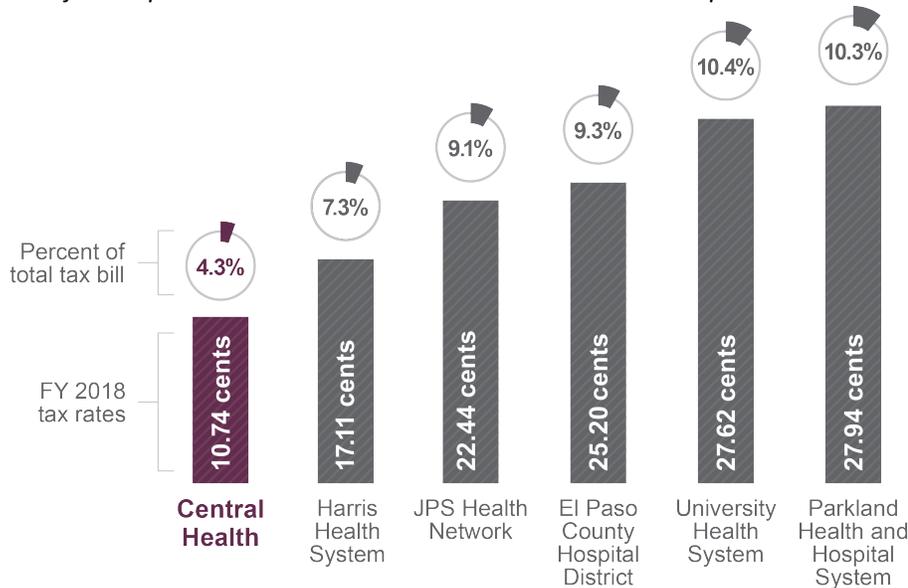
The Travis County Healthcare District (doing business as “Central Health”) was created by vote of the Travis County electorate in May 2004. Its purpose is the provision of medical and hospital care to indigent residents of Travis County, a responsibility previously shared by Travis County and the City of Austin prior to Central Health’s creation. Its enabling statute is Chapter 281 of the Texas Health and Safety Code, which provides most of the statutory framework within which Texas hospital districts operate.

Central Health has the statutory obligation to provide health care to residents who are at or below 21 percent of the federal poverty level (FPL)—currently \$5,271 annual household income for a family of four. However, Central Health also provides the Medical Access Program (MAP) with a full benefit package to eligible residents who are at or below 100 percent of the FPL. In addition, Travis County residents earning up to 200 percent of the FPL may receive subsidized health care through Central Health on a sliding fee scale.

The Travis County Commissioners Court approves Central Health’s tax rate and budget appropriations at the program level. Central Health also utilizes the Travis County Attorney’s Office and Treasury Investment Office for legal and investing services. The Travis County Healthcare District’s investment policy guidelines are approved annually by the Central Health Board of Managers. The Central Health Investment Policies are included in Attachment F.

Central Health is unique in that we deliver care to our residents through strong partnerships with key health care partners in the community. As a result of these partnerships we are able to keep a low tax rate compared to other hospital districts in the state, as we do not own and operate a hospital.

*Major Hospital Districts: Fiscal Year 2018 Tax Burden Comparison*



# Partnerships for health

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Community Care Collaborative

## **BUILDING A BETTER, MORE INTEGRATED HEALTH CARE SYSTEM**

**MISSION:** Create an integrated health care delivery system for identified vulnerable populations in Travis County that considers the whole person, engages patients as part of the care team, focuses on prevention and wellness and utilizes outcome data to improve care delivery.

The Community Care Collaborative (CCC) is a non-profit partnership formed in 2013 between Central Health and Seton Healthcare Family to better manage the care of the shared patient population. The partnership is further enhanced through an affiliation with the Dell Medical School at The University of Texas at Austin, and Austin Travis County Integral Care, the region's largest provider of behavioral health services.



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## **BUILDING BETTER ACCESS TO HEALTH CARE**

**MISSION:** Work with the community as peers with open eyes and a responsive attitude to provide the right care, at the right time, at the right place.

CommUnityCare is Central Health's affiliated Federally Qualified Health Center (FQHC) system. At over 20 separate locations in Travis County, CommUnityCare provides integrated primary care services with pediatrics, women's services,

HIV care, behavioral health, dental, nutrition counseling, and clinical pharmacy services. These services are available to Travis County residents who qualify based on income and others who are in need of access to care. CommUnityCare continues to expand its volume of patients and visits, with an 84 percent increase in patients served from 2006 to 2016. As the largest community health center system in Travis County and one of the largest FQHC systems in the nation, CommUnityCare continues to be an essential component of Central Health.



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## BUILDING BETTER LOCAL HEALTH COVERAGE

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**MISSION:** To provide comprehensive health care coverage and to arrange for innovative, high quality and cost-effective medical services for health plan members within Central Texas. At Sendero Health Plans we understand, and we treat our members and their families with compassion and respect. We understand that your family's needs are unique.

Created by Central Health in 2011, Sendero Health Plans serves as Central Texas' local community-based health plan. Through Sendero, Central Health coordinates and manages health care services and enhances the provider network in local communities. As a Qualified Health Plan under the Affordable Care Act, Sendero provides its IdealCare individual health insurance plan through the Health Insurance Marketplace.

## Health Care and Environmental Overview and Budget Considerations

### Economic Outlook<sup>1</sup>

Economic indicators for Travis County remain strong. The overall tax base has increased by double digits each of the last four years. Unemployment in the region continues to remain low, and GDP growth has been among the fastest in the country. The International Monetary Fund (IMF) raised its 2018 forecast for US economic growth from 2.3 percent to 2.7 percent, citing the reduction in corporate tax rates and a provision to temporarily allow full expensing of investment. However, in 2022 and beyond, growth is expected to be lower than previously forecasted due to the temporary nature of some parts of the legislation and the predicted growth of the federal deficit. The region's continued growth and increasingly diversified economy indicate Travis County would be able to withstand most economic challenges. Still, change in US economic and foreign policy, as well as, state laws passed during the 85th Legislative Session and in the upcoming 86<sup>th</sup> Legislative Session in 2019 could affect the County in significant ways.

The Austin Metropolitan Statistical Area (MSA), which includes all of Travis County, has experienced unparalleled growth in recent years, and signs point towards that trend continuing. The rate of job growth in the Austin area was 2.7 percent over the past year, and unemployment in Travis County is 2.6 percent, lower than both the state and national rates. [However] Travis County's poverty rate is currently estimated to be 15.2 percent and concerns about cost of living in the region continue.

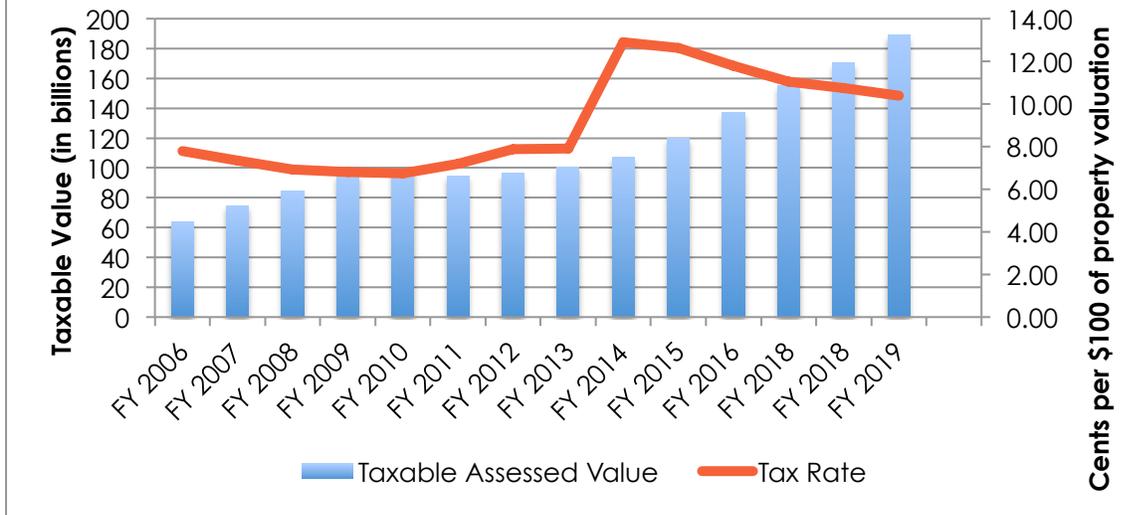
### Environmental Overview

From its inception in 2004, Central Health has worked to increase access to health care for the uninsured. During that time, Central Health has steadily increased the provision of primary care services to its covered population and has worked with a variety of health care providers and stakeholders to augment and improve the health care safety net in Travis County.

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<sup>1</sup> Travis County "FY19 Budget Guidelines" (2/27/2018) pp. 2-5

## Travis County taxable values and Central Health tax rate history



In order to improve the health of our community and increase access Central Health must also keep up with the rapidly changing health care industry. While preparing the Fiscal Year 2019 budget, several key health care issues were considered.

**CHANGES TO FEDERAL AND LOCAL HEALTH POLICY:** There continues to be rapidly changing policies and funding decisions at the federal, state, and local level that may impact the Central Health budget.

### Federal

- Some of the most impactful policy changes are related to the Affordable Care Act (ACA). The future of the federal risk adjustment program is uncertain. Additionally, regulations finalized in April 2018 may render the program less beneficial to insurers with sicker-than-average enrollees.
- There is a possible end to protections for individuals with pre-existing conditions.
- Federal navigator funds have been greatly reduced.
- There was a shorter enrollment period for ACA in 2017
- Central Health will likely see an increase in covering those who can no longer access health insurance in the ACA.
- Reductions in Disproportionate Share Hospitals (DSH) funding levels

### State

- While, Medicaid expansion is highly unlikely in Texas. Texas may decide to pursue new healthcare financing arrangements during the 2019 legislative session, including the possibility of a Medicaid block grant. A block grant could have a significant impact on how we use our tax dollars to fund Medicaid supplemental programs like Uncompensated

Care (UC), Delivery System Reform Incentive Payment (DSRIP) Program, and Disproportionate share hospital (DSH) payments.

- HHSC is considering significant changes to the Uncompensated Care (UC) funding distribution model as CMS is requiring that UC funding for hospitals not be connected to a specific Intergovernmental Transfer (IGT) source. Pool changes will be implemented in Fiscal Year 2020, but may require planning and adjustments at the local level, depending on the proposal's impact to our funding model, during 2019.
- We continue to plan and engage with partners about funding arrangements in the post DSRIP era. DSRIP funding will begin to decrease in DSRIP Year 2020 (October 1, 2020).
- State legislation could impact Central Health's ability to generate local property tax revenue.

### **Local**

- Major local health care providers reduce levels of services currently provided
- Changes in federal and state policies could impact local policy.
- Collaboration with the City of Austin, Travis County and other local governments will continue as we jointly plan for near-future bond projects.

**VALUE-BASED CARE:** Across the country, there is agreement that the way we currently pay for health care— primarily by paying a fee for each service a health care provider gives—does not incentivize improvements in the health of our communities and the overall quality of care, nor does it allow us to contain unsustainable growth in health care spending. Nationally, the federal government and many major health care plans are making the shift to value-based care, which focuses on creating incentives for better results in cost, quality and health outcomes, rather than rewarding volume.

Central Health, as a steward of Travis County residents' tax dollars, sees the importance of the movement toward value-based care, and has begun work with affiliated organizations to implement payment methodologies that effectively support clinical outcomes.

**PATIENT-FOCUSED and COORDINATED HEALTH CARE SYSTEM:** Part of the effort to incentivize value over volume includes work to build health systems that allow patients to access the care they need seamlessly across a network of primary care, hospital and social service providers. The Community Care Collaborative (CCC) was created to coordinate care across different provider organizations by purchasing services through performance based contracts from a local network of primary care, specialty care, hospital and social service providers in ways that improve the health of patients. Through these collaborative partnerships, the CCC is laying the groundwork for a patient-focused and

coordinated health care system that provides more and better health care for Travis County's low income and uninsured population.

**POPULATION HEALTH AND SOCIAL DETERMINANTS OF HEALTH:** Accessing health care is often difficult for low income or uninsured community members. Non-clinical factors that impact health include issues such as transportation barriers, housing status, crime rates in a community, and education. These issues may come into play when someone tries to access care or address a health issue. Many communities are finding new ways to promote health and prevent disease throughout populations by taking into account the many factors that impact health.

Although Central Health's role is centered on the delivery of health care services, we continue to work with key partners to determine our role in managing population health and influencing non-clinical health factors known as social determinants. Central Health will continue to work with collaborative health planning groups to address and influence critical issues that reduce health disparities for its covered population.

**INTEGRATING BEHAVIORAL AND PHYSICAL HEALTH CARE:** An environmental scan of key demographics and health indicators for Travis County shows rates of depression in the county are comparatively high. Throughout the behavioral health and medical communities, there is recognition that many primary care patients suffer from unrecognized and unaddressed behavioral health issues, just as those in the behavioral health system often suffer from chronic medical illnesses. Across the country, the increasing focus on population health has drawn attention to the integration of behavioral health— mental health and substance use disorders—with physical health as an important way to reduce costs and improve the quality of care. Central Health continues to work with its partners to improve and expand the integration of behavioral health services toward a holistic approach to health.

## **A LOCAL APPROACH — History of How We Fund Health Care**

Since Central Health began operations in 2004, Seton Healthcare Family and Central Health have collaborated to provide a continuum of health care services, with Central Health focusing on the support of primary, specialty and behavioral health care. While Seton and Central Health have made significant progress in efforts to develop and implement a patient-focused and coordinated health care system, there is still much to be done to ensure the right level of care is delivered at the right time and right place.

For more than a century, the City of Austin provided safety net hospital care at Brackenridge Hospital on the former Central Health Brackenridge Campus, located at 15<sup>th</sup> Street and Interstate 35. In 1985, the City began leasing Brackenridge Hospital to Seton Healthcare Family. When voters created Central Health, Central Health received from the City the title to an entire Downtown Campus including Brackenridge Hospital, later renamed University Medical Center Brackenridge (UMCB). Seton continued running the hospital which it leased from Central health.

In May 2017, Seton vacated UMCB and moved hospital operations across the street to its new hospital, Dell Seton Medical Center at UT. This new hospital, which isn't funded by local tax dollars, continues to serve as a Level 1 trauma center and to serve people with low income and who are uninsured.

Additionally, in July 2011 the Texas Health and Human Services Commission (HHSC) announced the implementation of the Texas Healthcare Transformation and Quality Improvement Program, also referred to as the 1115 Medicaid Waiver (Waiver). The Waiver was designed to accomplish two things: one, to preserve federal funding for Uncompensated Care, the prior Upper Payment Limit program; and two, to provide additional federal funds for transformative projects that enhance health care delivery through the Delivery System Reform and Incentive Payment (DSRIP) program.

Around the same time, in September 2011, a number of public and private sector entities began collaboration on a "10 goals in 10 years" initiative. The purpose of the initiative is to transform health care to benefit the residents of Travis County and Central Texas including: implementing an integrated delivery system to provide enhanced primary care, specialty care, behavioral health services and women's health services; developing a medical school; and building a modern teaching hospital. To take advantage of the momentum created by this initiative and to maximize the additional federal funding available through the Waiver, the Central Health Board of Managers authorized a tax ratification election to increase Central Health's property tax rate by five cents. The voters approved this increase on Nov. 6, 2012. The majority of the added tax revenue is used as a local match for the 1115 waiver, which provides partial funding for the Community Care Collaborative — the 501(c)(3) corporation formed by Central Health and Seton to develop and jointly manage the health care safety net delivery system, and for funding other

health care needs. To that end, Central Health and Seton have entered into a Master Agreement to fund and operate the CCC.

The 2012 ballot initiative approved by voters also called for supporting the creation of a new medical school based in Austin. As such, in 2016 another landmark achievement was met with the opening of the Dell Medical School at The University of Texas at Austin. The new medical school, with its staff of world-class leaders and doctors, represents a major opportunity to improve the health of Travis County communities by redefining health care delivery in clinics and hospitals; creating a pipeline of locally trained doctors; and increasing the number of medical residents providing care in the community.

