



CENTRAL HEALTH

Our Vision

Central Texas is a model healthy community.

Our Mission

By caring for those who need it most, Central Health improves the health of our community.

Our Values

Central Health will achieve excellence through:

Stewardship - We maintain public trust through fiscal discipline and open and transparent communication.

Innovation - We create solutions to improve healthcare access.

Right by All - By being open, anti-racist, equity-minded, and respectful in discourse, we honor those around us and do right by all people.

Collaboration - We partner with others to improve the health of our community.

BUDGET AND FINANCE COMMITTEE MEETING

Wednesday, December 13, 2023, 4:00 p.m.

Videoconference meeting¹

A quorum of the Committee and the presiding officer will be present at:

Central Health Administrative Offices
1111 E. Cesar Chavez St.
Austin, Texas 78702
Board Room

Members of the public may attend the meeting at the address above, or observe and participate in the meeting by connecting to the Zoom meeting link listed below (copy and paste into your web browser):

<https://us06web.zoom.us/j/87969319329?pwd=STLdsByX4XVK1TTNEfc5WmIXmHxpU9.1>

Meeting ID: 879 6931 9329

Passcode: 603270

Links to livestream video are available at the URL below (copy and paste into your web browser):

<https://www.youtube.com/@thealthdistrict/streams>

Or to participate by telephone only:

Dial: (346) 248 7799

Meeting ID: 879 6931 9329

Passcode: 603270

The Committee may meet via videoconference with a quorum present in person and will allow public participation via videoconference and telephone as allowed under the Open Meetings Act. Although a quorum of the Committee will be physically present at the location posted in this meeting notice, we strongly encourage all members of the public to observe the meeting virtually

and participate in public comment, if desired, through the virtual meeting link or telephone number listed on this meeting notice.

Members of the public who attend in person should conduct a self-assessment before coming to the building to ensure they do not have a high temperature or any symptoms of COVID-19. Anyone who is symptomatic and/or has a fever should contact their healthcare provider for further instructions. Symptomatic members of the public can still participate, if desired, through the virtual meeting link or telephone number listed on this meeting notice. Resources related to COVID-19 can be found at the following link:

<https://www.centralhealth.net/covid-info/>.

A member of the public who wishes to make comments virtually during the Public Communication portion of the meeting must properly register with Central Health **no later than 2:30 p.m. on December 13, 2023**. Registration can be completed in one of three ways:

- Complete the virtual sign-in form at <https://www.centralhealth.net/meeting-sign-up/>;
- Call 512-978-9190 and leave a voice message with your full name, your request to comment via telephone, videoconference, or in-person at the meeting; or
- Sign-in at the front desk on the day of the meeting, prior to the start of the meeting.

Individuals who register to speak on the website or by telephone will receive a confirmation email and/or phone call by staff with instructions on how to join the meeting and participate in public communication.

PUBLIC COMMUNICATION

Public Communication rules for Central Health Committee meetings include setting a fixed amount of time for a person to speak and limiting Committee responses to public inquiries, if any, to statements of specific factual information or existing policy.

COMMITTEE AGENDA²

1. Approve the minutes of the November 15, 2023 Budget and Finance Committee meeting. (*Action Item*)
2. Receive an update on the Central Health Investments Policy and Strategy for Fiscal Year 2024 and adopt the Fiscal Year 2024 Central Health Investment Policy as presented by the Travis County Cash/Investment Management Department. (*Action Item*)
3. Receive, discuss, and approve the Fiscal Year 2024 Broker/Dealer Applicants for conducting investment business with the Travis County Healthcare District (dba Central Health) as recommended by the Travis County Cash/Investment Management Department. (*Action Item*)
4. Receive updates on the preliminary October 2023 financial statements, including capital projects, for Central Health and the Community Care Collaborative. (*Informational Item*)
5. Discuss and take appropriate action on the Calendar Year 2024 budget for Sendero Health Plans.
³ (*Action Item*)

6. Confirm the next Budget and Finance Committee meeting date, time, and location. (Informational *Item*)

¹ This meeting may include one or more members of the Budget and Finance Committee participating by videoconference. It is the intent of the presiding officer to be physically present and preside over the meeting at Central Health Headquarters, 1111 Cesar Chavez, Austin, Texas 78702. This meeting location will be open to the public during the open portions of the meeting, and any member participating by videoconference shall be visible and audible to the public members in attendance whenever the member is speaking. **Members of the public are strongly encouraged to participate remotely through the toll-free videoconference link or telephone number provided.**

² The Budget and Finance Committee may take items in an order that differs from the posted order and may consider any item posted on the agenda in a closed session if the item involves issues that require consideration in a closed session and the Committee announces that the item will be considered during a closed session. A quorum of Central Health's Board of Managers may convene or participate via videoconference to discuss matters on the Committee agenda, and any Committee actions will be in conformance with the Central Health Bylaws.

