



Reserve Policies

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.



CENTRAL HEALTH

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 Procedures¹

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¹ Chapter 23 was replaced by Travis County Healthcare District Board of Managers, October 27, 2021.

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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 Section 116.112(a) (Vernon 1994) authorizes the Board of Managers to invest the District funds in compliance with Texas Government Code Chapter 2256.

23.002 Application

This chapter governs the investment of the operating account portfolio, the pooled bond funds portfolio, the debt service portfolio, and the Local Provider Participation Funds (LPPF) 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 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) "District" means the Travis County Healthcare District d/b/a Central Health
 - (3) "Investment Officer(s)" means the Travis County Chief Investment Officer and/or the Investment Manager or her designees.
 - (4) "Board of Managers" means the Central Health Board of Managers.
 - (5) "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 Texas Government Code Section 2256.002.
- (c) Whenever applicable, definitions in Chapter 2256 of the Texas Government Code and Chapter 298E of the Texas Health & Safety Code shall be used to interpret this chapter.

23.005 Construction and Interpretation

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

- (1) This chapter must be construed liberally, so as to give the relevant parties the full authorization intended for the investment of all portfolios.
- (2) Throughout the chapter, words that begin with an initial capital are defined terms whose meaning may be found in Section 23.004, Chapter 2256 of the Texas Government Code, Chapter 298E of the Texas Health and Safety Code, or other statutes or regulations that this Chapter cites. (3) All hours stated in this chapter are stated in Central Standard Time or Central Daylight Saving Time, whichever is 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 Texas Government Code Chapter 2256, which is titled 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 or Paying Provider funds may be placed and to prepare any documentation necessary to evidence the investment of District and Paying Provider 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 or Paying Provider 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 the 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 District's President and CEO or his or her authorized designee, wires the funds for the investment instruments purchased.
 - (3) No other person may invest, withdraw, transfer or manage 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 all of the persons in the designated positions or until elimination by Travis County of the designated positions.
- (b) These designated Investment Officers must perform their duties in compliance with Chapter 23 and Chapter 32, subchapter C, of the Travis County Code and with 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 this section.

23.012 District Investment Portfolio Structure

The funds 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.
- (4) The LPPF portfolio means all funds received by the District from Paying Providers in connection with the Program described in Chapter 298E of the Texas Health & Safety Code and authorized by the Board of Managers.

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 the District and are responsible for prudently investing the District's assets. The Investment Officers shall comply with the provisions of this section, the Public Funds Investment Act, and all other applicable laws.
 - (B) The Investment Officers shall observe the "prudent investor rule" when performing 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 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 the circumstances that an Investment Officer shall consider in investing and managing 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 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 District's 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.

(D) Investment Officers must be honest in the exercise of their duties and must not take actions that will discredit the District.

(E) Travis County Investment Officers must comply with the Travis County Healthcare District Ethics Policy.

(2) Avoidance of Conflicts of Interest

(A) Travis County Investment Officers shall be loyal to the interests of the 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. Investment Officers shall avoid personal, employment, or business relationships that create conflicts of interest. Should the Investment Officers 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 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 Investment Officer who is a board member should not be allowed to invest funds in such local

government investment 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) Investment Officers may not personally accept gifts or entertainment from vendors or consultants doing or seeking to do investment or banking related business with the District, except as noted below:
 - (B) Gifts, which may be accepted under these guidelines, from a single vendor or consultant should not exceed \$50.00 per person in a given fiscal year. If gifts over \$50.00 are provided by a vendor or consultant, they must be returned, donated to a charitable cause, or shared with other District employees and disclosed to the President and CEO of the 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 convened to conduct business necessary to manage a contract generally do not violate this prohibition.
 - (C) In addition to the disclosure required to be made to the District President and CEO, 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

The District shall pay for the following persons to receive investment training at courses and seminars offered by professional organizations and associations: the Chief Investment Officers, the President and CEO, and the Chief Financial Officer.