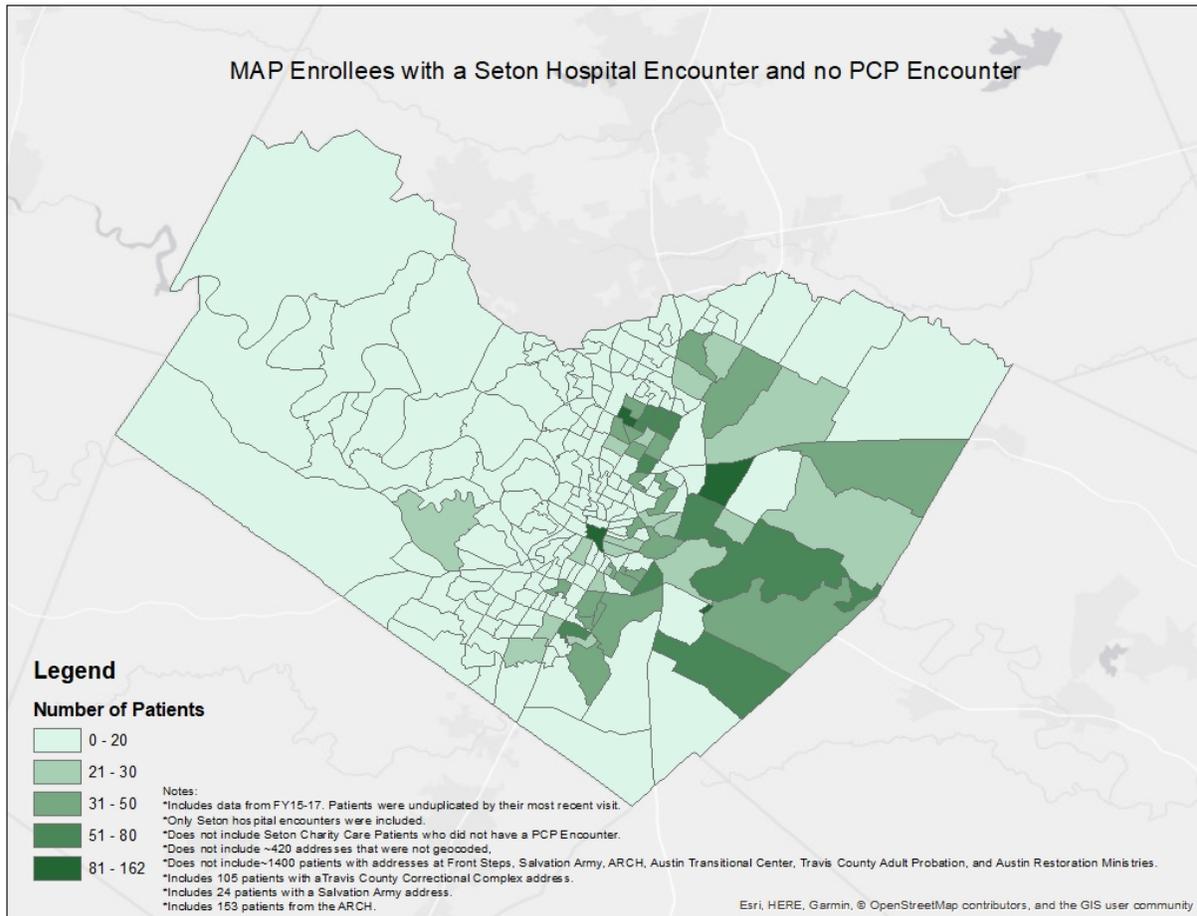
## **Local Environmental Overview and Budget Considerations**

### **CHANGING TRAVIS COUNTY DEMOGRAPHICS:**

Central Health provides care to eligible low-income and uninsured residents of Travis County. Due in large part to the increased cost of living in Austin, over the past decade Travis County has experienced a migration of the low-income populations the suburban and rural areas, particularly to the east. To better understand and plan for movements within its patient population, Central Health released its second Demographic Report in November 2017. The report provides detailed analysis of where Travis County's low-income families reside today, as well as detailed projections of how populations may shift over the next five years.

To better plan for these changes, Central Health has convened a group of local stakeholders to meet and discuss future health care delivery strategies. The Eastern Travis County Health & Wellness Collaboration includes leaders from Austin Public Health, Travis County, and numerous health care and social service providers. Guided by Central Health's Enterprise Strategic Planning group, these stakeholders are working together to leverage their common resources and create opportunities to better meet the needs of underserved communities.

<http://www.centralhealth.net/eastentravco/>



**THE CENTRAL HEALTH DOWNTOWN CAMPUS:**

In 2017, Seton vacated UMCB and moved operations across the street to its new hospital, Dell Seton Medical Center at UT. This new hospital, which is not funded by local tax dollars, continues to serve as a level 1 trauma center and to serve people with low income or who are uninsured. With Seton’s hospital facility lease payments coming to an end, the Central Health Board of Managers began setting aside reserve funds and planning for the development of this downtown tract of land and buildings (Downtown Campus) for reuse and/or redevelopment.

In July of 2018, the Central Health Board of Managers approved a lease for a portion of the Downtown Campus that will generate funds to help pay for health care services in Travis County, including underserved areas in East Austin. This is Phase 1 of a long-term redevelopment process that gives stable, near-term cash flow for Central Health’s mission.

Central Health’s Fiscal Year 2019 Budget includes funds for materials abatement, buildings demolition and infrastructure investment to support and advance initial redevelopment of the Downtown Campus. Expenditures will

enhance the Downtown Campus' land value and support more rapid redevelopment. The future redevelopment of this property will contribute revenue to Central Health that will be used to provide care throughout the County.

<http://www.centralhealth.net/central-health-brackenridge-campus/>

**1115 MEDICAID TRANSFORMATION WAIVER:**

In 2011, Texas Health and Human Services (HSSC) received approval from the Centers for Medicare and Medicaid (CMS) for an 1115 Waiver demonstration project (1115 Waiver). The 1115 Waiver has resulted in the most significant transformations of health care ever undertaken in Central Texas.

The 1115 Waiver authorizes funding for an Uncompensated Care (UC) pool to off-set costs incurred by safety-net hospitals and a Delivery System Reform Incentive Payment (DSRIP) pool. The DSRIP pool provides funds to incentivize hospitals, local health departments and community mental health centers to transform health care delivery.

Central Health participates in the 1115 Waiver as an intergovernmental transfer entity ("IGT entity) that funds the non-federal share of both Uncompensated Care and DSRIP payments to Travis County providers. In addition, Central Health serves as the regional anchor entity for the DSRIP programs which are beginning a new cycle of funding that is outlined in Appendix C on page 35. The timing of the intergovernmental transfers is determined by the State of Texas and Central Health is not able to influence the required timing of these payments. At times, Central Health has managed timing differences by holding these funds in its contingency reserve account until they are required to be submitted. The Fiscal Year 2019 budget does not anticipate any reserves specifically appropriated for historical timing differences.

## The Budget Process for Central Health

In developing Central Health's annual budget, the Central Health Board considers significant community input, reports from its health care partners, the success of current health care initiatives, and the value of proposed initiatives and activities. The development ensures that Central Health remains focused on its mission and fulfills its legislative purpose.

Throughout the year and specifically in the strategic planning operations of the organization, Central Health integrates community feedback into our operations through community engagement events, collaborative health planning efforts and enterprise operations planning. This information is the starting point for developing the budget: what are the health strategies that have been prioritized in the upcoming year and how will they be funded through our budget.

Central Health's primary source of revenue is tax revenue, therefore, a key step in our planning is also estimating the tax revenue that will be available source of funds in the current and future years in order to ensure that programs are adequately funded and the appropriate level of reserves are in place for health care services. The Board of Managers uses a five-year forecasting process each spring to estimate the long term impact of possible tax rates and align the revenue forecast with the priorities of the organization. The five year forecast has proven to be an effective tool to support the Board of Managers to direct staff to prepare a draft budget with a specific tax rate.

The proposed budget is prepared by staff and presented to the Board of Managers and public in early summer. This proposed budget is discussed in detail at both Budget and Finance and Board of Managers meetings until the budget is finalized. At the same time, Central Health follows all required deadlines and timelines to ensure that the tax rate set with the appropriate public hearings, ratification by local Truth In Taxation department and ultimately approved by the Travis County Commissioners Court.

Central Health adopts its final budget and tax rate no later than September 30 each year and begins its new fiscal year October 1.

## FY 2019 Budget Calendar

April-May	Community Conversations (strategic priorities discussion)
May 16	Central Health Budget & Finance Committee
May 23	Central Health Board of Managers
June 13	Central Health Budget & Finance Committee ( <i>FY 2019 Budget Overview</i> )
June 27	Central Health Board of Managers ( <i>FY 2019 Budget Overview</i> )
July 18	Central Health Budget and Finance Committee ( <i>FY 2019 Central Health Proposed Budget and property tax rate</i> )
July 25	Central Health Board of Managers ( <i>FY 2019 Central Health Proposed Budget and property tax rate</i> )
Jul-Aug	Community Engagement Process
Aug 8	Central Health Budget & Finance Committee ( <i>FY 2019 Central Health Proposed Budget and property tax and CCC FY 2019 Proposed Budget</i> )
Aug 14	Travis County Commissioners Court ( <i>FY 2019 Central Health Proposed Budget and property tax rate</i> )
Aug 15	Central Health Board of Managers ( <i>FY 2019 Central Health Proposed Budget and property tax rate – vote on maximum tax rate</i> )
Aug 29	First public hearing
Sept 5	Second public hearing
Sept 12	Central Health Board of Managers ( <i>FY 2019 Central Health Proposed Budget and property tax rate adopted</i> )
Sept 18	Travis County Commissioners Court ( <i>Fiscal Year 2019 Central Health Proposed Budget and property tax rate adopted</i> )

## **Fiscal Year 2019 Operating Budget**

The Fiscal Year 2019 Operating Budget is broken into sources and uses of funds. We have two programs in our uses of funds, Health care delivery and Administration.

Central Health estimates to end its current Fiscal Year 2018 with sources greater than uses of funds of approximately \$28.8 million, this contingency reserve is carried forward as a source of funds for Fiscal Year 2019 and appropriated for health care delivery throughout the uses of funds with contingency reserve available of \$7.1 million.

See the attached budget summary (Attachment A) for a list of sources and of uses by program, as well as expected reserve balances at the end of the 2019 fiscal year.

Following is a more detailed discussion of Central Health's 2019 expenditure budget, shown by program and activity, which can be seen on Attachment B.

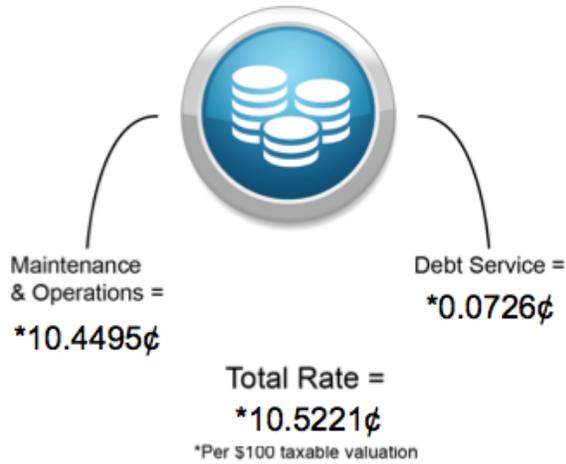
### **Sources of Funds**

Central Health's operating budget has several sources of funds, with total property tax revenue accounting for the majority at \$196.9 million. Although Central Health is lowering its tax rate, increases in assessed value and new construction have produced \$15.1 million in additional revenue. The other sources of revenue include lease revenue for buildings located on the Central Health Brackenridge Campus, budgeted this year at \$18.1 million and other revenue of \$2.4 million.

### **TAX RATE AND TAX REVENUE**

Central Health's current tax rate (fiscal year 2018) is 10.7385 cents per \$100 of assessed value. The Fiscal Year 2019 budget has been prepared at a lower tax rate of 10.5221 cents per \$100 of assessed value, and reflects a rate that is 6% above the effective tax rate from the previous year. The total rate includes an operating tax rate of 10.4495 cents and a debt service rate of 0.0726 cents. The debt service tax rate will provide funds to satisfy certificates of obligation that funded the purchase and partial renovation of the Central Health Southeast Health & Wellness Center and a portion of the construction cost of Central Health's North Central Community Health Center, the remainder of which was funded with federal grant dollars.

## Central Health Property Tax Rate



	FY18	FY19 (Proposed)
Average Taxable Homestead Value	\$305,719	\$326,895
Tax Rate	10.7385¢	10.5221¢
Tax Bill	\$328.30	\$343.97
Annual Increase = \$15.67 (4.8%)		

Homestead Exemption	Over 65 Homestead Exemption	Disability Homestead Exemption
20% (A) \$5,000 Minimum	\$85,500 (B)	\$85,500 (B)
(A) Maximum allowable by state law (B) Increased from \$80,000		

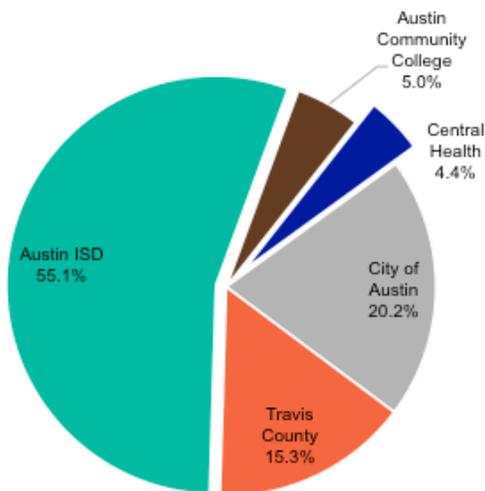
Central Health uses a five-year financial forecast model to draft and develop its budget. This method has been utilized to incorporate known events with broad assumptions to estimate the tax revenue required to provide and maintain the necessary level of services for our community. At the August 8, 2018 Central Health Budget & Finance Committee meeting, the committee recommended preparation of the 2019 budget using a 6 percent over effective tax rate.

Central Health also looks at other major hospital districts throughout Texas to benchmark certain financial metrics. Central Health utilizes a partnership with the Seton Healthcare Family for inpatient hospital and limited specialty care services. The partnership requires Seton to maintain operational responsibility for both of these areas rather than Central Health. As a result of this partnership, Central Health maintains the lowest property tax rate, debt level and per capita obligation of major urban hospital districts in the state.

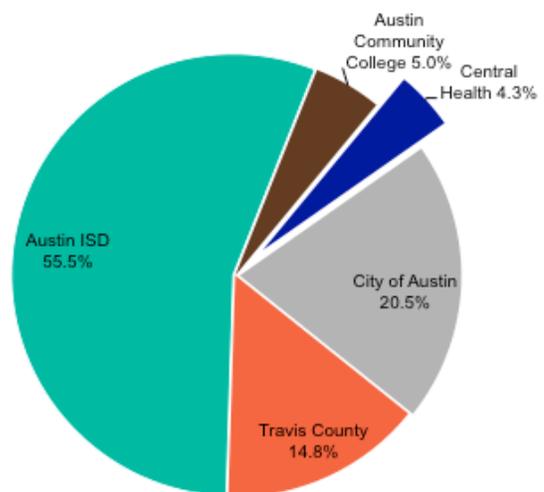
Travis County has seen considerable growth in taxable assessed values and new construction growth over the past five years. In Fiscal Year 2019 we continue to see growth in taxable assessed values with a slight decrease in year over year growth, or a slowing in the pace of growth.

Central Health is a small part of the total property taxes for an average Travis County resident who lives in the jurisdictions outlined below. This shows that year-over-year we maintain the smallest portion of the total tax bill. In Fiscal Year 2018, this was approximately 4.3 percent of the total tax paid. Based on preliminary tax rates, Central Health will continue to maintain the smallest portion of tax bills in Fiscal Year 2019 at 4.2%.

**FY 2017 Travis County Tax Entity Percentages**



**FY2018 Travis County Tax Entity Percentages**



In preparing the budget for Fiscal Year 2019, Central Health also considers how the tax rate will impact our residents.

Travis County Healthcare District offers a 20% homestead exemption, the maximum allowed by law. For Fiscal Year 2019, the Travis County Healthcare District approved an increase in the exemption for over 65 and disabled from \$80,000 to \$85,500. The average Travis County Healthcare District taxable homestead value increased 6.9 percent from \$305,719 last year to \$326,895 this year. The proposed tax rate of 10.5221 cents per \$100 of taxable value results in a \$15.67 increase in the Travis County Healthcare District property taxes for the average taxable homestead for Fiscal Year 2019 compared to the Fiscal Year 2018 property tax bill. The estimated FY 2019 Travis County Healthcare District property taxes for other valued homesteads shown below as examples are based on assessed values appreciating 11.05 percent from the previous year. The actual impact for Fiscal Year 2019 for each property will vary depending on the taxable value, types of exemptions and appreciation.

## Taxpayer Impact Statement

FY 2018 Home Value	FY2018 Taxable Homestead Value*	FY 2018 Tax Rate	FY 2018 Tax Bill	Average Home Value Appreciation	FY2019 Homestead Value	FY 2019 Taxable Home Value*	FY 2019 Tax Rate (6% over effective)	FY 2019 Tax Bill	Annual Increase	Percent Increase
200,000	\$160,000	10.7385¢	\$172	9.0%	\$218,000	\$174,400	10.5521¢	\$184	\$12	7%
300,000	\$240,000	10.7385¢	\$258	7.0%	\$321,000	\$256,800	10.5521¢	\$271	\$13	5%
400,000	\$320,000	10.7385¢	\$344	5.9%	\$423,600	\$338,880	10.5521¢	\$358	\$14	4%
500,000	\$400,000	10.7385¢	\$430	5.2%	\$526,000	\$420,800	10.5521¢	\$444	\$14	3%

\*Includes 20% homestead exemption

### Lease and other Revenue

The other sources of revenue in the Central Health Fiscal Year 2019 budget include lease revenue, interest revenue and revenue received from the tobacco litigation settlement.

Since the Seton relocated to the new hospital facility in 2017, the lease revenue for the Campus has declined, however there are some one-time lease revenues, increasing to \$18.1M in Fiscal Year 2019. Seton currently leases two buildings on the campus for continued health care delivery which generates lease revenue. One-time lease revenues are related to improvement projects for the Campus.