³ Possible closed session discussion under Texas Government Code §551.085 (Governing Board of Certain Providers of Health Care Services) and Texas Government Code §551.071 (Consultation with Attorney).

Any individual with a disability who plans to attend or view this meeting and requires auxiliary aids or services should notify Central Health as far in advance of the meeting day as possible, but no less than two days in advance, so that appropriate arrangements can be made. Notice should be given to the Board Governance Manager by telephone at (512) 978-8049.

Cualquier persona con una discapacidad que planee asistir o ver esta reunión y requiera ayudas o servicios auxiliares debe notificar a Central Health con la mayor anticipación posible de la reunión, pero no menos de dos días de anticipación, para que se puedan hacer los arreglos apropiados. Se debe notificar al Gerente de Gobierno de la Junta por teléfono al (512) 978-8049.

Central Health Board of Managers Shared Commitments Agreed adopted on June 30, 2021

Whereas, the Board of Managers of Central Health has come together as a governing body to ensure the Vision of Central Health: Central Texas is a model health Community;

Whereas, the Board of Managers of Central Health bring this vision into reality by enacting the mission of caring for those who need it most and thereby improving the health of our community;

Whereas, the Board of Managers of Central Health achieves excellence toward this vision and mission through the stated values of Stewardship, Innovation, Respect, and Collaboration;

Whereas, the Board of Managers of Central Health further known as we in this document understand that systemic racism is the root of health inequities that emerge from a history of racism in Texas including Travis County that contributes to the social determinants of health that play a primary role in producing inequitable health outcomes;

Whereas, as an organization, Central Health is anti-racist and committed to a diverse and inclusive culture that seeks equity and social justice in the pursuit of its mission:

1. We Commit to informing all of our actions as Board Managers with the understanding that we are accountable to recognizing and to interrupting systems of oppression. This includes understanding the power structure in the United States, and Texas, and Travis County, that advantages certain community members and has historically disadvantaged other community members based on the color of their skin, race, ethnicity, language, and/or other characteristics. We further understand that to disrupt this power structure and the health inequities it produces, we must collaborate to collectively respond to the lived realities of all ethnicities, races, and identities disadvantaged within this system and all historically oppressed identities and communities disadvantaged within this system. We Commit to understanding that when disadvantaged communities compete against each other, we all lose in this system, and the only way forward is to work together for the benefit of all oppressed communities collectively.
2. We Commit to a model of Generative Leadership which requires us to understand and practice collaboration and accountability demonstrated by following our agreed upon meeting procedures and ensuring all members have the opportunity for comparable speaking time. We further Commit to intentionality prior to speaking including: considering: what is the goal of what I

- want to share; is this the right time to share it; and is this in keeping with our collective goal for this particular moment within this particular meeting?
3. We Commit to Generative Conflict which includes engaging in disagreements and differences in perspective in a way that deepens relationships and trust by expanding knowledge and understanding of each other, including expecting our ideas to be expanded and enriched by learning and engaging with other Board Manager ideas, choosing curiosity over competition of ideas, and anchoring our conversations in our common purpose.
 4. We Commit to practicing emotional intelligence as leaders which includes being aware of our own emotions and reactions and managing them, as well as being aware of our impact on others and managing this impact for the collective good when we are in our role as Board Managers.
 5. We Commit to being aware of our own privileges and advantages in the sociopolitical and economic structure of the United States, Texas, and Travis County to use these for the benefit of interrupting inequities across historically disadvantaged identities.
 6. We Commit to preventing the commission of microaggressions through the awareness of the history and oppression of diverse identities and communities. To this end, we Commit to strive to learn the historical context informing the lived realities of all historically oppressed identities and communities, and to use this to prevent use of language and commission of actions that can be harmful given these histories.
 7. If we inadvertently commit a microaggression, we strive to immediately become aware on our own of the harm we have caused. If another Board Manager generously helps us become aware of a microaggression we have committed we welcome the support in our learning and growing process as a leader and immediately express appreciation for having made us aware, own the mistake we have made, acknowledge the impact of the harm we have caused, and engage repair through apology and the articulation of what we will do to avoid the repetition of such harm in the future.
 8. If we observe one of our fellow Board Managers commit a microaggression, we Commit to calling them in by letting them know in a respectful and kind manner of the mistake that has been made.
 9. We understand that many of us, as survivors of historically oppressed identities and communities, carry internalized narratives of oppression, and we can inadvertently express these oppressions against others in ways that cause harm and we Commit to the same process identified in 7 and 8 to engage repair and return to generative collaborative processes.
 10. We understand that even without the history of oppression potentiating the weight of harm, expressions of prejudice and rudeness can also cause harm to our shared aims, and we Commit to the same process identified in 7 and 8 to engage repair and return to generative collaborative processes.