23.015 Disclosure of Personal Business

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

(23.016 - 23.020 Reserved for expansion)

Subchapter C. Investment Objectives

23.021 Safety of Principal

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

23.022 Maintenance of Adequate Liquidity

The secondary investment objective of the 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) The District must invest all its portfolios in eligible investments (see Section 23.043(b)) that yield the highest possible rate of return while providing the necessary protection of the principal. The District seeks to optimize return on investments in all portfolios. The goal of the Investment Officers is to match or outperform the twelve-month rolling average pf of the 1 Year Treasury. This rate is published by the U.S. Treasury Department and is comparable to the average maturity timeframe that is typical of the District Investment Portfolio. As with any benchmark, there could be economic situations, such as a period of rapidly changing interest rates that could prevent the portfolio from exceeding the benchmark. In addition, if funds are subject to yield restrictions due to federal arbitrage regulations, those funds are excluded from the yield calculation.
- (b) The 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 short-to medium term securities that are high quality, marketable, complement each other in a laddered maturity structure, and that yield the highest possible rate of return while providing the necessary protection of principal. 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 Section 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.

23.034 LPPF Portfolio

The primary, secondary, and tertiary objectives of the investment strategy for the LPPF 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 dates that the money in the LPPF must be transferred to accomplish the purposes for which such funds can be spent pursuant to Chapter 298E

of the Texas Health & Safety Code. The securities suitable for this fund are described in Section 23.042.

(23.0035 - 23.040 Reserved for expansion)

Subchapter E. Safety of Principal

23.041 Protection of Principal

- (a) The District seeks to control the risk of loss due to the failure of a security issuer or grantor.
 - (1) To control that risk, the 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 the 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 the 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 this chapter, the Investment Officers will take prudent action as described in Section 23.013(1).
- (c) In addition, the 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 District funds are not released until the District has received the securities purchased.
- (d) Investment securities must be held in either the District’s name or the name of the Travis County Healthcare District LPPF by a third party custodian, as evidenced by safekeeping receipts from the institution with which the securities are deposited.
- (e) All investments made by the 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 the District's funds, but not the funds placed in the LPPF Portfolio, which are sometimes referred to as the Paying Provider funds:
- (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 the District's portfolios, except the LPPF Portfolio:
- (1) Obligations, including letters of credit, of the United States or its agencies and instrumentalities, including the Federal Home Loan Banks;
 - (2) Direct obligations of 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, so long as they are rated not less than A or its equivalent by a nationally recognized investment rating firm.
 - (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 and 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 Section 23.042(b)(1), its agencies or instrumentalities to include commercial paper that are pledged to the District, held in the District's name, and deposited with a third party selected and approved by the 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 Section 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 Section 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; and (See 23.052 Collateral Requirements for All Deposits.)
 - (C) secured in accordance with Government Code Chapter 2257 or 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 District as required by Sections 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 the 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) The 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) complies with the Securities and Exchange Commission Rule 2a-7 (17 C.F.R. sect 270.2a-7), promulgated under the Investment Company Act of 1940 (15 United States Code § 80a-1 et seq.); and
 - (B) provides the District with a prospectus and other information required by the Securities and Exchange Act of 1934 (15 United States Code. § 78a et seq.) or the Investment Company Act of 1940 (15 United States Code. § 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;
 - (C) the assets of the LGIP consist exclusively of obligations that are authorized investments under Texas Government Code Chapter 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, maintenance ratings, and disclosing its policy regarding holding deposits in cash; and
 - (F) the LGIP maintaining a \$1.00 net asset value must calculate and report yield to investors in the pool in accordance with federal regulations applicable to money market funds. An LGIP using amortized cost accounting, to the extent reasonably possible, must stabilize at a \$1.00 net asset value, when rounded and expressed to two decimal places. The governing body of an investment pool using amortized cost account must also take action to eliminate or reduce to the extent reasonably practicable any dilution or unfair result to existing pool participants, including a sale of portfolio holdings, to attempt to maintain the ratio of market value of the portfolio divided by the book value of the portfolio between 0.995 and 1.005.(G) 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 of its states 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 the District, held in the 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 Section 23.042. When contemplating a new type of investment instrument, the Chief Investment Officer will submit a description to the Travis County Attorney's Office to ensure that the proposed investment instruments are eligible investments described by Section 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 Chapter 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 the Board of Managers' approval, the Travis County Investment Management Office provides a copy of the District's 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) Acknowledge receipt, thorough review, and understanding of the District's Investment and Collateral Policies and Procedures, and
- (b) When a non-primary broker/dealer/financial institution doing business that is regulated by the Comptroller of Currency or registered with the Securities and Exchange Commission applies for the Board of Managers' approval, the Travis County Investment Management Office provides a copy of the District's 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 who are public fund investment officers, preferably in Texas;
 - (2) Gives evidence of capital adequacy (See Section 23.044(b)(3));
 - (3) Acknowledges receipt, thorough review, and understanding of the District's Investment and Collateral Policies and Procedures;
 - (4) Includes a completed Broker/Dealer Questionnaire available on the Travis County Investment Management website.
- (c) The 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, the 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 Section 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, with the exception of incumbents;
 - (3) For financial institutions, adequate capitalization in compliance with the Capital Adequacy Guidelines for Government Securities Dealers published by the New York Federal Reserve Bank;
 - (4) For brokers/dealers, adequate capitalization in compliance with the Securities and Exchange Commission;
 - (5) Acknowledgement of a thorough review and understanding of this Investment Policy and Procedures Chapter;
 - (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.
- (c) To be recommended for approval, broker/dealer/financial institutions previously approved by the 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. The District and Investment Officers may only purchase securities, except for commercial paper, from qualified broker/dealer/financial institutions. Commercial paper shall be purchased in compliance with Section 23.101, captioned Competitive Bidding. The Travis County Chief Investment Officer may limit the number of institutions with which the District does business.