Significant work has continued to redevelop the campus in an effort to maximize revenue for future health care delivery. Central Health's board approved an agreement in July of 2018 that represents a major accomplishment of this long-term redevelopment process and will provide a source of funding for Central Health's mission. This also allows the board of managers flexibility in planning the next phases of the Downtown Campus redevelopment.

Central Health qualifies to participate in the Tobacco Settlement Distribution Program established by the 76<sup>th</sup> Texas Legislature. In Fiscal Year 2019 it is anticipated that Central Health will collect approximately \$2.0 million in revenue. Interest revenue is estimated to be \$400K.

## Uses of Funds

Central Health budgets expenditures for Health Care Delivery (95.5 percent of total appropriations) and a smaller program of Administration (3.8 percent of total appropriations). The remaining 0.7 percent is tax collection expense.

### Health care Delivery Program

This program consists of the following sub-programs or activities:

#### Intergovernmental Transfers (IGTs)

Central Health provides for the health care of persons up to 200% of the federal poverty level. A large portion of the tax revenue collected by the District is used to draw down matching federal funds through intergovernmental transfers. These funds are used for unreimbursed care provided by hospitals or the funding of Delivery System Reform Incentive Payment Program projects to improve access to care and transform how health care is delivered to the community.

Hospital unreimbursed indigent patient costs are the result of under- or uninsured patients receiving care without the ability or financial means to pay for the services received. These costs are generally known as charity care. Central Health provides local funds for two programs to help assist in the costs. The Uncompensated Care program, a part of the 1115 Waiver, and the Disproportionate Share program both utilize local funds to draw additional federal funds to help offset costs incurred by hospital providers. These funds assist to defray the cost of health care provided to uninsured Travis County residents.

In the Fiscal Year 2019 Budget, this activity funds the local match for the following federal supplemental hospital payment programs:

1. Uncompensated Care (UC) – reimburses public and private hospitals for unreimbursed care. Central Health makes uncompensated care IGTs for St. David's and Seton hospitals.
2. Disproportionate Share (DSH) – similar to Uncompensated Care, this program reimburses public and private hospitals that treat a disproportionate share of Medicaid or uninsured patients. Six hospital districts—including Central Health—comprise the local match for all Texas hospitals, both public and private, that qualify for this program across the state.
3. Delivery System Reform Incentive Payment (DSRIP) – provides federal funding for projects that transform the health care delivery system by making it more accessible, more integrated and less costly. Beginning Jan. 1, 2018, the second phase of DSRIP began. The changes from the initial phase include more focus on outcome measures. This funding is provided through the 1115 Medicaid Waiver, which began September 1, 2011. Central Health makes an IGT for the DSRIP programs performed by Seton, the CCC and St. David's. **See Appendix C on page 35 for a full summary of this program and its history.**

Central Health is committed to using its health care delivery funds to leverage additional federal funds and to enhance service delivery. Central Health may elect to utilize contingency funding if available for additional IGT requirements. Overall we estimate that our IGT activity will be \$139 million in Fiscal Year 2019.

<b>Intergovernmental Transfers:</b>	<b>FY 2019 Proposed Budget</b>
IGT - Private UC	\$24,000,000
IGT - Public UC	\$24,500,000
IGT - Disproportionate Share (DSRIP)	\$35,000,000
IGT - CCC DSRIP	\$27,500,000
ITG - Seton DSRIP	\$27,500,000
IGT - St. David's DSRIP	\$630,000
<b>Total</b>	<b>\$139,130,000</b>

## **Health care Service Delivery**

Central Health funds primary, specialty and other services for the MAP program and CCC covered population, primarily through contracts with a number of safety-net providers in the CCC. The majority of these contracts were previously administered by Central Health, but in 2014 most were moved to the CCC so Central Health and Seton could manage them jointly. These contracts are also funded by the CCC's other revenue sources; centralizing them in the CCC provides joint governance and decision-making through which all providers can be better coordinated.

Central Health has maintained its Women's Health program contracts and has a long-standing history of supporting primary and preventative care through its partnerships. Also in its 2019-2020 Strategic Work Plan, Central Health is focusing on determining its role in brain health and cancer programs and in expanding access to care through future service delivery sites, mobile services, and/or technology solutions for delivering care to the low income and uninsured population we serve.

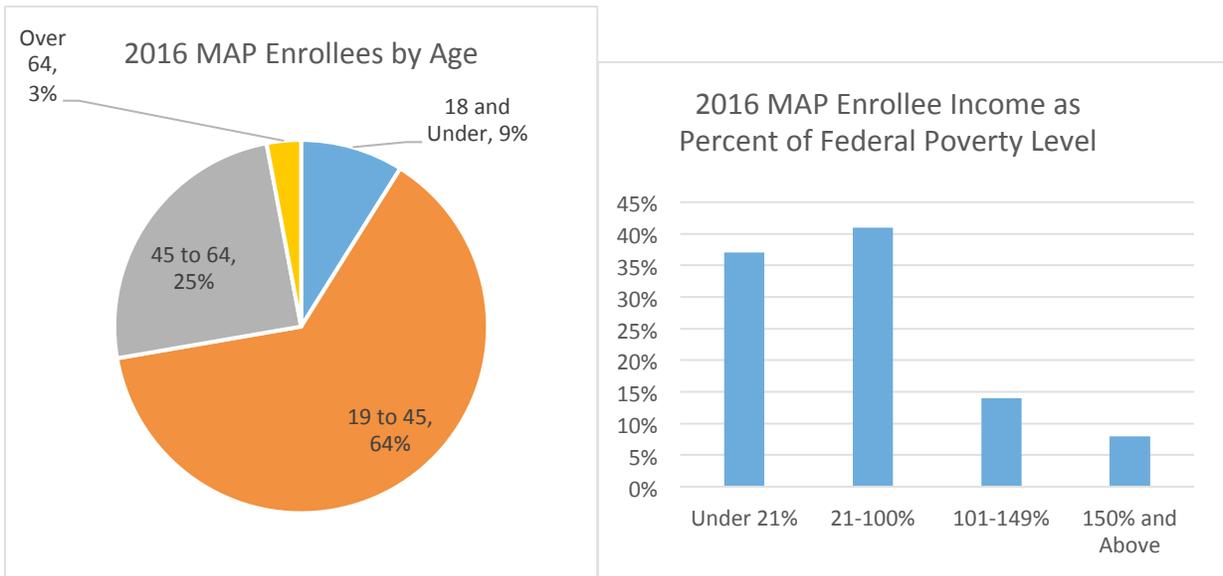
## **Community Care Collaborative (CCC)**

This payment from Central Health to the CCC has increased in 2019 by \$4.8 million to provide funding for patient-focused and coordinated health care services.

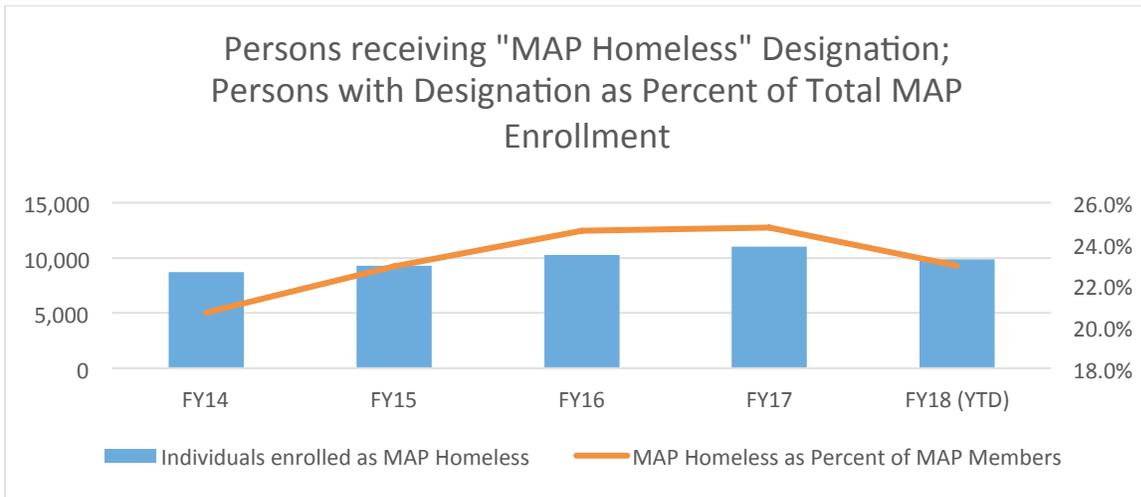
Launched in 2013, the **Community Care Collaborative is a non-profit partnership between Central Health (the Travis County Healthcare District) and Ascension Seton.** Both Central Health and Seton have responsibility to provide care for the low-income uninsured Travis County population: Central Health, through its statutory obligation to provide access to care; Seton, through its arrangement to provide hospital, inpatient, and certain specialty and surgery services to the MAP population and charity care population, in an arrangement that originated with the city of Austin in 1995.

The Community Care Collaborative supports the care of about **105,000 low income Travis County residents annually**, including: those enrolled in the Medical Access Program, those receiving discounted care through community-based clinics, and those receiving discounted services at the Seton Family of Hospitals. In 2016, of 95,578 patients served:

- 9% were 18 and under; 64% were 19 to 45 years old; 25% were 45 to 64; 3% were over 64;
- 55% were women, 45% were men.
- 37% had household incomes under 21% of the federal poverty level (FPL); 41% between 21 and 100% FPL; 14% from 100 to 149% FPL; 8% income level at 150% FPL and above.
- 66% were Hispanic; 14% Anglo; 8% African-American; 3% Asian; 9% other or unknown;
- 49% spoke Spanish at home; 44% spoke English; 5% spoke another or unknown language.
- 21% had high blood pressure; 18% had a behavioral health issue or substance use disorder; 12% had diabetes; 5% had chronic lung disease; 2% had kidney failure; 2% had cancer.



In Fiscal Year 2017, the CCC served 11,285 Travis County residents who declared themselves **homeless**: either sleeping on the streets, in a shelter, or doubled up with another household. These MAP patients are able to receive care, including prescriptions, without a co-pay.



The CCC's service to these patients is characterized by a commitment to provide **value-based health care** for our covered population. Through their partnership in the CCC, Seton and Central Health have created a system whose **goal is to improve the entire health care delivery system**, rather than a particular piece of it. In its first five years of existence, the CCC has invested in:

- **Transitions of care** programs that connect patients as they move out of hospitals and into community-based care settings
- **Hospice and palliative** care programs
- **Specialty care**, with an aim to reduce waitlists and increase access to services

- Use of local funds and the **leveraging of federal programs** to bring additional funding sources to our system
- The establishment of the newest **medical school** in the state at the University of Texas at Austin
- **Data systems** to connects patients, providers and organizations and programs that use **technology** to support better, more convenient health care
- **Medical management** programming and staff to ensure the hardest-to-serve patients receive tailored, supportive case management and health care solutions
- **Contracts that value** patient outcomes and experiences, rather than the old fee-for-service model

This report details CCC services, but they have also made **significant investments in tools and technology** needed to connect sites and systems of care, so that they can help patients and their providers understand how to optimize our patient's health. This work will continue through Fiscal Year 2019 and beyond.

See Appendix D for additional information.

### **Sendero Health Plans**

Sendero Health Plans is a community-based health insurance provider owned by Central Health. Sendero provides coverage in both Medicaid and the federal Marketplace under the Affordable Care Act. In Fiscal Year 2019, Central Health is budgeting \$20 million to provide estimated capital funding levels that are determined by the Texas Department of Insurance. From 2011 through the end of 2018, Sendero has provided approximately \$470 million in services to 175,000 members, with over 1.5 million encounters. The services provided by Sendero offer affordable coverage to members mostly below 200% FPL, and includes hospital, specialty, and primary care services.

### **Capital Projects and Reserves**

In the upcoming Fiscal Year 2019 proposed budget, there is \$2.84 million budgeted as a transfer to the capital reserve. In addition, we anticipate receiving a \$737K grant for clinic expansion. These funds will be used for project costs or costs not covered by debt financing.

Planning has been underway and construction will begin on the redesign and facilities upgrades for health care facilities within the county and anticipates issuing debt to construct capital projects. Several key projects in eastern Travis County are anticipated to result in capital expenditures for facilities built in collaboration with key partners such as the UT School of Nursing, Travis County and the city of Austin. With the transition of hospital services from the Central Health Downtown Campus, we

anticipate there will be capital expenditures to prepare for the redevelopment of the property or investments for the operations and management during the transition.

In order to fund these capital projects, Central Health anticipates issuing debt at a future date.

More information can be found regarding these projects at the Central Health website: <https://www.centralhealth.net/eastertravco/> and <https://www.centralhealth.net/central-health-brackenridge-campus/>

### **Administration Program**

This program funds the activities that allow Central Health to function as a governmental entity and a health care financing entity, e.g.; financial, legal, human resources, facility management, and planning and communications activities. The Administrative Program is 3.8% of the Central Health budget. Overall, administrative costs have increased in Fiscal Year 2019 to \$9.3 million from \$9.1 million in FY2018.

### **Tax Collection**

Central Health incurs expenses payable to the Travis Central Appraisal District and tax collection office annually. In Fiscal Year 2019, we estimate these expenses to be \$1.7 million.

### **Investing in the Workforce**

Central Health invests in the local workforce through employment of 78 full time equivalents in our Fiscal Year 2019 budget. We offer a robust benefits package, including health care coverage, retirement plan matching, life insurance and short- and long-term disability insurance. Furthermore, our health plan offers a wellness benefits, and employees have access to legal services and backup caretaker services. Included in our Fiscal Year 2019 budget is a 3 percent performance-based merit increase in wages and \$150,000 for market adjustments. Our estimate for benefits costs have increased from 28% to 30% of salaries to accommodate anticipated employee health insurance increases.

Table of FTEs by Program (Table 14)

<b>Program</b>	<b>FTEs</b>
Administration	32.00
Health Care Delivery	46.00
<b>Total</b>	<b>78.00</b>

## **Get Involved in Central Health**

We encourage Travis County residents to keep up with our budget development process, ongoing financial updates and Board of Managers Budget and Finance Committee (held monthly and webcast live).

Central Health budget and finance information including monthly financial statements, annual financial audit reports, and current and previous fiscal year budgets are available at: <http://www.centralhealth.net/finance/>.

Central Health's Board of Managers meetings and the Board's Budget and Finance Committee meetings are both available by livestream and archived. Links to the meetings with agenda items, supporting materials, and presentations are available at: <http://www.centralhealth.net/meetings/>.

Central Health does a variety of community engagement activities including soliciting feedback from patients, community members, and concerned citizens. To connect with us please visit <http://www.centralhealth.net/> and sign up for our email list.

<b>FY 2018 Approved Budget and FY 2019 Proposed Budget Sources and Uses Summary</b>			
<b>DESCRIPTION</b>		<b>FY 2018 PROPOSED BUDGET</b>	<b>FY 2019 PROPOSED BUDGET</b>
<b>TAX RATE</b>		<b>0.107385</b>	<b>0.103574</b>
<b>SOURCES</b>			
Property Taxes		181,839,054	196,861,527
Lease Revenue		10,303,467	18,067,937
Interest		400,000	400,000
Tobacco Litigation Settlement		1,800,000	2,000,000
Subtotal Revenue		<b>194,342,521</b>	<b>217,329,464</b>
Contingency Reserve		43,482,960	28,773,804
<b>Total Sources</b>		<b>237,825,481</b>	<b>246,103,268</b>
<b>USES</b>			
Healthcare Delivery		227,029,205	235,078,220
Administration		9,143,516	9,321,838
Tax Collection		1,652,760	1,703,210
<b>Total Uses</b>		<b>237,825,481</b>	<b>246,103,268</b>
<b>RESERVES (ending balance)</b>			
Capital			
HMO Risk-based Capital Reserve			
Contingency Reserve			
Emergency Reserve		31,313,546	32,313,546
<b>Total Reserves</b>		<b>31,313,546</b>	<b>32,313,546</b>

<b>FY 2018 Approved Budget and FY 2019 Proposed Budget Uses Detail</b>		
<b>DESCRIPTION</b>	<b>FY 2018 APPROVED BUDGET</b>	<b>FY 2019 PROPOSED BUDGET</b>
<b>HEALTH CARE DELIVERY</b>		
<b>Intergovernmental transfers:</b>		
IGT - Private UC	24,000,000	24,000,000
IGT - Public UC	25,000,000	24,500,000
IGT - Disproportionate Share	35,000,000	35,000,000
IGT - CCC DSRIP	29,300,000	27,500,000
IGT - Seton DSRIP	29,000,000	27,500,000
IGT - St. David's DSRIP	620,000	630,000
<b>Total Intergovernmental Transfers</b>	<b>142,920,000</b>	<b>139,130,000</b>
<b>Healthcare Services</b>		
Member Payment to CCC	29,245,166	34,000,000
Charity Care - Seton	4,251,733	-
Primary Care - Planned Parenthood	731,800	790,344
Womens Health Services	1,000,000	1,080,000
Integrated Care Collaboration (ICC)	666,657	719,990
Mobile Health Clinics	-	768,500
Healthcare Services Expansion	2,000,000	2,000,000
<b>Total Healthcare Services</b>	<b>37,895,356</b>	<b>39,358,834</b>
<b>Healthcare Initiatives:</b>		
UMCB Campus Redevelopment	4,360,644	-
ACA education and enrollment	-	
Health Promotion	-	
New Initiatives - Cancer, Womens Health, Healthcare Workforce Development	500,000	1,400,000
<b>Total Healthcare Initiatives</b>	<b>4,860,644</b>	<b>1,400,000</b>
<b>Total Healthcare Services &amp; Initiatives</b>	<b>42,756,000</b>	<b>40,758,834</b>
<b>Healthcare Operations</b>		
Salary and Benefits	3,773,584	3,689,436
ACA Education and Enrollment	2,700,000	2,916,000
Health Promotion	-	-
Legal	26,200	46,200
Benefits and Payroll Services		-
Consulting	289,000	459,590
Other professional services	401,085	365,000
Marketing & Community Relations	307,326	414,868
Leases, security & maintenance	739,876	599,320
UT land lease for teaching hospital	903,467	912,502
Phones, computer equipment & utilities	932,021	1,091,890