11. We Commit to using our Racial and Social Justice Framework (next page) for decision-making as we work together for the collective good of our communities as we eradicate health inequities and create a model healthy community.
12. We understand that we are entrusted with a vital responsibility for our communities and are accountable stewards for the time and resources available to our Board of Managers. We understand that these commitments are entered into to ensure responsible stewardship of this time and resources through generative collaborative processes to reach our vision and mission and we agree that if we do not follow any one of these commitments we welcome our Board Manager colleagues to bring this to our attention through the agreed upon process reflected here and when this occurs, we commit to immediately acknowledging the mistake and engaging in a repair and correction process as indicated in these commitments so that our work to dismantle systemic racism and resulting barriers and achieve health equity can move forward.

Be it adopted that the above agreements will be honored and acted upon by each Board Manager as of 6/30/2021 and henceforth forward as indicated by signature below.

Board Manager Signature

Date

Board Manager Printed Name

Calling In and Repairing Harm

Calling In after Harm in Groups with Shared Values and Aims Stance

Hey, this thing you said/did hurt some folks or could hurt some folks.

A) Here's why that can be hurtful or,

B) Please do some research to learn the history of why that's hurtful.

Implied message: I know you are good and are on this journey with us and we are all going to make mistakes as we unlearn things.

Calling In after Harm in Groups with Shared Values and Aims Sample Language

- I know it wasn't your intention, but what you just said minimizes the horror of _____ e.g. the history of racism, enslavement, the holocaust, etc.
- I know it wasn't your intention but what you just said has the impact of implying that _____ are not competent or as intelligent as others.
- What you just said suggests that _____ people don't belong.
- That phrase has been identified as being disrespectful and painful to _____ people and it's important that we not use it.
- Oh, I have also used that term, but I have now learned that when we use it we are leaving out people who _____ or we are implying that _____ and the word people are learning to use now is _____.
- The term used now by people living with that identity is _____.

Repairing Harm after Microaggressions, Mistakes, and expressions of Prejudice

- Own / Name it
- Recognize the Impact
- Apologize (Do not share context or explanations)
- Make any amends that are possible
- State what you are going to do to learn and do better in the future.

Sample Language: Thank you so much for letting me know. You are right, I used this term or said that phrase and realize that it has the impact of minimizing the experience of _____ or implying that _____. I am deeply sorry and will practice learning the correct language and will research and learn more about this to ensure that I do not make this mistake and cause this harm in the future.

RACIAL and SOCIAL JUSTICE FRAMEWORK

Values and Anti-Racism/Anti-Oppression

- Is this consistent with our values?
- Are we taking steps so we cannot predict outcomes by race and other systemically disadvantaged characteristics?

Intentional and Accountable Storytelling

- What data are we using and has it been disaggregated by race? What is the source of the data? Who is it making visible and invisible? Whose experience is being centralized and whose is being marginalized in the data? Does the way we are using the data reflect the complexity of the issues and reflect the issues accurately?
- What are the stories and narratives we are telling? What is the purpose? Who is interpreting the meaning? Who's it meant for? Who's impacted and how?
- Are we refusing to be ahistorical? Are we fully considering history and the impacts of the historical context?