23.046 Annual Review of Approved Broker/Dealer/Financial Institutions

Each year Travis County Investment Management performs due diligence reviews on all broker/dealer/financial institutions currently on the approved list in compliance with the Texas Public Funds Investment Act. If any broker/dealer financial institution does not meet the financial requirements, they will be removed from the list. New applications will only be considered every 2 years effective FY 2022. All changes to the approved list recommended by the Travis County Chief Investment Officer 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, which review may occur any time that 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 the District’s funds at risk;
- (2) Inactivity of the broker/dealer/financial institution;
- (3) Failure to satisfy one or more of the criteria in Section 23.044;
- (4) Offering to sell investments other than eligible investments described by Section 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 Investment Officer must minimize loss of principal in the operating account portfolio by diversifying investments by type and maturity. The Investment Officer must maintain diversity in the types of eligible investments purchased for all District portfolios (see Section 23.042(b) for a 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 District portfolios in aggregate. The limits will be tested each Friday and the Investment Officer will have 30 days following the test to bring the percentage back within the limits described below:

Investment Type	Percentage Limit for Combined Portfolios
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 Investment Officers must not invest more than 5% of the portfolio in municipal securities of a single entity (see Section 23.042(b) for full description)	20%
Domestic commercial paper. The 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 Investment Officer shall take all prudent measures that are consistent with this Chapter to analyze the investment and determine the most prudent course of action to minimize any potential economic loss. (See Section 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 Section 23.042(b) for full description.)	50%
Certificates of Deposit (See Section 23.042(b) for full description.)	50%
MMMF. The Investment Officers must not make an investment in any MMMF that exceeds 10% of the total assets of that MMMF. (See Section 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;	
(c) the assets of TexPool consist exclusively of obligations that are authorized investments under Texas Government Code Chapter 2256, known as the Texas Public Funds Investment Act;	
(e) 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%
LGIPs. (See 23.042(b) for full description.).....	30%
All LGIPs in total	80%

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 Investment Officers or the 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 Investment Officers must apply the diversification and measurement requirements to the pooled bond funds portfolio combined with all the District Operating Account portfolio in accordance with Section 23.048, with the exception of the LPPF portfolio.
- (c) Due to the short-term nature of the funds in the LPPF portfolio, the diversification calculation for these funds will be calculated separately from the other District funds. All efforts will be made to diversify the LPPF portfolio when possible, but the primary objective of the investment strategy will be safety and liquidity in order to meet the cash flow needs of the fund.