Printing, copying, postage & signage	198,694	133,750
Travel, training and professional development	47,044	40,285
Health Promotions	358,713	315,455
Downtown Campus Operations and Redevelopment	-	11,125,542
Other operating expenses	234,892	757,480
<b>Total Healthcare Operations</b>	<b>10,911,902</b>	<b>22,867,318</b>
<b>Reserves, appropriated uses &amp; transfers:</b>		
Transfer to capital reserve	-	2,840,000
Transfer to emergency reserve	1,417,922	1,000,000
Sendero risk-based capital	4,000,000	20,000,000
Contingency reserve appropriation	23,650,587	7,109,251
<b>Total Reserves, appropriated uses &amp; transfers</b>	<b>29,068,508</b>	<b>30,949,251</b>
<b>Debt service:</b>		
Debt service - principal retirement	1,000,000	1,030,000
Debt service - interest & amortized costs	372,795	342,818
<b>Total Debt Service</b>	<b>1,372,795</b>	<b>1,372,818</b>
<b>Total Healthcare Delivery</b>	<b>227,029,205</b>	<b>235,078,220</b>
<b>ADMINISTRATION</b>		
<b>Personnel Expenses</b>		
Salary and Benefits	4,413,183	4,690,997
Legal	926,200	1,198,320
Consulting	1,208,800	1,026,500
Investment Services (Travis County)	105,000	110,000
Benefits & Payroll administrative services	249,920	165,150
Other professional services	483,200	495,000
Marketing & Community Relations	192,400	194,800
Leases, security & maintenance	273,348	308,096
Insurance & Risk Management	157,500	150,030
Phones, computer equipment & utilities	204,930	147,000
Printing, copying, postage & signage	136,560	117,820
Travel, training and professional development	259,625	176,495
Other operating expenses	532,850	541,630
<b>Total Administration</b>	<b>9,143,516</b>	<b>9,321,838</b>
<b>TAX COLLECTION</b>		
Appraisal District Svcs	970,200	1,018,710
Tax Collection Expense	682,560	684,500
<b>Total Tax Collection</b>	<b>1,652,760</b>	<b>1,703,210</b>
<b>TOTAL USES</b>	<b>237,825,481</b>	<b>246,103,268</b>

### **1115 Delivery System to Reform Incentive Payment Program**

#### ***Initial 1115 Waiver: 2011 - 2017***

During the initial waiver period, **Central Health supported 33 DSRIP projects** that were developed and implemented by Community Care Collaborative (CCC), Dell Seton Medical Center at the UT, Dell Children's Medical Center, and St. David's Healthcare Partnership. As of January 2018, these DSRIP providers have **earned \$513.1 million in incentives** (local funds plus federal match) for achieving **97.5%** of required performance-based metrics. See Table 1, *DSRIP Total Value vs. Achieved – DY 2 to DY6*.

These innovative projects made numerous improvements in the delivery of health care in our region over this period. For example, hospitals provided over 1,735 care transitions and navigation services; 2,453 telepsychiatry consultations in emergency rooms, 210,559 mammograms and cervical cancer screenings, and navigation services for 9,920 patients with chronic disease who were transitioning from the hospital. Examples of how CCC improved access to health care include providing 9,000 telepsychiatry consultations, 113,000 after-hours primary care visits, and providing dental services to 16,000 patients with chronic disease.

#### ***1115 Waiver Extension: 2018 – 2022***

In December 2017, CMS granted an extension of five additional years to extend the 1115 Waiver from January 2018 to September 2022. **Significant changes have been made to both the amount of funding and the structure of the 1115 Waiver.**

The UC funding pool was extended for five years, however, due to changes in data sources and calculation methodologies, **the UC pool will be re-sized beginning in 2020**. These changes will likely result in a reduction of UC funds (amounts are not yet determined by HHSC).

The DSRIP funding pool was extended for four additional years and will **cease October 1, 2021**. For the first two years, January 1, 2018 through September 30, 2019 (Demonstration Years 7 and 8), funding is the same as in the last years of the initial waiver. Funding is reduced during the last two years of the extension, October 1, 2019 through to September 30, 2020 (Demonstration Years 9 and 10). See Table 2, *DSRIP Total Value – DY 7 to DY 11*. To prepare for the phasing out of DSRIP funding, HHSC is required to submit a transition plan to CMS next year that outlines how delivery system reforms will continue to operate without DSRIP funds.

The extension of the 1115 Waiver reflects the **evolution of the DSRIP program from project-level reporting to system-level reporting of outcome measures**. DSRIP projects, per se, are no longer required, instead a provider defines its entire system, selects outcomes, develop strategies and conducts continuous process improvement activities to drive those outcomes. See Table 3, *DSRIP Program Protocol Changes*.

**A higher percentage of a provider’s total DSRIP valuation is now allocated to clinical outcomes** (65% in DY 7, and 75% in DY 8). HHSC has “bundled” groups of outcome measures that align closely with former DSRIP project areas. Many of the bundles include outcome measures from the initial waiver, but typically now measure larger populations.

The extension also adds **accountability for serving Medicaid and Low-Income or Uninsured (MLIU) individuals** by allocating 10% of a provider’s DSRIP valuation to maintaining or increasing the number of MLIU individuals served, over baselines calculated from the initial waiver period.

**Table 1. DSRIP Total Value vs. Achieved – DY 2 to DY 6**

Provider	Process & Implementation Metrics		Outcomes Metrics	
	Total Value	Achieved	Value	Achieved
CCC	\$189,887,269	\$188,713,030	\$89,163,994	\$82,063,625
DCMC	\$35,166,330	\$35,166,330	\$11,240,561	\$11,240,561
DSMC	\$149,851,555	\$149,249,076	\$45,979,246	\$42,495,113
St. David’s	\$3,690,526	\$3,489,351	\$1,270,053	\$726,528
Total	\$378,595,680	\$376,617,787	\$147,653,854	\$136,525,827

Amounts do not include DY 6 metrics that have been carried forward to DY 7 for completion. An additional \$51,401,851 was earned for reporting population-based measures collected by hospitals (Category 4).

**Table 2. DSRIP Total Value – DY 7 to DY 11**

Provider	DY 7	DY 8	DY 9*	DY 10*	DY 11
CCC	\$66,629,087	\$66,629,087	\$62,564,712	\$54,176,110	0
DCMC	\$11,897,432	\$1,897,432	\$11,183,586	\$9,673,801	0
DSMC	\$48,000,703	\$48,000,703	\$45,120,660	\$39,029,371	0
St. David’s	\$1,411,756	\$1,411,756	\$1,327,050	\$1,147,898	0
Total	\$127,938,978	\$127,938,978	\$20,262,639	\$104,027,183	0

\*DY 9 and 10 amount are estimated based on state-wide DSRIP pool calculations.

**Table 3. DSRIP Program Protocol Changes**

<b>Initial 1115 Waiver</b>	<b>1115 Waiver Extension</b>
Focus on <b>projects</b>	Focus on <b>provider systems</b>
Higher % of incentives for <b>process &amp; implementation</b>	Higher % of incentives for <b>clinical outcomes</b>
Activities/strategy changes: HHSC approval required	Activities/strategy changes: HHSC approval not required
Based on RHP 7 <b>2012</b> Community Needs Assessment	Based on RHP 7 <b>2017</b> Community Needs Assessment

RHP 7 2017 Community Needs Assessment: <http://www.texasrhp7.org/wp-content/uploads/2017/09/Final-Report-with-Appendix-10-31-17.pdf>

**Table 4. DSRIP Outcome Measure Bundles**

<b>Measure Bundle</b>	
Asthma Management (Pediatric)	Behavioral Health Integration
Cancer Screening	Chronic Pain Management (Non-Malignant)
Dental Care Access (Adult)	Diabetes Management
Heart Disease Management	Hospital Safety
Maternal Safety	Palliative Care
Primary Care & Prevention	



A Central Health and Seton partnership

### **Mission & Strategic Plan**

In 2017, the CCC approved a three-year strategic plan which re-articulated our mission, vision and values, and delineated four strategic focus areas for our work through 2020.

**Vision:** A healthcare delivery system that is a national model for providing high quality, cost-effective, person-centered care and improving health outcomes for the vulnerable population we serve.

**Values:** Our work is governed by the values of innovation, person-centeredness, equity, accountability, and collaboration.

**Mission:** Optimize the health of our population while using our resources efficiently and effectively.

We will measure our success in achieving our mission by tracking our patients' self-reported quality of life and their longevity, and monitoring our programs' cost of care.

Our Strategic Focus Areas are:

1. Build an Integrated Delivery System
2. Redesign Coverage Programs
3. Improve Value in Care
4. Improve Health Outcomes

In Fiscal Year 2018, the CCC and Central Health Boards approved the creation of MAP Basic, a program to enroll patients currently receiving discounted care through our community-based clinics. In **Fiscal Year 2019, we will implement this enrollment program**, which will:

- Engage nearly 40,000 more low-income Travis County residents with a health management program;
- Allow the CCC to proactively contact patients in need of services and provide system navigation as needed;
- Offer a new dental care benefits to enrollees;
- Provide a new pharmacy benefit to enrollees.

This program will allow the CCC to track utilization and better understand the health and health care needs of our served population.

All of the CCC's work is focused on delivering value – we want to provide effective services for our covered population through a payment mechanism that makes sense and isn't wasteful. In Fiscal Year 2018, nearly **7% of contract funds** were reserved to

recognize **provider improvement in outcomes** related to chronic disease management and delivery of preventative services. This investment in outcome measures is bearing fruit; as detailed below, we have seen improvements in the health of our MAP population as measured by certain clinical and treatment indicators.

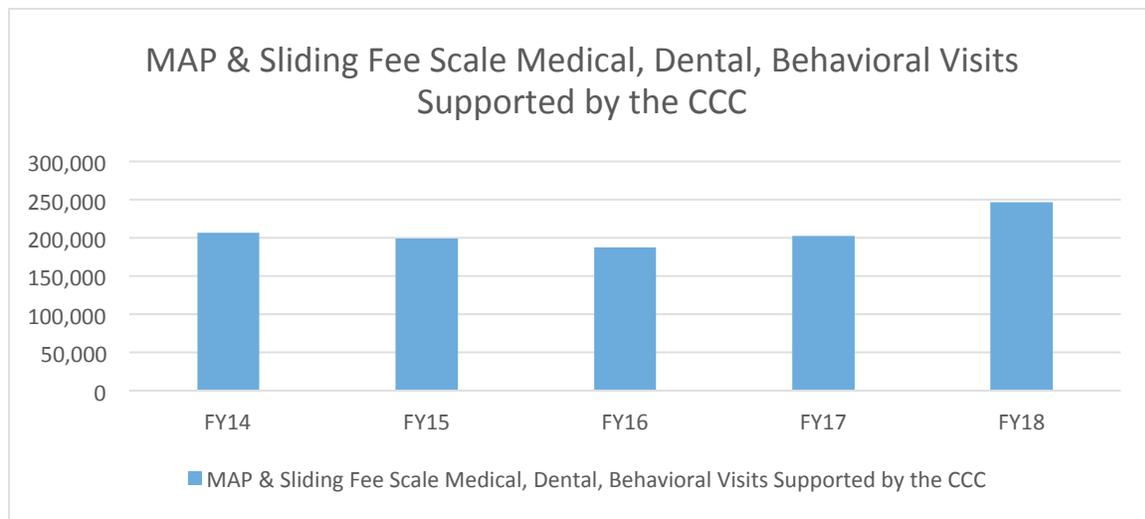
- **Annual Foot Exam:** People with diabetes are more prone to circulatory and nerve problems that can affect their feet. The percentage of our diabetic patients aged 18-75 years who received a complete foot examination (visual inspection, a sensory exam and a pulse exam) **increased about 11%** from Fiscal Year 2016 to Fiscal Year 2018.
- **Nephropathy Screening:** Diabetes negatively impact kidney function. The percentage of diabetic patients aged 18-75 years screened for impaired kidney function has been on average **about 3% higher** than the National Committee for Quality Assurance (NCQA) benchmark since Fiscal Year 2016.
- **HbA1C Control <8%:** Hemoglobin A1c is a measure of blood sugar control over the most recent three months. The percentage of our diabetic patients whose hemoglobin A1c measurement was below 8% has been **consistently higher** than the NCQA benchmark since October 2016.
- **Blood Pressure Control <140/90:** The percentage of our diabetic patients aged 18-75 years whose most recently recorded blood pressure reading was below 140/90 has been on average about **15 – 20% higher** than the NCQA benchmark since October 2016.
- **BMI Screening and Follow-up Plan:** The percentage of our 18 years and older whose BMI was measured at their last visit or within six months before that visit AND when the BMI was out of range (too high or too low), who were given a follow-up plan ranged from **20 to 25% higher** than the Health Resources and Services Administration (HRSA) national benchmark, since October 2016.
- **Cervical Cancer Screening:** The percentage of women ages 21 -64 years who received a cervical screening for cancer as recommended has consistently been **10% above** the HRSA benchmark since October 2016.
- **Tobacco Use Screening and Cessation Intervention:** The percentage of our patients 18 years and older who were screened for tobacco use within the last 24 months AND if they were a tobacco user, these patients were given tobacco cessation counseling has been about **11 – 13% higher** than the national HRSA benchmark since October 2016.
- **Controlling High Blood Pressure (General Population):** The percentage of patients with hypertension ages 18-85 whose most recent recorded blood pressure

during the measurement year was below 140/90 has remained about **1 – 4% above** the national HRSA benchmark, since March 2017.

- **Depression Screening and Follow Up Plan:** The percentage of our patients 12 years old or older screened for clinical depression using an age-appropriate standardized tool AND if the screening was positive, were given a follow-up plan on the same day has ranged from **four to 12% higher** than the national HRSA benchmark, since October 2016.

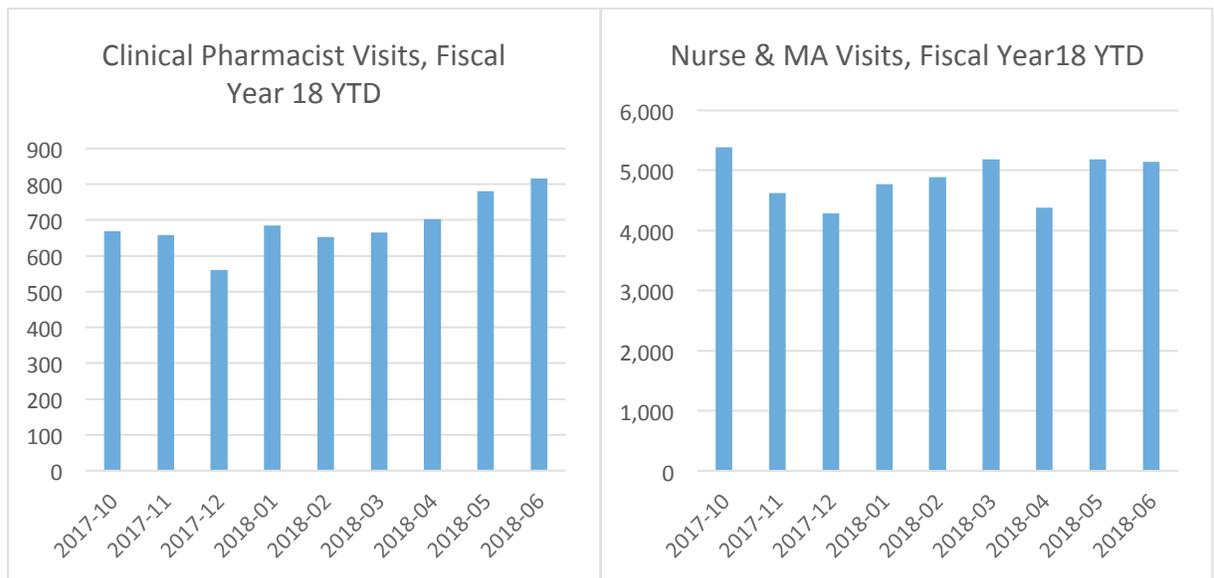
### **Primary Care**

The CCC provides MAP patients with access to primary care services at a network of community-based clinics, including CommUnityCare (CUC), El Buen Samaritano (El Buen), Lone Star Circle of Care (LSCC), and People's Community Clinic (PCC). Since the CCC's inception in 2013, we have seen **year-over-year increases in MAP patient visits** at these clinics.