Power Analysis

- What are the power dynamics in this situation? What are the intersecting spheres of oppression at work in this situation?
- What are the cultural norms of white supremacy at work in this situation?
- Who would benefit and who would be harmed by this action/decision?
- Does this interrupt/disrupt or collude with/reinforce oppressive systems/power structures?
- If this is attempting a solution, where are we locating the problem?
- Does the solution/strategy we are proposing change the system or the individual?
- Who are we asking to change and why?

Relationships

- Who is in the room and who isn't and why? Who is sharing and who is not and why?
- Whose perspective is represented/who is left out? And who is doing the representing? Who do we believe, who do we find credible? Why? Why not?
- Whose experience is being centralized and whose experience is being marginalized? Who is gazing and who is being gazed upon?
- Are we boldly leading toward our racial justice aim by building a broad coalition of support?
- Are we operating from a similar/shared understanding of anti-racism work? Do we have a shared anti-racist understanding of where the problem is located and a shared anti-racist theory of change to generate a solution? Have we agreed upon a shared goal?



**CENTRAL
HEALTH**

**BUDGET & FINANCE COMMITTEE MEETING
December 13, 2023**

AGENDA ITEM 1

Approve the minutes of the November 15, 2023 Budget and Finance Committee meeting. (*Action Item*)

MINUTES OF MEETING – NOVEMBER 15, 2023
CENTRAL HEALTH
BUDGET AND FINANCE COMMITTEE

On Wednesday, November 15, 2023, a meeting of the Central Health Budget and Finance Committee convened in open session at 4:16 p.m. in person at the Central Health Administrative Offices and remotely by toll-free videoconference. Clerk for the meeting was Briana Yanas.

Committee members present in person: Chair Bell (acting Chair), Manager Martin, and Manager Motwani

Committee members present via audio and video: Manager Kitchen

Board members present via audio and video or in person: Manager Valadez, Manager Jones, and Manager Zamora (arrived at 5:00 p.m.)

Absent: Manager Museitif

PUBLIC COMMUNICATION

Clerk’s Notes: Public Communication began at 4:16 p.m. Chair Bell announced that no speakers signed up for Public Communication.

COMMITTEE AGENDA

1. Approve the minutes of the October 25, 2023 Budget and Finance Committee meeting.

Clerk’s Notes: Discussion on this item began at 4:17 p.m.

Manager Martin moved that the Committee approve the minutes of the October 25, 2023 Budget and Finance Committee meeting.

Manager Valadez seconded the motion.

Chairperson Museitif	Absent
Manager Kitchen	For
Manager Martin	For
Manager Motwani	For
Manager Valadez	For
Manager Bell	For
Manager Jones	For

2. Receive and discuss the quarterly financial and operational reports for CommUnityCare Health Centers and Sendero Health Plans.

Clerk’s Notes: Discussion on this item began at 4:17 p.m.

Mr. Jaeson Fournier, CommUnityCare President & CEO, and Ms. Tara Trower, CommUnityCare Chief Strategy Officer, presented a CommUnityCare quarter four report. The presentation began with a look at their patients served. Next, they highlighted all of their fourth quarter efforts, which included enhanced patient accessibility, enhanced access through the new health center, improved call center efficiency, and reduced appointment wait times in family medicine and dental services. Lastly, they shared their financial performance from October 1, 2022, to September 30, 2023.

Ms. Sharon Alvis, Sendero CEO; Ms. Eli Barreneche, Sendero Chief Financial Officer; and Dr. Mary Carol Jennings, Sendero Chief Medical Officer, presented the Sendero quarter three report. The presentation included a look at Central Health and Sendero joint analysis exercises, a 2024 open enrollment and outreach update, and a look at 2023 financials year-to-date vs. approved budget projections.

3. Receive an update on Sendero Health Plans draft budget for Calendar Year 2024.

Clerk's Notes: Discussion on this item began at 5:16 p.m.

At 5:16 p.m. Chairperson Bell announced that the Committee was convening in closed session to discuss agenda item 3 under Texas Government Code §551.085 Governing Board of Certain Providers of Health Care Services and Texas Government Code §551.071 Consultation with Attorney.

At 6:57 p.m. the Committee returned to open session.

4. Discuss and take appropriate action on an update on the proposed FY 2024 Central Health funding plan for certain Sendero Health Plan claims and administrative costs.

Clerk's Notes: Discussion on this item began at 5:16 p.m.