23.050 Diversifying Operating Account Portfolio by Maturity

- (a) The 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 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 Chapter 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 Section 23.042(b) for full description of eligible investments):

Investment Type	Maturity Limit
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 Section 23.042(b) for full description)	4 years
Domestic commercial paper (See Section 23.042(b) for full description.).....	270 days
Fully collateralized repurchase agreements (See Section 23.042(b) for full description.).....	90 days
Certificates of Deposit (See Section 23.042(b) for full description)	18 months
MMMF (See Section 23.042(b) for full description).....	1 day
LGIPs (See Section 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 Investment Officers may limit the maturity of the pooled bond funds portfolio, the debt service portfolio, the LPPF portfolio, and the agency funds portfolio to the “temporary period”, as such term is defined by the Internal Revenue Code, Section 148, during which period bond proceeds may be segregated and invested at an unrestricted yield. After the temporary period ends, the 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, agency funds portfolio, and the LPPF portfolio, subject to yield restriction within limits permitted by Federal arbitrage regulations.
- (b) The Investment Officers must monitor the maturity dates of all investments in the pooled bond funds portfolio, the debt service portfolio, and the LPPF 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 Chapter 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 Section 23.050); provided, however, that the maximum allowable stated maturity for the below investment types shall be as follows:

Investment Type	Maturity Limit
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 the District by the Federal Home Loan Banks, 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 the District has certificates of deposit or bank deposits must provide the District with monthly reports that state the market values of collateral. The 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 Treasurer for approval;
- (b) The Investment Officer must calculate the value of the substituted collateral and determine that the substituted collateral is within the requirements of this Chapter 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 Treasurer may approve the substitution;
- (d) The 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 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 into agreements for the safekeeping of collateral with both the District and its safekeeping agent, or agree to cooperate with the Federal Reserve Bank under the terms of its Pledgee Agreement Form, to define the 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 a combination of cash and obligations of the United States or its agencies or instrumentalities to include commercial paper. These issuers must wire transfer the collateral to the safekeeping agent designated by the 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 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 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 the 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 whom the 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 Investment Officers must achieve liquidity by purchasing eligible investments described by Section 23.042(b) with active secondary markets, eligible MMMFs, and LGIPs.

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 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 Investment Officers must actively manage all District portfolios to enhance total income in compliance with the “prudent investor rule” described by Section 23.013. The 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 the 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 Investment Officers may swap a bond held in any District portfolio for a comparable bond in the market to improve portfolio yield even if the transaction results in an accounting loss.
- (2) The Investment Officers may swap a bond held in any 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 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 Treasurer, the Investment Officers, the Chief Financial Officer and the Controller of the District shall attend at least one 10 hour training session from an independent source within twelve months after taking office. These persons shall also attend an 8 hour investment training session not less than once every two years, which two-year period shall begin on the first day of the District's fiscal year and shall end on the last day of the second consecutive fiscal year. 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

23.092 Treasurer's Office

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

- (1) Notifying of Controlled Disbursement Requirements. The Treasurer notifies the 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 Treasurer may transact wire transfers for District investment purposes. The Investment Officers notify the Treasurer of the amount to be transferred. The Treasurer transfers funds to the safekeeping account to purchase the investment. In addition, the Treasurer and the Investment Officers approve the wire transfer form.
- (3) Depositing Investment Principal and Interest. The Treasurer deposits principal and interest at maturity to the funds bank account indicated by the Investment Officers.
- (4) Ensuring Security of Investments. The Treasurer accesses the depository's files daily to verify the District's account balances. The Treasurer adds the certificates of deposit purchased by the Investment Officers to the total District's cash balances to obtain the total district balance. The Treasurer compares the total District balance to the total collateral purchased by the depository banks.
 - (a) The collateral must be 105% of the District's total balances held with the depository;
 - (b) If the collateral is less than 105% of the District's total balances, the 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 the District's investment portfolios.
- (b) The Travis County Chief Investment Officer, the Travis County Investment Manager, and the Senior Financial Analyst make investment decisions and keep proper records of District investments. In the investment function, the Investment Officers have the following responsibilities:
 - (1) Developing Investment Strategies. The Investment Officers develop an investment strategy to administer investments of the District. The