Nurses, medical assistants, pharmacists, nutritionists, and community health workers can serve as key members of the primary care team supporting CCC patients. The CCC pays for '**alternative visits**' with these providers in order to ensure patients are served by the best mix of health care professionals to meet their needs. It also increases access to care by ensuring providers are working to the top of their licensure. The CCC reimbursed providers for more than 110,000 alternative visits over the course of 19 months, from October 2016 to April 2018. Alternative visits reimbursed by the CCC include:

- **Nurse/Medical Assistant** visits: more than 5,000 visits per month on average, provided by CUC, El Buen, and LSCC since October 2017.
- **Clinical Pharmacist** consultations: Over 6,250 provided by CUC since October 2017 and LSCC since March 2018.
- **Nutritionist** sessions: 3,175 provided by CUC since October 2017.
- **Community Health Workers:** Over 200 visits supported at El Buen since August 2017.



Understanding that medical issues may occur outside of regular hours, the CCC has expanded its **Urgent and convenient care** network. In Fiscal Year 2017, we contracted with **eleven additional Urgent Care** locations and **ten convenient care** sites to ensure that patients have access to appropriate care without having to rely on the Emergency Department. In late summer 2018, we will launch **digital urgent care services** in conjunction with Seton's Good Health program that will enable MAP patients to visit with a doctor via a handheld device.

**In Fiscal Year 2019**, we will support expansion of Primary Care services across Travis County, including supporting our clinical partners as they **offer new access points**, including a LSCC primary and urgent care site in Jonestown, and other sites that are being planned for Eastern Travis County.

**Specialty and Behavioral Health Services**

Since its inception in 2013, the CCC has considerably **expanded the system's capacity** to provide dental, behavioral health, and specialty care services.

Through the **1115 Waiver Program**, the CCC increased access to community-based Dentistry, Gastroenterology, Pulmonology, and Telepsychiatry. Through these services:

- An additional **15,803 dental encounters** were provided over the pre-expansion baseline;
- **Over 400** people were cured of **Hepatitis C**;
- the wait time for **Pulmonology** services dropped from four months in 2013 to less than **1 week** in March 2018;
- **Telepsychiatry** services were made available across 13 community clinics.

Additional improvements have been made in **Ophthalmology**, where through network and surgery site expansion, the CCC projects that we will to double the numbers of patients served from Fiscal Year 2016 to Fiscal Year 2018.

The **Musculoskeletal** Integrated Practice Unit at **Dell Medical School** has provided patient-centered treatment to more than 650 MAP patients since it opened in 2017. Patients can now get in to care within two weeks of referral; before the clinic was open, this average wait time was over 12 months. The clinic is collecting patient-reported outcomes on all of its patients, including those who seek assistance with upper and lower extremity issues, and back pain.

Also at Dell Medical School, the **Complex Gynecology Clinic** opened in October 2017 and provides a new set of clinical services for patients dealing with pelvic pain, pelvic floor disorder, and prolapse. Approximately 200 MAP patients have been served at the clinic since it opened.

We expanded specialty capacity by adding new clinic partners, and through extensive outreach and patient support, have ensured patients get to the appointments that they need: no show rates at our **new ENT clinic** hover around 15%, for example, far below the national average. Over the course of this past year, we expanded from one half-day clinic per month to four half-day clinics. In Fiscal Year 2019, approximately 1,000 appointments will be available for our patients.

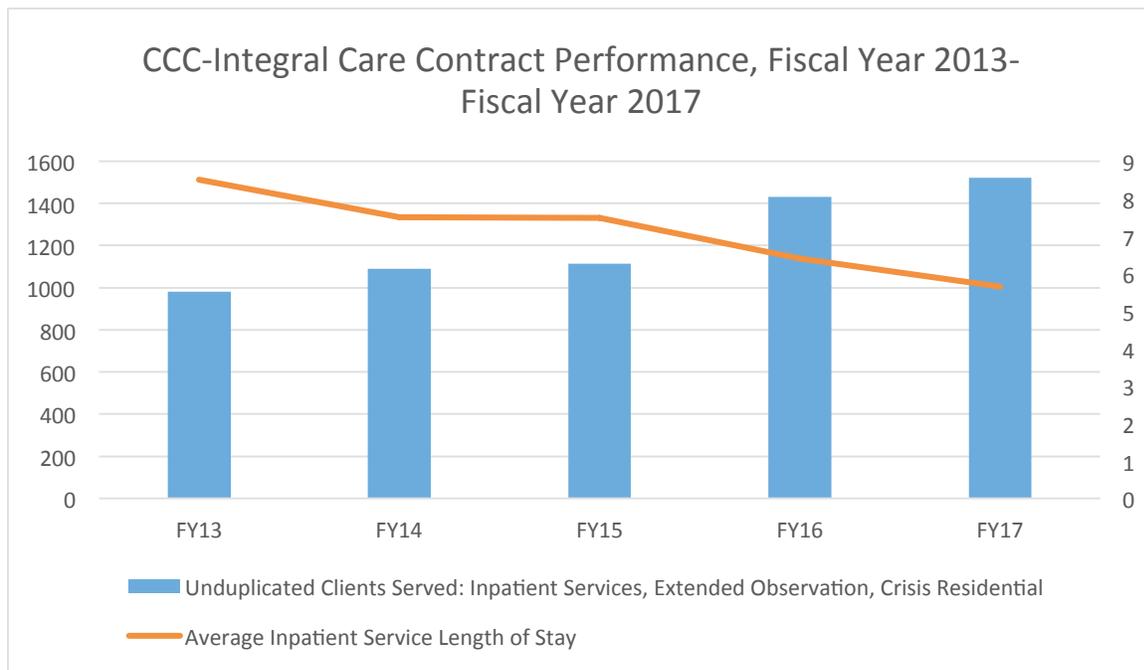
We have increased the number of **colonoscopies** we provide to our patient population, utilizing NPs and RNs to do screening and pre-procedure preparation; we anticipate 600 procedures in Fiscal Year 2019, an increase of up to 25 per week over the pre-CCC system average. Our **colonoscopy completion** rate (from referral to procedure) was 70% over the most recent two-year period, well above national benchmarks.

In Fiscal Year 2019, among other initiatives, we will:

- Enhance access to community-based **Rheumatology** services by funding over 500 appointments with primary care physicians trained to manage patients with chronic disorders;
- Fund over 3,200 visits with community-based **Endocrinologists**;
- Provide access to over 1,000 **Pulmonologist** visits in community clinics.

For **Behavioral Health** services, the CCC has worked closely with community clinic providers to offer behavioral health services in the primary care medical home. In Fiscal Year 2018, we contracted with providers to support individual and group counseling services.

We work with Integral Care to disperse \$8 million in funding for **psychiatric inpatient stays**, along with **Extended Observation services** at the new Guy Herman Center. By switching our reimbursement methodology, Integral Care has been able to **lower the average length of stay** in Inpatient Facilities while reducing the readmissions rate, and to **increase the number of unique patients** served with the same amount of funds.



Finally, in Fiscal Year 2018, the CCC launched a pilot program to address **opioid use disorders**. Forty-five MAP Patients with active opioid use disorders have enrolled in a gold standard Medication Assisted Treatment program that couples medication with intensive psychosocial support. The prescribed medication operates to normalize brain chemistry, block the euphoric effects of alcohol and opioids, relieve physiological cravings, and normalize body functions without the negative effects of the abused drug. Although treatment varies by individual, within 12 months, patients have been stepped down off of the medication and can live drug free thereafter. Our **patient retention rate of 70%** is nearly 20 points over the average. As one participant stated:

***There really is hope. I've been clean since the first day and didn't experience any withdrawal symptoms or the side effects that you think of with drug detox. If I can get clean, anyone can.***

This project will continue in Fiscal Year 2019 with funding for an addition 40 persons to be served; a formal evaluation taking place over that period.

### **Medical Management**

The CCC's Medical Management program has provided support to CCC patients for over two years. With staff including a Family Practice Doctor, several nurses and licensed social workers, and a community health worker, the Medical Management department provides case management, transitions of care support, post-acute care

coordination, utilization management, and ad hoc care coordination to the **most complex patients** who needs cannot be met by a primary care provider.

Those served by Medical Management's case management services usually:

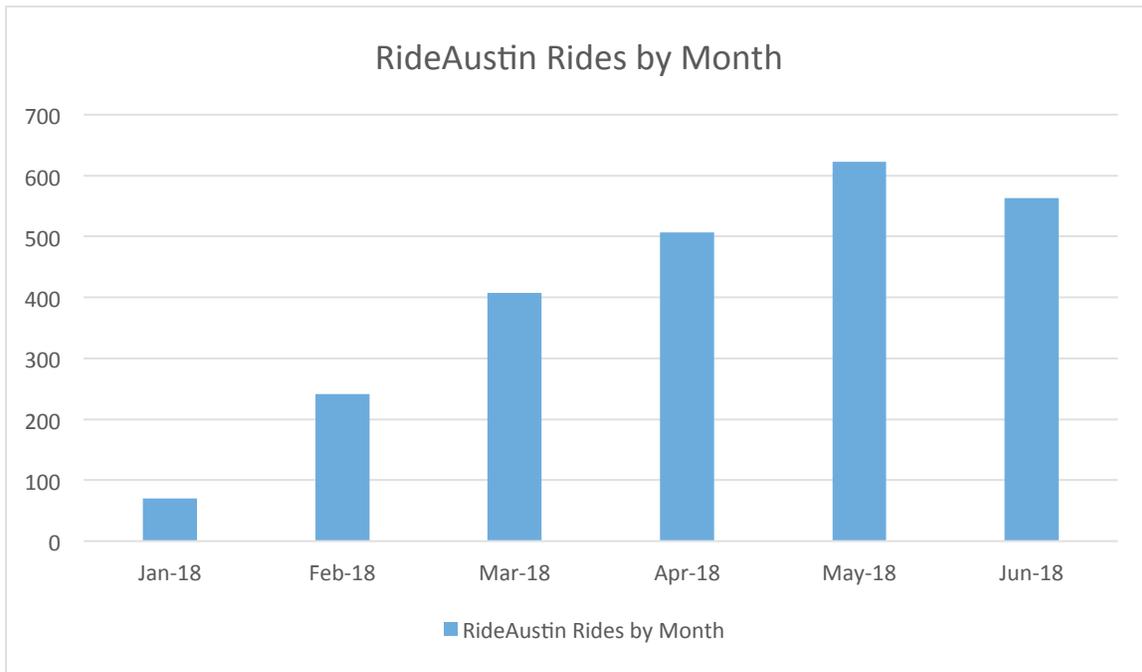
- Require **coordinated medical services** from multiple organizations
- Are hard-to-reach (**homeless patients**, patients with communication challenges)
- Need assistance applying for and navigating medical and social services (e.g. disability applications, consulate issues, Medicaid)
- Have **unusually challenging** situations where CCC may need to leverage uncommon resources

Compared with the overall MAP population, these patients are generally older and have more complex medical circumstances: they are twice as likely as the average MAP patient to be 45 to 65 years old, and 26% had **four or more chronic conditions**, versus the average 3%. Following case management, patients **visit primary care more often** and have **fewer ER visits and inpatient stays**.

The Medical Management Department oversees the **Transitions of Care and Post-Acute Care** programs, which ensures that patients discharged from the hospital have a suitable place to continue to heal. These programs make appropriate "step-down" care available for patients who continue to have a medical need that requires skilled attention, or for patients who would otherwise be discharged to the streets in the case of persons experiencing homelessness.

Additionally, the Medical Management staff has been instrumental in operating our Fiscal Year 2018 RideAustin **ride share pilot program**. Through a \$50,000 grant from the Transit Empowerment Fund, the CCC has assisted patients with rides to and from clinic appointments. Within the first six month of operations, the program **provided 2,412 rides**. Of the rides to appointments:

- 36% were to a community clinic for a primary-care related appointment
- 25% were to specialty care
- 15% were to Behavioral Health appointments
- 10% were for imaging or lab
- 8% were for pharmacy
- 6% were to physical, speech or occupational therapy.



Transportation assistance will continue to be provided to patients in Fiscal Year 2019.

Finally, the CCC conducted a survey of the **basic needs** identified by patients applying for MAP. Of 318 applicants surveyed, two out of three (66%) reported that they were unable to obtain at least one of the basic necessities included on the survey. The most commonly-cited unmet need was food (33% cited need), followed by transportation (28%). In Fiscal Year 2019, the CCC will explore opportunities to partner with community organizations to provide food to MAP enrollees in need.

## **Attachment E – Glossary**

1115 Waiver – a federal funding program for uncompensated care and Delivery System Reform Payments (DSRIP)

ACA – Affordable Care Act

BMI – Body Mass Index

CCC – Community Care Collaborative

CDM Program – Continuous Diagnostics and Mitigation

CEO – Chief Executive Officer

CHIP – Children's Health Insurance Program

CMS – Centers for Medicare & Medicaid Services

DSH – Disproportionate Share

DSRIP – Delivery System Reform Incentive Payment

DY – DSRIP funding year

ED – Emergency Department

EMS – Emergency Medical Services

FTE – Full-time Equivalent

FPL – Federal Poverty Level

FQHC – Federally Qualified Health Center

GI – Gastrointestinal

HIV – Human Immunodeficiency Virus

HHSC – Texas Health and Human Services

HMO – Health Maintenance Organization

IGT – Intergovernmental Transfers

ISD – Independent School District

IMF – International Monetary Fund

MAP – Medical Access Program, a full benefits package for eligible residents who are at or below 100 percent of the Federal Poverty Level (FPL)

MLIU – Medicaid Low-Income or Uninsured

MSA – Metropolitan Statistical Area

PCMH – Patient Centered Medical Homes

STAR – State of Texas Access Reform - Medicaid program through which most people in Texas get their Medicaid coverage

STI – Sexually Transmitted Infection

TPA – Third Party Administrator

UC – Uncompensated Care

UMCB – University Medical Center Brackenridge

## Reserve Policies – Attachment F

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Central Health maintains four separate reserves, with a policy for each: an emergency reserve, a contingency reserve, a capital reserve and a reserve for HMO risk-based capital.

### **Emergency Reserve Policy**

Central Health's emergency reserve will serve as a funding source for dire necessities that arise from unusual circumstances, e.g. natural disasters, pandemics, or severe business disruptions. The emergency reserve will normally be set at 55 days of working capital, equal to approximately 15% of budgeted ongoing expenses. The amount of the emergency reserve will be set annually through adoption of the budget.

### **Contingency Reserve Policy**

The contingency reserve will serve as a funding source for one-time expenditures or for ongoing expenditures when needed for cyclical or temporary structural deficits. Cyclical deficits are caused by temporary decreases in revenue or by one-time, nonrecurring expenses that cannot be funded through current revenue. Structural deficits are caused by an excess of projected annual expense over projected annual revenue over periods of several fiscal years. Contingency reserves may be used as part of a plan for correcting structural deficits; however, the plan should also include structural fixes such as permanent increases to revenue and/or permanent reductions to expense.

The contingency reserve may also serve as a source of supplemental appropriation that can be used for Intergovernmental Transfers, depending on circumstances and amounts available. The Intergovernmental Transfers are unpredictable and are often misaligned with Central Health's fiscal year.

### **Capital Reserve Policy**

A capital reserve will be established to fund capital assets or projects that will not be funded through the issuance of debt or through a grant. The capital reserve will be established in October, the first month of the fiscal year, by moving investment balances from current assets to noncurrent assets in the amount needed to fund the capital reserve. Changes may be made to the capital reserve during the year if, for example, other funding is obtained for a portion of the capital budget: in this case, the capital reserve would be decreased by moving the amount of the grant from noncurrent assets (investments) back to current assets.

### **HMO Risk-Based Capital Reserve Policy**

Central Health will set up a risk-based capital reserve to be used for paid-in capital payments to Sendero Health Plans, Inc., (Sendero) the Medicaid managed care nonprofit corporation established in 2011. This reserve will be shown in the noncurrent assets section of Central Health's balance sheet and will not be part of working capital or fund balance. This fund will be used to provide risk-based capital to Sendero. Payments will be made based on the level of enrollment and on claims experience, as recommended by the Sendero actuary.

**Travis County Healthcare District Investment & Collateral Policies and Procedures<sup>2</sup>**

Contents:

Subchapter A. General Provisions of Chapter

- 23.001 Authority
- 23.002 Application
- 23.003 Effective Date
- 23.004 Definitions
- 23.005 Construction and Interpretation
- 23.006 The Public Funds Investment Act

(23.007 - 23.010 Reserved for expansion)

Subchapter B. Investment Authority and Scope of Policy

- 23.011 Delegation of Investment Authority
- 23.012 District Investment Portfolio Structure
- 23.013 Prudence and Ethical Standards
- 23.014 Quality and Capability of Investment Management
- 23.015 Disclosure of Personal Business

(23.016 - 23.020 Reserved for expansion)

Subchapter C. Investment Objectives

- 23.021 Safety of Principal
- 23.022 Maintenance of Adequate Liquidity
- 23.023 Return on Investments
- 23.024 Additional Objectives for Pooled Bond Funds Portfolio

(23.025 - 23.030 Reserved for expansion)

Subchapter D. Investment Strategies

- 23.031 Operating Account Portfolio
- 23.032 Debt Service Portfolio
- 23.033 Pooled Bond Funds Portfolio

(23.0034 - 23.040 Reserved for expansion)

Subchapter E. Safety of Principal

- 23.041 Protection of Principal
- 23.042 Purchasing Only Eligible Investments

Requiring Approval of Broker/Dealer/Financial Institutions

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<sup>2</sup> Chapter 23 was replaced by Travis County Healthcare District Board of Managers.