At 5:16 p.m. Chairperson Bell announced that the Committee was convening in closed session to discuss agenda item 4 under Texas Government Code §551.085 Governing Board of Certain Providers of Health Care Services and Texas Government Code §551.071 Consultation with Attorney.

At 6:57 p.m. the Committee returned to open session.

Manager Motwani moved that the Committee recommend that the Board authorize the Central Health CEO and President to execute a Financing Agreement with Sendero Health Plans for calendar year 2024 and future periods of CHAP high-risk program costs.

Manager Valadez seconded the motion.

Chairperson Museitif	Absent
Manager Kitchen	For
Manager Martin	For
Manager Motwani	For
Manager Valadez	For
Manager Bell	For
Manager Jones	Abstain
Manager Zamora	For

5. Discuss and take appropriate action on Central Health owned or occupied real property and potential property for acquisition, lease, or development in Travis County, including pending issues and next steps in the redevelopment of the Central Health Downtown Campus, administrative offices of Central Health Enterprise partners, and new developments in Eastern Travis County.

Clerk's Notes: Discussion on this item began at 5:16 p.m.

At 5:16 p.m. Chairperson Bell announced that the Committee was convening in closed session to discuss agenda item 5 under Texas Government Code §551.071 Consultation with Attorney and Texas Government Code §551.072 Deliberation Regarding Real Property.

At 6:57 p.m. the Committee returned to open session.

6. Confirm the next Budget and Finance Committee meeting date, time, and location.

Manager Zamora moved that the Committee adjourn.

Manager Jones seconded the motion.

Chairperson Museitif	Absent
Manager Kitchen	For
Manager Martin	For
Manager Motwani	For
Manager Valadez	For
Manager Bell	For
Manager Jones	For
Manager Zamora	For

The meeting was adjourned at 6:58 p.m.

ATTESTED TO BY:

Charles Bell, Acting Chairperson
Central Health Budget and Finance Committee

Cynthia Valadez, Secretary
Central Health Board of Managers



**CENTRAL
HEALTH**

BUDGET & FINANCE COMMITTEE MEETING

December 13, 2023

AGENDA ITEM 2

Receive an update on the Central Health Investments Policy and Strategy for Fiscal Year 2024 and adopt the Fiscal Year 2024 Central Health Investment Policy as presented by the Travis County Cash/Investment Management Department. (*Action Item*)

INVESTMENT POLICY

PUBLIC FUNDS INVESTMENT ACT

DEBBIE LAUDERMILK

CHIEF INVESTMENT OFFICER – TRAVIS COUNTY

CENTRAL HEALTH BOARD OF MANAGERS

DECEMBER 13, 2023

Requested Action

- ▶ Approve the Central Health Investment Policy
- ▶ Approve list of approved Brokers/Dealers

Central Health Investment Program

- ▶ Investments managed by Travis County through Interlocal Agreement
 - ▶ Manage Investments
 - ▶ Manage Cash
 - ▶ Manage adherence to Investment Policy and Texas Public Funds Investment Act
 - ▶ Institute best practices
 - ▶ Monitor legislative proposals and changes

Prudent Person Rule

A legal maxim **restricting the discretion** allowed in managing a client's account to the types of investment that a prudent person seeking **reasonable income** and **preservation of capital** might buy for his or her own portfolio.

Texas Government Code

Chapter 2256 – Public Funds Investment

Public Funds Investment Act (PFIA)

- Public Funds in the custody of a state agency or local government not required by law to be deposited in the state treasury
- Does not apply to public retirement system, registry funds or deferred compensation plans, Veteran's Land Board or Institutions of higher education

Investment Policy under PFIA

Describe the guiding principles of the investment program

- Safety of Principal
- Maintenance of Adequate Liquidity
- Return on Investments

Key Steps

Adopt Investment Policy

- Written
- Emphasize safety of principal & liquidity
- Address investment diversification, yield, maturity and quality and capability of investment management
- Reviewed and updated at least annually

Investment Policy

Investment Policy needs to include:

- Types of authorized investments
- Maximum allowable stated maturity
- Maximum dollar-weighted maturity allowed based on maturity date for portfolio
- Settlement – DVP
- Monitor rating changes

Requested Action

- ▶ Approve the Central Health Investment Policy
- ▶ Approve list of approved Brokers/Dealers

QUESTIONS?