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 Investment Officers review the composition of the current portfolio and determine whether the securities under consideration maintain the portfolio within policy guidelines.
 - (B) The Investment Officers and the Treasurer approve the wire transfer form authorizing the transfer of funds for a specific investment transaction.
- (3) Documenting Investments and Providing Details. The Investment Officers retain documentation of all investment transactions, including bond swaps. The Investment Officers provide information and supporting documentation for all investment transactions to the President and CEO or Chief Financial Officer of the District for appropriate accounting and recording. The 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 Investment Officers analyze prior period data and meet with the President and CEO or Chief Financial Officer of the District to develop and amend cash flow projections to meet the District's 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 Investment Officers determine the amount of District and Paying Provider 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 analyses to forecast probable market conditions for the investment period. Analysis is done 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 constraints and the limits set forth in this Chapter. 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 Investment Officers provide the President and CEO of the District 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 District's 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 District's 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 this Chapter and the Texas Public Funds Investment Act.

23.095 District Finance Department

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

- (1) Posting Investments and Reconciling to the General Ledger. The Finance Department 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 Investment Officers if there are any discrepancies between the monthly investment report described in Section 23.042(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 Department reconciles the investment securities safekeeping report, which is provided to the Treasurer by the Depository Bank, to the report of currently owned investment securities as of that date, which is provided by the Investment Officers.
 - (3) Monitoring Arbitrage. The Finance Department monitors the District's arbitrage responsibilities, if necessary, and provides the bond fund transaction information required by the District's arbitrage advisors.
 - (4) Allocating Budget from Interest Revenue. The Finance Department allocates the interest revenue earned from investments proportionately to all funds that participate in the investment function.

23.096 District President and CEO

The President and CEO of the District is the chief custodian of District funds. The President and CEO receives funds due to the District, makes disbursements authorized by the Board of Managers after the checks are co-signed by 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) The 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 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 the Travis County Chief Investment Officer.

- (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 a District 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 Investment Officers may rely not only on yield in selecting commercial paper but also on other criteria determined by the Travis County Chief Investment Officer. 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 the District enters into a repurchase agreement with any issuer, that issuer must sign a Master Repurchase Agreement and return it to the Investment Officers for filing. All Repurchase Agreements are recommended by the Investment Officers, reviewed by Travis County Attorney's Office, and approved by the Board of Managers.

23.103 Wire Transfer Procedures

- (a) In executing investment transactions, the 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-district accounts, the agreement with the depository bank must require the depository bank to call the 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 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 Investment Officers must prepare, provide, and sign a quarterly summary report for each fund group that describes in detail the investment position of the District and evaluates investment performance based on this Chapter's investment objectives. The quarterly report will identify the method and source used to monitor the market price of investments and will also 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 the District's portfolio to appropriate benchmarks selected by the Travis County Chief Investment Officer is presented. The report addresses compliance with this Chapter's diversification requirements 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 the 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 with this Chapter and the Public Funds Investment Act.
- (b) The reference to Generally Accepted Accounting Principles in Section 23.113(a) relates only to internal reporting of investments by the Travis County Chief Investment Officer as required under Texas Government Code Section 2256.023, and does not apply to annual financial statements and other external reports of the 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 District fiscal year.
- (b) An independent auditor chosen to audit the 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, the District shall perform a compliance audit of management controls on investments and adherence to this Chapter. This review should be performed at least annually and the results reported to the 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 Chapter 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 this Chapter and investment strategies at least annually.

23.122 Changes to the Investment Policy

After adoption of this Chapter, the Board of Managers must approve any revisions to the Chapter 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)