- 23.043 Applications for Approval as Broker/Dealer/Financial Institutions
- 23.044 Qualifications for Approval as Broker/Dealer/Financial Institutions
- 23.045 Approval of Broker/Dealer/Financial Institutions
- 23.046 Annual Review of Approved Broker/Dealer/Financial Institutions
- 23.047 Removal from Approved List

#### Diversifying Portfolios

- 23.048 Diversifying Operating Account Portfolio by Type
- 23.049 Diversifying All Other Portfolios by Type
- 23.050 Diversifying Operating Account Portfolio by Maturity
- 23.051 Diversifying All Other Portfolios by Maturity

#### Collateralizing Deposits

- 23.052 Collateral Requirements for All Deposits
- 23.053 Monitoring Collateral Adequacy for All Deposits
- 23.054 Substituting Collateral for All Deposits
- 23.055 Agreements and Safekeeping for All Deposits
- 23.056 Collateral Requirements for Repurchase Agreements
- 23.057 Monitoring Collateral Adequacy for Repurchase Agreements
- 23.058 Substituting Collateral for Repurchase Agreements
- 23.059 Safekeeping of Repurchase Agreement Collateral

(23.060 - 23.070 Reserved for expansion)

#### Subchapter F. Liquidity

- 23.071 Achieving Liquidity
- 23.072 Liquidating Investments

(23.0073 - 23.080 Reserved for expansion)

#### Subchapter G. Investment Return Achievement

- 23.081 Priority of Investment Goals
- 23.082 Bond Swaps

(23.0083 - 23.090 Reserved for expansion)

#### Subchapter H. Investment Responsibilities By Office

- 23.091 Training
- 23.092 Treasurer's Office
- 23.093 Investment Management Office
- 23.094 Auditor's Office
- 23.095 [District Finance Chief Financial Officer]
- 23.096 President and CEO

(23.097 - 23.100 Reserved for expansion)

## Subchapter I. Investment Purchasing Procedures

- 23.101 Competitive Bidding
- 23.102 Preliminary Requirements for Repurchase Agreements
- 23.103 Wire Transfer Procedures

(23.104 - 23.110 Reserved for expansion)

## Subchapter J. Performance Evaluation and Reporting

- 23.111 Levels of Evaluation
- 23.112 Performance Analysis and Reporting
- 23.113 Quarterly Performance Analysis and Reporting
- 23.115 Annual Performance Analysis and Reporting

(23.116 - 23.120 Reserved for expansion)

## Subchapter K. Investment Policy Review And Amendment

- 23.121 Review Procedures
- 23.122 Changes to the Investment Policy

(23.123 - 23.130 Reserved for expansion)

## Subchapter L. Forms

- 23.131 Disclosure
- 23.132 Certification
- 23.133 Broker/Dealer/Financial Institution Questionnaire

## ***Subchapter A. General Provisions of Chapter***

### **23.001 Authority**

- (a) The Public Funds Investment Act and the Public Funds Collateral Act authorize the Board of Managers to promulgate this chapter on investment policy and procedures.
- (b) Texas Local Government Code Annotated 116.112(a) (Vernon 1994) authorizes the Board of Managers to invest the District funds in compliance with Texas Local Government Code Annotated chapter 2256.

### **23.002 Application**

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

### **23.003 Effective Date**

This chapter 23 is effective upon adoption by the Board of Managers.

### **23.004 Definitions**

- (a) In this manual, the following words and phrases have the following meanings:
  - (1) "Auditor" means the Travis County Auditor or her designees.
  - (2) "Investment Officer(s)" means the Travis County Chief Investment Officer and/or the Investment Manager or her designees.
  - (3) "Board of Managers" means Central Health Board of Managers.
  - (4) "Treasurer" means the Travis County Treasurer or her designees.
- (b) In this chapter, the words "bond proceeds", "book value", "funds", "investing entity", "entity", "investment pool", "local government", "market value", "separately invested asset", "qualified representative", and "state agency" are used as defined in the Texas Government Code Annotated 2256.002.
- (c) Definitions in the Public Funds Investment Act shall be used to interpret this chapter.

### **23.005 Construction and Interpretation**

Despite any other Code provision to the contrary, this Chapter 23 must be construed to meet the following provisions:

- (1) This chapter must be construed liberally to give all of the authorization intended for the investment of all portfolios.
- (2) Throughout the chapter, words defined in this section are shown with an initial capital. The use of an initial capital is construed to mean that the definition of the capitalized word or phrase is the definition in this section.
- (3) All hours stated in this chapter are stated in Central Standard Time or Central Daylight Saving Time as applicable in Austin, Texas at that time of year.

### **23.006 The Public Funds Investment Act**

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

**(23.007 - 23.010 Reserved for expansion)**

**Subchapter B. Investment Authority and Scope of Policy**

**23.011 Delegation of Investment Authority**

- (a) Board of Managers delegates the authority to select investment instruments in which district funds may be placed and to prepare any documentation necessary to evidence the investment of district funds to the Chief Investment Officer, Investment Manager, and Senior Financial Analyst. Occasionally, the Board of Managers may designate in writing other Travis County personnel authorized to invest district funds as back-ups.
- (1) The Board of Managers approves or ratifies the investments, and the Board of Managers retains ultimate responsibility as fiduciaries of the assets of Travis County Healthcare District.
  - (2) The Chief Investment Officer, Investment Manager, and Senior Financial Analyst advise the Travis County Treasurer of the investment instruments purchased. The Travis County Treasurer's office, with the verification of the President and CEO or their authorized designee, wires the funds for the investment instruments purchased.
  - (3) No other person may invest, withdraw, transfer or manage Travis County Healthcare District funds without the express written authority of the Board of Managers.
  - (4) Authority granted under this section is effective until rescinded by Board of Managers or until termination of employment by Travis County of persons in the designated positions or until elimination by Travis County of the designated positions.
- (b) These designated Travis County Investment Officers must perform their duties in compliance with Chapter 23 and Chapter 32, subchapter C Travis County Code and the Texas Government Code Annotated Chapter 2256, known as the Texas Public Funds Investment Act. When these Investment Officers act in good faith and in compliance with these chapters, they have no personal liability for their actions.
- (c) Officers and employees of any regional planning commission created under Texas Local Government Code Annotated Chapter 391 are not eligible to be designated any authority under 23.011.

**23.012 District Investment Portfolio Structure**

The funds of Travis County Healthcare District that are entrusted to the Board of Managers for investment are divided into the following portfolios based on the source of funds:

- (1) The operating account portfolio means funds from the general fund account, the risk management fund account, the employee benefit fund account, the general county reserve account, and all other Travis

County Healthcare District funds except capital projects, and debt service.

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

### **23.013 Prudence and Ethical Standards**

These standards apply to Travis County Investment Officers and anyone acting on their behalf.

- (1) Prudence
  - (A) Travis County Investment Officers serve as fiduciaries of Travis County Healthcare District and are responsible for prudently investing its assets. The Investment Officers shall comply with the provisions of this section, the Public Funds Investment Act, and all other applicable laws.
  - (B) Travis County Healthcare District uses the "prudent investor rule" when administering the duties of an investment officer within the applicable legal and policy constraints.

The prudent investor rule is restated as follows: The Investment Officers shall invest and manage Travis County Healthcare District assets as a prudent investor would, by considering the purposes, terms, distribution requirements, and other circumstances of the portfolio. In satisfying this standard, the Travis County Investment Officers shall exercise professional care, skill, and judgment. Among circumstances that an Investment Officer shall consider in investing and managing Travis County Healthcare District assets include, but are not limited to the following:

    - (i) general economic conditions,
    - (ii) the yield curve,
    - (iii) the role that each investment plays within the overall portfolio, and,
    - (iv) the risk/reward relationship of investments considered.
  - (C) In determining whether an Investment Officer has exercised prudence with respect to an investment decision, the determination shall be made as follows:
    - (i) the Travis County Investment Officer's investment and portfolio management decisions must be evaluated not in isolation of an individual purchase or sale but in the context of the Travis County Healthcare District portfolio as a whole and as a part of an overall investment strategy having risk and return objectives reasonably suited to the portfolio; and
    - (ii) whether the investment decision was consistent with this chapter 23.

- (D) Travis County Investment Officers must be honest in the exercise of their duties and must not take actions that will discredit Travis County Healthcare District.
- (E) Travis County Investment Officers must comply with the Chapter 33, Travis County Healthcare District Ethics Policy.

(2) Avoidance of Conflicts of Interest

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

(3) Acceptance of Gifts

- (A) Travis County Investment Officers may not personally accept gifts or entertainment from vendors or consultants doing or seeking to do investment or banking related business with Travis County Healthcare District, except as noted below:
- (B) Gifts, which may be accepted under these guidelines, should not exceed \$50.00 per person, per vendor, in a given fiscal year. If gifts over \$50.00 are provided, they must be returned, donated to a charitable cause, or shared with other District employees or disclosed the President and CEO of the Healthcare District. However, entertainment, food, or goods provided to all persons attending a conference or a continuing education activity and goods or services provided during meetings to conduct business and manage a contract generally do not violate this prohibition.
- (C) Disclosure shall be made to the Travis County Director of Economic Development and Strategic Investments of the acceptance of all gifts, entertainment, food, goods, or services no later than 30 days following the calendar quarter in which received.

**23.014 Quality and Capability of Investment Management**

Travis County Healthcare District shall provide periodic training in investments for the Chief Investment Officers, the President and CEO and the Chief Financial Officer through courses and seminars offered by professional organizations and

associations, in order to insure the quality and capability of the Investment Officers.

**23.015 Disclosure of Personal Business**

- (a) Travis County Investment Officers who have a personal business relationship, as described in Texas Government Code 2256.005(i), with any qualified representative offering to engage in an investment transaction with Travis County Healthcare District, shall file a statement disclosing that personal business interest with the Texas Ethics Commission and the Board of Managers (See Subchapter L, Forms).
- (b) Travis County Investment Officers who are related within the second degree by affinity or consanguinity, as determined under Texas Government Code Annotated 573, to an individual seeking to engage in an investment transaction with Travis County shall file a statement disclosing that relationship with the Texas Ethics Commission and the Board of Managers (See subchapter L, Forms).

**(23.016 - 23.020 Reserved for expansion)**

***Subchapter C. Investment Objectives***

**23.021 Safety of Principal**

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

**23.022 Maintenance of Adequate Liquidity**

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

**23.023 Return on Investments**

- (a) Travis County Healthcare District must invest its portfolios in eligible investments that yield the highest possible rate of return while providing the necessary protection of the principal. Travis County Healthcare District seeks to optimize return on investments in all portfolios. The average minimum rate of return for the entire portfolio must be at least equal to the Federal Reserve constant maturity treasury rate with a comparable maturity. The only exception to the average minimum rate of return is that the portfolios, during a period of rapidly rising interest rates, will not be able to meet or exceed the rate of return indicator. If funds are subject to yield restrictions due to federal arbitrage regulations, those funds are excluded from the yield calculation.
- (b) Travis County Healthcare District may only invest in a particular eligible investment if its yields are equal to or greater than the Treasury Convention or Street Convention yield provided by the Bloomberg Financial Information

System or the Interactive Data Corporation yield on United States Treasury obligations of comparable maturity. The Chief Investment Officer and the Investment Advisory Committee may establish additional appropriate criteria for investment performance measures.

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

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

**(23.025 - 23.030 Reserved for expansion)**

#### ***Subchapter D. Investment Strategies***

#### **23.031 Operating Account Portfolio**

- (a) The primary objective of the investment strategy for the operating account portfolio is to create a diversified structure (see 23.048 through 23.051) which will experience minimal volatility during economic cycles, thus providing for preservation and safety of principal.
- (b) The secondary objective is to assure that anticipated cash expenditures are matched with adequate liquidity.
- (c) The tertiary objective is to ensure that the portfolio is invested in eligible securities that yield the highest possible rate of return while providing the necessary protection of principal. The suitable securities to accomplish these objectives are high quality, marketable, short-to-medium term securities that complement each other in a laddered maturity structure. All eligible securities described by this Chapter 23 are suitable for this fund. The dollar weighted average maturity of two and one-half years or less will be calculated using the stated final maturity dates of each security.

#### **23.032 Debt Service Portfolio**

The primary, secondary, and tertiary objectives of the investment strategy for the debt service portfolio are the same as the operating account portfolio. The suitable securities to accomplish these objectives are high quality, marketable, short-term securities that mature on or before the debt service payment dates. The securities suitable for this fund are described in 23.042.

#### **23.033 Pooled Bond Funds Portfolio**

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

unexpected project outlays. All eligible securities described by this Chapter 23 are suitable for this fund.

**(23.0034 - 23.040 Reserved for expansion)**

**Subchapter E. Safety of Principal**

**23.041 Protection of Principal**

- (a) Travis County Healthcare District seeks to control the risk of loss due to the failure of a security issuer or grantor.
  - (1) To control that risk, Travis County Healthcare District purchases only eligible investments, requires prior approval of qualified representatives/business organizations with which it transacts business, diversifies investments in all portfolios based on maturity and type, monitors the market price of investments by way of independent sources such as market telecommunication services and financial publications, when possible, or through an approved Broker/Dealer other than the one that sold Travis County Healthcare District the security, and collateralizes deposits.
  - (2) The quarterly report will identify the method and source used to monitor the market price of investments. The quarterly report will also indicate whether the method and source changed from the previous quarterly report.
- (b) The ratings of all investments held by Travis County Healthcare District are monitored on a regular basis to ensure that the investments remain eligible. If an investment is downgraded to a level lower than the minimum rating required by Chapter 23, the Travis County Investment Officers will take prudent action as described in 23.013(1).
- (c) In addition, Travis County Healthcare District must execute the purchase of individual eligible investments only on the "delivery versus payment" (DVP) method with the exception of investment pools and money market mutual funds to ensure that county funds are not released until Travis County Healthcare District has received the securities purchased.
- (d) Investment securities must be held in Travis County Healthcare District's name by a third party custodian, as evidenced by safekeeping receipts from the institution with which the securities are deposited.
- (e) All investments made by Travis County Healthcare District must comply with all federal, state, and local statutes, rules, and regulations.

**23.042 Purchasing Only Eligible Investments**

- (a) Ineligible Investments: The following investments, which are legal investments under the Public Funds Investment Act, are ineligible investments for Travis County Healthcare District:
  - (1) Collateralized mortgage obligations

- (2) Any security the interest rate of which is determined by an index that adjusts opposite to the changes in a market index.
- (b) Eligible Investments: The following investments, which do not include all of the securities allowed by the Public Funds Investment Act, are the only eligible investments for all of Travis County Healthcare District's portfolios:
- (1) Obligations of the United States or its agencies and instrumentalities;
  - (2) Direct obligations of the State of Texas or its agencies and instrumentalities;
  - (3) Other obligations, the principal and interest on which are unconditionally guaranteed or insured by or backed by the full faith and credit of the State of Texas or the United States or their respective agencies and instrumentalities, including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation or by the explicit full faith and credit of the United States;
  - (4) Obligations of states, agencies, counties, cities, and other political subdivisions of any state, rated as to investment quality by a nationally recognized investment rating firm not less than A or its equivalent.
  - (5) Domestic commercial paper, including commercial paper issued in the United States by corporations doing business and having a significant market presence in the United States, which are wholly owned by foreign entities, and with a stated maturity of 270 days or less from the date of its issuance that is rated not less than A-1 by Standard and Poor's, and P-1 by Moody's, two nationally recognized credit rating agencies.
  - (6) Fully collateralized repurchase agreements including direct security repurchase agreements and reverse security repurchase agreements that:
    - (A) have a defined termination date that does not exceed 90 days after delivery,
    - (B) are placed either through a primary government securities dealer as defined by the Federal Reserve, or a financial institution doing business in this state,
    - (C) are secured by a combination of cash and obligations described by 23.042(b)(1), that are pledged to Travis County, held in Travis County Healthcare District's name, and deposited with a third party selected and approved by Travis County Healthcare District, and
    - (D) have a market value at the time funds are disbursed of not less than the principal amount of the funds disbursed. (See 23.056, Collateral Requirements for Repurchase Agreements.)
  - (7) Certificates of deposit issued by a depository institution that has its main office or a branch office in this state that are:
    - (A) guaranteed or insured by the Federal Deposit Insurance Corporation, or its successor; or