INVESTMENT MANAGEMENT DEPARTMENT
TRAVIS COUNTY, TEXAS



Planning & Budget Office
700 Lavaca, Suite 1560
P.O. Box 1748
Austin, Texas 78767

Phone: (512) 854-9779
Fax: (512) 854-4210
Email: deborah.laudermilk@traviscountytx.gov

DATE: November 17, 2023

TO: Charles E. Bell, M.D., M.S., Chairperson
Cynthia Brinson, M.D., Vice Chairperson
Maram Museitif, Manager, MPH, CPH, Treasurer
Cynthia Valadez, Sr., Secretary
Ann Kitchen, Manager
Manuel Martin, M.D., Manager
Shannon Jones III, M.P.A., Manager
Amit Motwani, Manager
Guadalupe Zamora, M.D., Manager

FROM: Deborah A. Laudermilk, Chief Investment Officer
Reagan Grimes, Investment Manager

RE: Review and Approval of Chapter 23, Investment Policy and Procedures

In conjunction with our annual review of the Investment Policy and Procedures for the Travis County Healthcare District (“the Policy”), doing business as, and also referred to, as Central Health, Investment Management (IM) recommends no changes to the Travis County Healthcare District Investment and Collateral Policy and Procedures.

The final version of Chapter 23, the Travis County Investment Policy and Procedures, is included in the agenda package.

Investment Advisory Committee

The annual Investment Advisory Committee meeting was held August 24, 2023, and the committee agreed unanimously that no changes were necessary to the current Travis County Investment Policy and Procedures presented here to the Court. Therefore, Investment Management submitted the policy for the Travis County Commissioners Court on September 12, 2023 and was affirmed as the Investment Policy and Procedures for Fiscal 2024.

Travis County Investment Management staff recommends that the Board of Managers for Central Health approve the order amending Chapter 23, Travis County Policy, Procedures, and Regulations Manual in the foregoing manner.

Attachment A, Travis County Healthcare District Investment Policy – Final
Attachment B, Texas Government Code, Chapter 2256

CC: Mike Geeslin, President and Chief Executive Officer
Jeff Knodel, VP and Chief Financial Officer
Jessica Rio, County Executive, Planning and Budget
Christy Moffett, Director Economic Development and Strategic Investing
Dolores Ortega-Carter, County Treasurer
Andres Rodriquez, County Treasurer’s Office

ATTACHMENT A

Chapter 23. Investment Policy and Procedures¹

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¹ Chapter 23 was replaced by Travis County Commissioners Court on September 12, 2023

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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 Commissioners Court to promulgate this chapter on investment policy and procedures.
- (b) Texas Local Government Code Annotated, section 116.112(a) (Vernon 1994) authorizes the Commissioners Court to invest county funds in compliance with Texas 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 Commissioners Court.

23.004 Definitions

- (a) In this chapter, 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) "Commissioners Court" means Travis County Commissioners Court.
 - (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, section 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) Commissioners Court delegates the authority to select investment instruments in which county funds may be placed and to prepare any documentation necessary to evidence the investment of county funds to the Chief Investment Officer, Investment Manager, and Senior Financial Analyst. Occasionally, the Commissioners Court may designate in writing other Travis County personnel authorized to invest county funds as back-ups.
 - (1) The Commissioners Court approves or ratifies the investments, and the Commissioners Court retains ultimate responsibility as fiduciaries of the assets of Travis County.
 - (2) The Chief Investment Officer, Investment Manager, and Senior Financial Analyst advise the Treasurer of the investment instruments purchased and the Treasurer wires the funds.
 - (3) No other person may invest, withdraw, transfer, or manage Travis County funds without the express written authority of the Commissioners Court.
 - (4) Authority granted under this section is effective until rescinded by Commissioners Court or until termination of employment by Travis County of persons in the designated positions.
- (b) These designated 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 section 23.011.

23.012 County Investment Portfolio Structure

The county funds of Travis County that are entrusted to the Commissioners Court 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 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 Investment Officers and anyone acting on their behalf.