- (B) secured by obligations that are described by 23.042(b)(1), 23.042(b)(2), 23.042(b)(3) or 23.042(b)(4) that have a market value of not less than 102% of the principal amount plus accrued interest of the certificates. (See 23.052 Collateral Requirements for All Deposits.)
  - (C) secured in any other manner and amount provided by law for deposits of the investing entity.
- (8) Certificates of deposit when:
- (A) the funds are invested through a broker that has its main office or a branch office in this state and is selected from a list adopted by the investing entity as required by 23.043 through 23.047 or
  - (B) the broker or the District depository arranges for the deposit of the funds in certificates of deposit in one or more federally insured depository institutions, wherever located, for the account of Travis County Healthcare District;
  - (C) the full amount of principal and accrued interest of each of the certificates of deposit is insured by the United States or an instrumentality of the United States; and
  - (D) Travis County Healthcare District appoints one of the following as its custodian for these certificates of deposit
    - (i) the District depository,
    - (ii) the Texas Treasury Safekeeping Trust Company;
    - (iii) a Federal Reserve Bank or a branch of a Federal Reserve Bank; or
    - (iv) a Federal Home Loan Bank
- (9) A no-load money market mutual fund ("MMMMF") that is registered with and regulated by the Securities and Exchange Commission and:
- (A) has a dollar-weighted average stated maturity of 90 days or less,
  - (B) whose investment objectives include maintenance of a stable net asset value of \$1 per share, and
  - (C) provides Travis County Healthcare District with a prospectus and other information required by the Securities and Exchange Act of 1934 (15 U.S.C. § 78a et seq.) or the Investment Company Act of 1940 (15 U.S.C. § 80a-1 et seq.)
- (10) Public funds and local government investment pools ("LGIP") if the following conditions are met:
- (A) the LGIP is organized under the Interlocal Cooperation Act, as amended,
  - (B) the Board of Managers has authorized investment in that particular LGIP by an order,

- (C) the assets of the LGIP consist exclusively of obligations that are authorized investments in the Tex. Gov't Code Ann. ch 2256, known as the Texas Public Funds Investment Act,
  - (D) the LGIP meets all eligibility acts including disclosure and reporting,
  - (E) the LGIP meets all management requirements of the Public Funds Investment Act, including existence and reliance on maintenance of advisory board, net asset value and maintenance ratings, and
  - (F) the LGIP must be continuously rated no lower than AAA or AAA-m or at an equivalent rating by at least one nationally recognized rating service.
- (11) A securities lending program in which the loan meets the following conditions:
- (A) The loan may be terminated at any time;
  - (B) The loan is placed through
    - (i) a primary government securities dealer, as defined by 5 Code of Federal Regulation section 6801.102(f), as that regulation existed on September 1, 2003, or
    - (ii) a financial institution doing business in this state that is rated no less than A or its equivalent by two nationally recognized rating services.
  - (C) The loan agreement has a term of one year or less and complies with the provisions of section 1058 of the Internal Revenue Code;
  - (D) The loan is secured by
    - (i) cash invested in accordance with subsections (1), (2), (3), (4), (5), (8), or (9) of section 23.042 for a term that ends no later than the expiration date of the loan agreement,
    - (ii) pledged irrevocable letters of credit issued by a bank that is organized and exists under the laws of the United States or any other state and is continuously rated by at least one nationally recognized investment rating firm at not less than A or its equivalent, or
    - (iii) pledged securities issued by the United States government or its agencies and instrumentalities as described in Section 23.042(1) through (4) inclusive;
  - (E) The loan agreement requires securities being held as collateral to be pledged to Travis County Healthcare District, held in Travis County Healthcare District's name, and deposited at the time the investment is made with a third party approved by Travis County Healthcare District.

- (F) The amount of the collateral is not be less than 102% of the market value of securities loaned, including accrued income with the market value of securities determined daily.
- (c) Purchasing Eligible Investments
- (1) The Travis County Chief Investment Officer and the Travis County Investment Manager may invest all portfolios in the eligible investments described by 23.042. When contemplating a new type of investment instrument, the Chief Investment Officer will submit a description to the Travis County Attorney to ensure that the proposed investment instruments are eligible investments described by 23.042.
  - (2) If an investment that was eligible at the time of purchase becomes ineligible during the holding period, consistent with the Public Funds Investment Act, Section 2256.017, the Travis County Investment Officer is not required to liquidate the investment. The Travis County Investment Officer shall take all prudent measures that are consistent with this Policy to analyze the investment and determine the most prudent course of action to minimize any potential loss.

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

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

- (a) When a primary broker/dealer/financial institution applies for approval, the Travis County Investment Management Office provides a copy of Travis County Healthcare District Investment and Collateral Policies and Procedures to the qualified representative of that institution. To qualify for approval, the qualified representative of the primary broker/dealer/financial institution must comply with the following requirements:
- (1) Provide the most recent audited financial statements of the institution,
  - (2) Sign the Certification in 23.132,
  - (3) Acknowledge receipt, thorough review and understanding of Travis County Healthcare District Investment and Collateral Policies and Procedures, and
  - (4) Acknowledge that the primary broker/dealer/financial institution has implemented reasonable procedures and controls in an effort to preclude investment transactions conducted between it and Travis County Healthcare District that are not authorized by this Travis County Healthcare District Investment and Collateral Policies and Procedures, except to the extent that this authorization is dependent on an analysis of the makeup of Travis County Healthcare District's entire portfolio or requires an interpretation of subjective investment standards.
- (b) When a non-primary broker/dealer/financial institution doing business that is regulated by or registered with a securities commission applies for approval, the Travis County Investment Management Office provides a copy Travis County Healthcare District Investment and Collateral Policies and Procedures, to the qualified representative of that institution. To qualify for

approval, the qualified representative of the broker/dealer/financial institution must submit a written application that complies with the following requirements:

- (1) Provides references by public fund investment officers, preferably in Texas,
  - (2) Gives evidence of capital adequacy (See 23.044(b)(3)),
  - (3) Signs the Certification in 23.132,
  - (4) Acknowledges receipt, thorough review and understanding of Travis County Healthcare District Investment and Collateral Policies and Procedures,
  - (5) Acknowledges broker/dealer/financial institution has implemented reasonable procedures and controls in an effort to preclude investment transactions conducted between it and Travis County Healthcare District that are not authorized by Travis County Healthcare District Investment and Collateral Policies and Procedures except to the extent that this authorization is dependent on an analysis of the makeup of Travis County Healthcare District's entire portfolio or requires an interpretation of subjective investment standards, and
  - (6) Includes a completed Broker/Dealer Questionnaire in 23.133.
- (c) Travis County Healthcare District strives to include in the application process broker/dealers located in Travis County who are currently serving institutional clients.

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

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

- (a) To be recommended for approval, the qualified representative of the primary broker/dealer/financial institution must provide the information and comply with the requirements set forth in 23.043(a).
- (b) To be recommended for approval, a non-primary broker/dealer/financial institution and/or its qualified representative(s) must demonstrate possession of the following criteria:
  - (1) Institutional investment experience,
  - (2) Good references from public fund investment officers, preferably in Texas,
  - (3) Adequate capitalization in compliance with the Capital Adequacy Guidelines for Government Securities Dealers published by the New York Federal Reserve Bank for banks or adequate capitalization in

compliance with the Securities and Exchange Commission for broker/dealers,

- (4) Acknowledgement of a thorough review and understanding of this Investment Policy and Procedures Chapter,
- (5) Regulation by the Comptroller of the Currency for banks or regulation by the Securities and Exchange Commission ("SEC") for broker/dealers,
- (6) Membership in good standing in the Financial Industry Regulatory Authority (FINRA) by broker/dealers and subsidiaries of national banks,
- (7) Valid licensure from the State of Texas, except for national banks, and
- (8) Acknowledgement of implementation of reasonable controls and procedures in an effort to preclude investment transactions conducted between it and Travis County Healthcare District that are not authorized by this chapter 23, except to the extent that this authorization is dependent on an analysis of the makeup of Travis County Healthcare District's entire portfolio or requires an interpretation of subjective standards.

(c) To be recommended for approval, broker/dealer/financial institutions previously approved by Board of Managers will also be evaluated based on the following criteria:

- (1) Performance since the last review based on participation in competitive bids documented on bid sheets, and
- (2) Activity level based on proposals presented since the last review.

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

The Board of Managers reviews the recommendations of the Travis County Chief Investment Officer and may approve any number of broker/dealer/financial institutions. Travis County Healthcare District and the Travis County Investment Officers may only purchase securities, except for commercial paper, from qualified broker/dealer/financial institutions. Commercial paper shall be purchased in compliance with 23.101, Competitive Bidding. The Travis County Chief Investment Officer may limit the number of institutions with which Travis County Healthcare District does business.

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

Each year new applicants and broker/dealer/financial institutions currently on the approved list must comply with 23.043 and 23.044 and submit applications to the Travis County Investment Office. The Travis County Chief Investment Officer's recommended changes to the approved list must be submitted to the Board of Managers for approval on an annual basis.

**23.047 Removal from Approved List**

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

- (1) Placing Travis County Healthcare District's funds at risk,
- (2) Inactivity of the broker/dealer/financial institution,
- (3) Failure to maintain one or more of the criteria in 23.044,
- (4) Offering to sell investments other than eligible investments described by 23.042(b),
- (5) Consistently causing an administrative burden by inaccurate documentation or late verification of trade,
- (6) Consistently offering/bidding securities at non-competitive prices, or
- (7) Undergoing material change through divestiture, merger, purchase, or other similar corporate transformations.

***Diversifying Portfolios***

**23.048 Diversifying Operating Account Portfolio by Type**

The Travis County Investment Officer must minimize loss of principal in the operating account portfolio by diversifying investments by type and maturity. The Travis County Investment Officer must maintain diversity in the types of eligible investments purchased for all Travis County Healthcare District portfolios combined (see 23.042(b) for full description of eligible investments) by limiting the percentage for each type of eligible investment to the percentage listed in this section. These percentages will be applied to all Travis County Healthcare District portfolios in aggregate. The limits will be tested each Friday and the Travis County Investment Officer will have 30 days following the test to bring the percentage back within the limits as described below:

<b>Investment Type</b>	<b>Percentage Limit for Combined Portfolios</b>
Obligations of the U.S. – Treasury Notes/Bonds/Bills .....	100%
Obligations of U.S. Agencies – U.S. Agencies .....	75%
Direct obligations of the State of Texas or its agencies and instrumentalities	
60%	
Other obligations, the principal and interest on which are unconditionally guaranteed or insured by or backed by the full faith and credit of the State of Texas or the United States or their respective agencies and instrumentalities, including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation or by the explicit full faith and credit of the United States	
60%	

Obligations of states, agencies, counties, cities, and other political subdivisions of any state. The Travis County Investment Officers must not invest more than 5% of the portfolio in municipal securities of a single entity (see 23.042(b) for full description) ..... 20%

Domestic commercial paper.  
 The Travis County Investment Officer must not invest more than 5% of the portfolio in the commercial paper of a single entity. If the amount held exceeds 5% during the life of the investment, the Travis County Investment Officer shall take all prudent measures that are consistent with this Policy to analyze the investment and determine the most prudent course of action to minimize any potential economic loss.(See 23.042(b) for full description.) ..... 20%

Fully collateralized repurchase agreements are limited to 15% of the portfolio when purchased from an individual broker. (See 23.042(b) for full description.)  
 50%

Certificates of Deposit (See 23.042(b) for full description.) ..... 50%

A no-load money market mutual fund (" MMMF") that is registered with and regulated by the federal Securities and Exchange Commission. The Travis County Investment Officers must not make an investment in any MMMF that exceeds 10% of the total assets of that MMMF.(See 23.042(b) for full description.)  
 20%

TexPool if the following conditions are met:

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

Public funds and local government investment pools (LGIP's).(See 23.042(b) for full description.) ..... 30%

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

**23.049 Diversifying All Other Portfolios by Type**

- (a) Within the pooled bond funds portfolio and the debt service portfolio the proceeds of a single bond issue may be segregated and invested in a single eligible investment or group of eligible investments designed to facilitate compliance with arbitrage regulations if the Travis County Investment Officers or Travis County Healthcare District's arbitrage advisors determine that this

type of strategy is necessary to comply with federal arbitrage restrictions or to facilitate arbitrage recordkeeping and calculation.

- (b) In all other cases, the Travis County Investment Officers must apply the diversification and measurement requirements to the pooled bond funds portfolio combined with all Travis County Healthcare District portfolios in accordance with 23.048.

**23.050 Diversifying Operating Account Portfolio by Maturity**

- (a) The Travis County Investment Officers must monitor the maturity dates of all investments in the operating account portfolio to minimize risk of loss from interest rate fluctuations and to ensure that the maturities do not exceed the anticipated cash flow requirements of the operating account portfolio. The Travis County Investment Officer must also monitor the maturity dates of all investments in the operating account portfolio to ensure that the dollar-weighted average maturity are less than 547 days. The weighted average maturity is calculated as of the end of each month using the stated final maturity dates for each security.
- (b) If these levels are exceeded, the Investment Officer shall take all prudent measures that are consistent with this Policy to analyze the investment and determine the most prudent course of action to minimize any potential economic loss.
- (c) The maximum allowable stated maturity of any individual investment owned by the operating account portfolio is as follows (see 23.042(b) for full description of eligible investments):

<b>Investment Type</b>	<b>Maturity Limit</b>
Obligations of the U.S. – Treasury Notes/Bonds/Bills .....	4 years
Obligations of U.S. Agencies.....	4 years
Direct obligations of the State of Texas or its agencies and instrumentalities	
4 years	
Other obligations, the principal and interest on which are unconditionally guaranteed or insured by or backed by the full faith and credit of the State of Texas or the United States their respective agencies and instrumentalities, including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation or by the explicit full faith and credit of the United States	
4 years	
Obligations of states, agencies, counties, cities, and other political subdivisions of any state (See 23.042(b) for full description) .....	4 years
Domestic commercial paper (See 23.042(b) for full description.).....	270 days
Fully collateralized repurchase agreements (See 23.042(b) for full description.).....	90 days
Certificates of Deposit (See 23.042(b) for full description) .....	18 months

A no-load money market mutual fund ("MMMMF") (See 23.042(b) for full description).....	1 day
Public funds and local government investment pools (LGIP's) (See 23.042(b) for full description).....	1 day
TexasTERM local government investment pool.....	365 days

**23.051 Diversifying All Other Portfolios by Maturity**

- (a) The Travis County Investment Officers may limit the maturity of the pooled bond funds portfolio, the debt service portfolio and the agency funds portfolio to the "temporary period" as defined by the Internal Revenue Code, § 148, during which bond proceeds may be segregated and invested at an unrestricted yield. After the temporary period ends, the Travis County Investment Officers must consider the anticipated cash flow requirements of the funds and invest the portions of the pooled bond funds portfolio, the debt service portfolio and the agency funds portfolio subject to yield restriction within limits permitted by Federal arbitrage regulations.
- (b) The Travis County Investment Officers must monitor the maturity dates of all investments in the pooled bond funds portfolio and the debt service portfolio to ensure that the dollar-weighted average maturity for each portfolio does not exceed one year. The weighted average maturity is calculated as of the end of each month using the stated final maturity dates for each security.
- (c) If these levels are exceeded, the Travis County Investment Officers shall take all prudent measures that are consistent with this Policy to analyze the investment and determine the most prudent course of action to minimize any potential economic loss.
- (d) The maximum allowable stated maturity of any individual investment owned by the pooled bonds fund portfolio and the debt service portfolio, that is not subject to the temporary period, is the same as the operating portfolio (See 23.050); except for the following:

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

**Collateralizing Deposits**

**23.052 Collateral Requirements for All Deposits**

- (a) Certificates of deposit and bank deposits in financial institutions must be either federally insured or collateralized only with the following securities:
  - (1) Direct obligations of the United States or its agencies and instrumentalities;
  - (2) Other obligations, the principal and interest on which are unconditionally guaranteed or insured by or backed by the full faith and credit of the United States or its agencies and instrumentalities,

including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation or by the explicit full faith and credit of the United States;

- (3) Letters of credit issued to Travis County Healthcare District by the Federal Home Loan Bank, if approved in advance by Travis County Healthcare District.

- (b) If an event causes an increase in Collateral of more than \$50 million to be needed after noon on any business day, the market value of collateral must be equal to or greater than 100% of the par value of the certificates of deposit, plus accrued interest, and equal to or greater than 100% of the bank deposits plus accrued interest, less the amount insured by the Federal Deposit Insurance Corporation and may remain at that level until the next business day when additional collateral can be obtained. At all other times, the market value of collateral must be equal to or greater than 105% of the par value of the certificate of deposits plus accrued interest and equal to or greater than 105% of the bank deposits plus accrued interest, less the amount insured by the Federal Deposit Insurance Corporation.

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

Financial institutions with which Travis County Healthcare District has certificates of deposit or bank deposits must provide Travis County Healthcare District with monthly reports that state the market values of collateral. The Travis County Investment Officers monitor the adequacy of collateral at least weekly. If the value of the collateral falls below the required level, the financial institution must pledge additional collateral no later than the end of the next business day after the value falls below the required level.

### **23.054 Substituting Collateral for All Deposits**

- (a) If the financial institution collateralizing certificates of deposit and bank deposits wants to substitute new collateral, the financial institution must contact the Travis County Treasurer for approval.
- (b) The Travis County Investment Officer must calculate the value of the substituted collateral and determine that the substituted collateral is within the requirements of this Investment Policy and the Depository Bank Contract.
- (c) The value of the new collateral must equal at least the value of the original collateral. If the collateral has sufficient value, the Travis County Treasurer may approve the substitution.
- (d) The Travis County Treasurer must notify the financial institution or the safekeeping agent holding the collateral when any substitution is approved. Although substitution is allowable, it should be limited to minimize a potential administrative burden. The Travis County Treasurer may limit substitutions and assess reasonable fees if requests for substitution become excessive or abusive.

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

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

### **23.056 Collateral Requirements for Repurchase Agreements**

Issuers of repurchase agreements must collateralize them with obligations of the United States or its agencies. These issuers must wire transfer the collateral to the safekeeping agent designated by Travis County Healthcare District through the Federal Reserve System. If the collateral matures in one year or less, the value of the collateral must be at least 101% of the par value of the repurchase agreement plus accrued interest. If the collateral matures in one to two years, the value of the collateral must be at least 102% of the par value of the repurchase agreement plus accrued interest. Collateral maturity is limited to two years.

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

The Travis County Investment Officer must monitor all collateral underlying repurchase agreements weekly. More frequent monitoring may be necessary during periods of market volatility. If the value of the collateral for a repurchase agreement falls below the required level, the Travis County Investment Officer must make a margin call unless the repurchase agreement matures within five business days and the difference between the value of the collateral and the required level is immaterial.

### **23.058 Substituting Collateral for Repurchase Agreements**

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

### **23.059 Safekeeping of Repurchase Agreement Collateral**

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

**(23.060 - 23.070 Reserved for expansion)**

## ***Subchapter F. Liquidity***

### **23.071 Achieving Liquidity**

Investments are selected to meet anticipated cash needs. The Travis County Investment Officers must achieve liquidity by purchasing eligible investments described by 23.042(b) with active secondary markets, eligible MMMF's and LGIP's.

### **23.072 Liquidating Investments**

The Travis County Investment Officers may liquidate an investment to meet unanticipated cash requirements, to redeploy cash into other investments expected to outperform current holdings, or to adjust the portfolios for other reasons.

**(23.0073 - 23.080 Reserved for expansion)**

## ***Subchapter G. Investment Return Achievement***

### **23.081 Priority of Investment Goals**

The Travis County Investment Officers must consider legality, safety, liquidity, diversification, risk and rate of return in investment selection for all portfolios. Investments are made in securities with maturities corresponding to anticipated cash requirements. Investments are to take advantage of yield curves and earn additional returns. The Travis County Investment Officers must actively manage all Travis County Healthcare District portfolios to enhance total income in compliance with the "prudent investor rule" described by 23.013. The Travis County Investment Officers may use bond swaps to achieve these management goals.

### **23.082 Bond Swaps**

If the demand for a bond from a particular agency creates a situation where the yields in that agency's bonds are the same or less than an equivalent treasury security, swapping the agency's bond for a treasury security can improve the quality of Travis County Healthcare District's portfolios. If bonds in a particular maturity range are limited in the market, swapping a bond in demand for a similar bond in a different maturity range may be advantageous.

- (1) The Travis County Investment Officers may swap a bond held in any Travis County Healthcare District portfolio for a comparable bond in the market to improve portfolio yield even if the transaction results in an accounting loss.
- (2) The Travis County Investment Officers may swap a bond held in any Travis County Healthcare District portfolio if the overall yield of the portfolio will not decrease after the swap and the date of maturity of

the new security is less than 181 days after the maturity date of the old security.

- (3) The Travis County Investment Officers must solicit competitive bids for bond swaps. All bids received are documented and filed for auditing purposes.

**(23.0083 - 23.090 Reserved for expansion)**

***Subchapter H. Investment Responsibilities By Office***

**23.091 Training**

- (a) The Travis County Treasurer, the Travis County Investment Officers, the Chief Financial Officer and the Controller of the Travis County Healthcare District shall attend at least one training session from an independent source approved by Board of Managers and containing at least 10 hours of instruction relating to his/her responsibilities under the Public Funds Investment Act within twelve months after taking office. These persons shall also attend an investment training session not less than once in a two-year period that begins on the first day of Travis County Healthcare District's fiscal year and consists of two consecutive fiscal years after that date, and receive not less than 8 hours of instruction relating to investment responsibilities under the Public Funds Investment Act from an independent source approved by Board of Managers. Training must include education in investment controls, security risks, strategy risks, market risks, diversification of investment portfolio, and compliance with the Public Funds Investment Act.
- (b) The independent sources approved by Commissioners Court are:
  - Government Finance Officers Association
  - Government Finance Officers Association of Texas
  - Government Treasurers Organization of Texas
  - Texas Association of Counties
  - Austin Treasury Management Association
  - Alliance of Texas Treasury Associations
  - Texas Municipal League
  - Texas Society of CPAs
  - Association of Government Accountants
  - University of North Texas
  - University of Texas
  - Texas A&M University
  - County Treasurers Association of Texas
  - Texas Association of County Auditors
  - Western CPE
  - First Southwest Company

### **23.092      Treasurer's Office**

In the investment function, the Travis County Treasurer has the following responsibilities:

- (1)     Notifying of Controlled Disbursement Requirements. The Treasurer notifies the Travis County Investment Officers if additional funds are required for the daily controlled disbursement to ensure that investments are liquidated in time to meet the controlled disbursement requirements.
- (2)     Processing Investments. The Travis County Treasurer may transact wire transfers for investment purposes for Travis County Healthcare District. The Travis County Investment Officers notify the Travis County Treasurer of the amount to be transferred. The Travis County Treasurer transfers funds to the safekeeping account to purchase the investment. In addition, the Travis County Treasurer and the Travis County Investment Officers approve the wire transfer form.
- (3)     Depositing Investment Principal and Interest. The Travis County Treasurer deposits principal and interest at maturity to the funds bank account indicated by the Travis County Investment Officers.
- (4)     Ensuring Security of Investments. The Travis County Treasurer accesses the depository's files daily to verify Travis County Healthcare District's account balances. The Travis County Treasurer adds the certificates of deposit purchased by the Travis County Investment Officers, to the total District's cash balances to obtain the total district balance. The Travis County Treasurer compares the total district balance to the total collateral purchased by the depository banks.
  - (A)     The collateral must be 105% of Travis County Healthcare District's total balances held with the depository.
  - (B)     If the collateral is less than 105% of Travis County Healthcare District's total balances, the Travis County Treasurer -must contact the depository bank to verify that the depository bank has increased the collateral to the required level.

### **23.093      Investment Management Office**

- (a)     The Travis County Chief Investment Officer is the primary manager of District's investment portfolios.
- (b)     The Travis County Chief Investment Officer and the Travis County Investment Manager makes investment decisions, and keep proper records of District investments. In the investment function, the Travis County Investment Officers have the following responsibilities:
  - (1)     Developing Investment Strategies. The Travis County Investment Officers develop an investment strategy to administer investments of Travis County Healthcare District. The Travis County Investment Officers use the following procedures in the investment strategy:
    - (A)     summarize the economic and market analysis;

- (B) forecast available cash for investment;
  - (C) formulate strategies for asset mix, investment instruments, maturities, and target yields;
  - (D) monitor performance against the current investment strategy and evaluating reasons for variances;
  - (E) report portfolio performance for the previous quarter to the Board of Managers; and
- (2) Selecting and Processing Investments
- (A) The Travis County Investment Officers review the composition of the current portfolio and determine whether the securities under consideration maintain the portfolio within policy guidelines.
  - (B) The Travis County Investment Officers and the Travis County Treasurer approve the wire transfer form authorizing the transfer of funds for a specific investment transaction.
- (3) Documenting Investments and Providing Details. The Travis County Investment Officers retain documentation of all investment transactions, including bond swaps. The Travis County Investment Officers provide information and supporting documentation for all investment transactions to the President and CEO or Chief Financial Officer for appropriate accounting and recording. The Travis County Investment Officers provide information and back-up documentation of all investment transactions to the Treasurer to ensure accurate calculation of cash position and accurate posting to appropriate fund bank accounts.
- (4) Developing Cash Flow Projections for All Portfolios. The Travis County Investment Officers analyze prior period data and meet with the President and CEO or Chief Financial Officer of the Travis County Healthcare District to develop and amend cash flow projections of Travis County Healthcare District cash requirements. The Travis County Investment Officers use cash flow projections to match assets and liabilities in addition to maximizing the return on investments.
- (5) Determining Cash Available for Investment. The Travis County Investment Officers determine the amount of district funds available for investment each business day. All funds that can be legally invested and that are not required for that day's controlled disbursement are considered funds available for investment.
- (6) Monitoring Investment Performance
- (A) The Travis County Chief Investment Officer must routinely perform market and economic analysis to forecast probable market conditions for the investment period by assembling and analyzing current and trend data to develop and plan investment strategy. This analysis uses information obtained from investment advisors, brokers, investment industry publications, and investment industry information systems.

- (B) The Travis County Chief Investment Officer monitors the current and expected yield curves for interest rate movements. When interest rates are expected to decline, maturity ranges are extended within portfolio and policy constraints. When interest rates are expected to increase, maturity ranges are shortened. The Travis County Chief Investment Officer monitors yield spreads between various government agency issues and United States notes and bonds to determine the best value. The Travis County Chief Investment Officer summarizes economic and market trend information. The Travis County Chief Investment Officer also presents recommendations for investment strategy based on economic and market conditions.
- (7) Reconciling Investment Records and General Ledger. The Travis County Investment Officers provide the President and CEO with a monthly report that states investments at par value, the identifying cusip number, the premium or discount and the interest purchased. The report includes monthly and year-to-date interest accruals and amortization/accretion of premium/discount. The Chief Financial Officer reconciles this report to the investment accounts in the general ledger.
- (8) Providing Revenue Estimates for All Portfolios. The Travis County Chief Investment Officer provides an estimate of the investment revenue for the annual budget.

**23.094 Auditor's Office**

The Auditor, in conjunction with its annual financial audit, shall perform a compliance audit of management controls on investments and adherence to Travis County Healthcare District Investment and Collateral Policies and Procedures and Texas Government Code Annotated Chapter 2256, known as the Texas Public Funds Investment Act.

**23.095 District Finance Department**

District Finance Chief Financial Officer is the primary monitor of District transactions. The Finance Department staff prepares the general ledger and makes all entries in it. In the investment function, the Finance staff has the following responsibilities:

- (1) Posting Investments and Reconciling to the General Ledger. The Finance staff posts investment transactions, investment interest revenue received, and accrued interest income to the general ledger.
  - (A) The Chief Financial Officer reviews and approves the monthly reconciliation of investments, investment interest revenue received, and accrued interest income to the general ledger.
  - (B) The Chief Financial Officer notifies the Travis County Investment Officers if there are any discrepancies between the monthly investment report described in § 042 (7) and the general ledger

so that these two entities can work together to reconcile the differences.

- (2) Reconciling Safekeeping Reports with Investments. On a quarterly basis, the Finance staff reconciles the investment securities Safekeeping Report, provided to the Treasurer by the Depository Bank, to the report of currently owned investment securities as of that date, provided by the Travis County Investment Officers.
- (3) Monitoring Arbitrage. The Finance staff monitors Travis County Healthcare District's arbitrage responsibilities, if necessary, and provides the bond fund transaction information required by Travis County Healthcare District's arbitrage advisors.
- (4) Allocating Budget from Interest Revenue. The Finance staff allocates the interest revenue earned from investments proportionately to all funds that participate in the investment function.

### **23.096 President and CEO**

The President and CEO is the chief custodian of District funds. The President and CEO receives funds due to Travis County Healthcare District, makes disbursements authorized by the Board of Managers after the checks are co-signed by the President and CEO and one other authorized signatory for the District, and keeps proper records of District finances. The duties of the President and CEO under this section may be carried out on a daily basis by District Finance Department staff.

**(23.097 - 23.100 Reserved for expansion)**

### ***Subchapter I. Investment Purchasing Procedures***

#### **23.101 Competitive Bidding**

- (a) Travis County Healthcare District requires competitive bidding for all individual security purchases except for those transactions with MMMFs, LGIPs, treasuries purchased through the Federal Reserve Treasury Direct Accounts, and for government securities purchased at issue through an approved broker/dealer at the auction price. The Travis County Investment Officers may rely not only on yield in selecting MMMFs and LGIPs but also on adherence to applicable Securities and Exchange Commission (SEC) guidelines for MMMFs and other criteria determined by her.
- (b) At least three bids or offers must be solicited in all transactions involving individual securities. For those situations where it may be impractical or unreasonable to receive three bids for an agency transaction due to secondary market availability, bids may be considered comparable for agencies with comparable structures and having maturities within 15 calendar days before and after the requested security. Competitive bidding for security swaps is also required. Bids may be solicited in any manner

provided by law. All bids received must be documented and filed for auditing purposes.

- (c) At least three bids or offers must be solicited in transactions involving domestic commercial paper. These bids shall be obtained from approved broker/dealers or from a financial information source, such as Bloomberg. When bids are obtained from a financial information source, the commercial paper selected may be purchased directly from the issuer. Different issuers may be compared to select the highest yielding, domestic commercial paper. The Travis County Investment Officers may rely not only on yield in selecting commercial paper but also on other criteria determined by her. The criteria to follow when soliciting bids are as follows:
- (1) The maturity dates must be the same, and
  - (2) The method of settlement must be the same whether regular settlement next day or cash settlement same day.

### **23.102 Preliminary Requirements for Repurchase Agreements**

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

### **23.103 Wire Transfer Procedures**

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

**(23.104 - 23.110 Reserved for expansion)**

## ***Subchapter J. Performance Evaluation and Reporting***

### **23.111 Levels of Evaluation**

Evaluation is conducted at several levels. The Travis County Investment Officers continually monitor and evaluate the investment performance. The Board of Managers evaluates the Travis County Investment Officers entire performance.

### **23.112 Performance Analysis and Reporting**

The Travis County Chief Investment Officer determines the level and content of daily and weekly performance analysis and reporting. The Travis County Chief Investment Officer and the Board of Managers jointly decide the level and content of monthly performance analysis and reporting.

### **23.113 Quarterly Performance Analysis and Reporting**

- (a) The Travis County Investment Officers must prepare, provide, and sign a quarterly summary report, for each fund group, that describes in detail the investment position of Travis County Healthcare District and evaluates investment performance based on investment policy objectives. The quarterly report will identify the method and source used to monitor the market price of investments and also will indicate whether the method and source changed from the previous quarterly report. This report must be submitted to the Board of Managers. A comparison of the performance of Travis County Healthcare District's portfolio to appropriate benchmarks selected by the Travis County Chief Investment Officer is presented. The report addresses compliance with the investment policy in diversification by type and maturity. The report also includes the following information:
- (1) Cash availability,
  - (2) Market review,
  - (3) Investment strategy – next quarter,
  - (4) Performance measurement: the standard used by Travis County Healthcare District to measure its investment return is based on the yield to maturity of all investments in the portfolio, using the stated final maturity date of each security,
  - (5) Portfolio statistics,
  - (6) Collateral adequacy for repurchase agreements,
  - (7) Collateral adequacy for bank deposits and certificates of deposit,
  - (8) Investment activity,
  - (9) Market valuation:
    - (A) at beginning of quarter, and
    - (B) at end of the quarter, for each portfolio,
  - (10) Distribution of investments by broker/dealer/financial institution,
  - (11) Distribution of investments by type of investment,
  - (12) Fully accrued interest for the reporting period,
  - (13) For each separately invested asset,
    - (A) state book value and market value at the beginning and end of the quarter by the type of asset and fund type,

- (B) state maturity date, and
- (C) state the fund for which it was acquired, and
- (14) Signatures of the Travis County Chief Investment Officer and the Travis County Investment Manager certifying compliance of the Travis County Healthcare District investment portfolios with the Travis County Healthcare District investment strategy, policy and the Public Funds Investment Act.
- (b) The reference to Generally Accepted Accounting Principles in 23.113 (a) relates only to internal reporting of investments by the Travis County Chief Investment Officer as required under Texas Government Code 2256.023, and does not apply to annual financial statements and other external reports of Travis County Healthcare District as a whole.

**23.115 Annual Performance Analysis and Reporting**

- (a) The Travis County Chief Investment Officer compiles the quarterly reports into an annual report at the end of each fiscal year and submits it to the Investment Advisory Committee and the Commissioners Court by the end of the first quarter of the following fiscal year.
- (b) An independent auditor chosen to audit the Travis County Healthcare District's annual financial statements must formally review the quarterly investment reports that are prepared in compliance with the Public Funds Investment Act. In conjunction with this audit, Travis County Healthcare District shall perform a compliance audit of management controls on investments and adherence to this Investment Policy. This review should be performed at least annually and the results reported to Board of Managers.

**(23.116 - 23.120 Reserved for expansion)**

***Subchapter K. Investment Policy Review And Amendment***

**23.121 Review Procedures**

The Travis County Chief Investment Officer must review this Travis County Healthcare District Investment and Collateral Policies and Procedures annually to make revisions due to legislative actions and changing market conditions. This review must be done by the third quarter of the calendar year after each legislative session. The Travis County Chief Investment Officer must present a summary report of the review with changes recommended to the Board of Managers. The Board of Managers must review the investment policy and strategies at least annually.

**23.122 Changes to the Investment Policy**

After adoption of this Travis County Healthcare District Investment and Collateral Policies and Procedures, the Board of Managers must approve any revisions to the policy manual before they become effective, by adopting a written

instrument stating it has reviewed the Investment Policy and investment strategies. This written instrument must record any changes made to either the policy or strategies.

**(23.123 - 23.130 Reserved for expansion)**

# Attachment G—Supplemental Charts

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