- (1) Prudence
 - (A) Investment Officers serve as fiduciaries of Travis County and are responsible for prudently investing its assets. The Investment Officers shall comply with the provisions of this Chapter, the Public Funds Investment Act, and all other applicable laws.
 - (B) Travis County 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 assets as a prudent investor would, by considering the purposes, terms, distribution requirements, and other circumstances of the portfolio. In satisfying this standard, the Investment Officers shall exercise professional care, skill, and judgment. Among circumstances that an Investment Officer shall consider in investing and managing Travis County 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 Travis County 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) the Investment Officer's investment and portfolio management decisions must be evaluated based on whether the investment decision was consistent with this Chapter 23.
 - (D) Investment Officers must be honest in the exercise of their duties and must not take actions that will discredit Travis County.
 - (E) Investment Officers must comply with Chapter 33, Travis County Ethics Policy.
- (2) Avoidance of Conflicts of Interest
- (A) Investment Officers shall be loyal to the interests of Travis County, the Travis County Commissioners Court, 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 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 Investment Officers have personal or private commercial or business relationships that could reasonably be expected to diminish the independence of their 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 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) 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, except as noted below:

- (B) Gifts may be accepted under these guidelines: the gifts 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 county employees. 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 of the acceptance of any gifts, entertainment, food, goods, or services shall be made to the Director of Economic Development and Strategic Investments no later than 30 days following the calendar quarter in which received.

23.014 Quality and Capability of Investment Management

Travis County shall provide periodic training in investments for the Chief Investment Officer, Investment Manager, and Senior Financial Analyst through courses and seminars offered by professional organizations and associations, to insure the quality and capability of the Investment Officers.

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 Travis County, shall file a statement disclosing that personal business interest with the Texas Ethics Commission and the Commissioners Court. These are available and filed with our Compliance Officer.
- (b) Investment Officers who are related within the second degree by affinity or consanguinity, as determined under Texas Government Code Annotated, Chapter 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 Commissioners Court. These are available and filed with our Compliance Officer.

[23.016 - 23.020 Reserved for expansion]

Subchapter C. Investment Objectives

23.021 Safety of Principal

The primary investment objective of Travis County 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 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 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 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 of the 2 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 Travis County 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) Travis County 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 sections 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 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 - 23.040 Reserved for expansion]

Subchapter E. Safety of Principal

23.041 Protection of Principal

- (a) Travis County seeks to control the risk of loss due to the failure of a security issuer or grantor.
 - (1) To control that risk, Travis County 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 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 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 Investment Officers will take prudent action as described in section 23.013(1).
- (c) In addition, Travis County 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 has received the securities purchased.
- (d) Investment securities must be held in Travis County’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 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:
 - (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’s portfolios:
 - (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, 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 365 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 section 23.042(b)(1), its agencies or instrumentalities to include commercial paper that are pledged to Travis County, held in Travis County's name, and deposited with a third party selected and approved by Travis County, 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 sections 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 section 23.052 Collateral Requirements for All Deposits.)
 - (C) secured in accordance with 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 investing entity as required by sections 23.043 through 23.046 or

- (B) the broker or the county 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;
 - (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 appoints one of the following as its custodian for these certificates of deposit
 - (i) the County 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. Section 270.2a-7), promulgated under the Investment Company Act of 1940 (15 United States Code § 80a-1 et seq.), and
 - (B) provides Travis County 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 Commissioners Court 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 Texas Government Code Annotated 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,

- (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 C.F.R. 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(b) 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 (b) (1) through (4) inclusive;
 - (E) The loan agreement requires securities being held as collateral to be pledged to Travis County, held in Travis County's name,

and deposited at the time the investment is made with a third party approved by Travis County.

- (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 Chief Investment Officer and the Investment Manager may invest all portfolios in the eligible investments described by section 23.042 (b). 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 section 23.042 (b).
- (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 Investment Officer is not required to liquidate the investment. 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 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 Investment Management Office provides a copy of this Chapter 23 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 this Chapter 23.

- (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 Investment Management Office provides a copy of this Chapter 23, 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 section 23.044(b)(3)),

- (3) Acknowledges receipt, thorough review and understanding of this Chapter 23,
 - (4) Acknowledges broker/dealer/financial institution has implemented reasonable procedures and controls in an effort to preclude investment transactions conducted between it and Travis County 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's entire portfolio or requires an interpretation of subjective investment standards, and
 - (5) Includes a completed Broker/Dealer Questionnaire available on the Travis County Investment Management website.
- (c) Travis County 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 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 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) 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 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's entire portfolio or requires an interpretation of subjective standards.
- (c) To be recommended for approval, broker/dealer/financial institutions previously approved by Commissioners Court 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 Commissioners Court reviews the recommendations of the Chief Investment Officer and may approve any number of broker/dealer/financial institutions. Travis County and the 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, Competitive Bidding. The Chief Investment Officer may limit the number of institutions with which Travis County does business.

23.046 Annual Review of Approved Broker/Dealer/Financial Institutions

Each year 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 Chief Investment Officer must be submitted to the Commissioners Court for approval on an annual basis.

23.047 Removal from Approved List

When the Investment Management Office reviews and reevaluates the broker/dealer/financial institutions currently on the approved list and at any other time when the Chief Investment Officer discovers good cause, the 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's funds at risk,

- (2) Inactivity of the broker/dealer/financial institution,
- (3) Failure to maintain 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 Travis County portfolios combined (see section 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 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 as 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 Manager must not invest more than 5% of the portfolio in	

municipal securities of a single entity (see section 23.042(b)(1) 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 Policy to analyze the investment and determine the most prudent course of action to minimize any potential economic loss. (See section 23.042(b) (5) 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) (6) for full description.) 50%

Certificates of Deposit (See section 23.042(b) (7) 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 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)(9) for full description.) 20%

TexPool if the following conditions are met:

- (A) TexPool is organized under the Interlocal Cooperation Act, as amended,
- (B) the Commissioners Court has authorized investment in TexPool by an order,
- (C) the assets of TexPool consist exclusively of obligations that are authorized investments in the Texas Government Code Annotated Chapter 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 section 23.042(b)(10) 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 Investment Officers or Travis County'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 Travis County portfolios in accordance with section 23.048.

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 Manager must also monitor the maturity dates of all investments in the operating account portfolio to ensure that the dollar-weighted average maturity does not exceed two and one-half years. 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 Manager 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 section 23.042(b) for full description of eligible investments):

Investment Type	Maturity Limit
Obligations of the U.S. – Treasury Notes/Bonds/Bills	7 years
Obligations of U.S. Agencies.....	5 years
Direct obligations of the State of Texas or its agencies and instrumentalities	5 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.....	5 years

Obligations of states, agencies, counties, cities, and other political subdivisions of any state (See section 23.042(b)(1) for full description)..... 5 years

Domestic commercial paper (See section 23.042(b)(5) for full description.) 365 days

Fully collateralized repurchase agreements (See section 23.042(b)(6) for full description.)..... 90 days

Certificates of Deposit (See section 23.042(b)(7) for full description) ... 18 months

A no-load money market mutual fund (“MMMM”) (See section 23.042(b)(9) for full description)..... 1 day

Public funds and local government investment pools (LGIP’s) (See section 23.042(b)(10) 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 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 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 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 and one-half years. 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 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 section 23.050); except for the following:

Investment Type	Maturity Limit
Obligations of the U.S. – Treasury Notes/Bonds/Bills	5 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 by the Federal Home Loan Banks, if approved in advance by Travis County.
- (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 has certificates of deposit or bank deposits must provide Travis County 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

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. The 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. 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. 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 county depositories must enter agreements for the safekeeping of collateral with both Travis County 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'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, its agencies or instrumentalities to include commercial paper. These issuers must wire transfer the collateral to the safekeeping agent designated by Travis County through the Federal Reserve System. If the collateral matures in one year or less, the value of the collateral must be at least 100% 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 Travis County 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 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 MMMF's and LGIP's.

23.072 Liquidating Investments

The 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

- (a) The Investment Officers must consider legality, safety, liquidity, diversification, risk and rate of return in investment selection for all portfolios.
 - (1) Investments are made in securities with maturities corresponding to anticipated cash requirements.
 - (2) Investments are to take advantage of yield curves and earn additional returns.
 - (3) The Investment Officers must actively manage all Travis County portfolios to enhance total income in compliance with the “prudent investor rule” described by section 23.013(1).
- (b) 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 Travis County’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 Travis County 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 Travis County 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.

[23.083 - 23.090 Reserved for expansion]

Subchapter H. Investment Responsibilities By Office

23.091 Training

- (a) The Treasurer, the Chief Investment Officer, Investment Manager, Senior Financial Analyst and Auditor shall attend at least one training session from an independent source approved by Commissioners Court 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.
- (1) 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'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 Commissioners Court.
 - (2) 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

The Treasurer is the chief custodian of county funds. The Treasurer receives funds due to Travis County, makes disbursements authorized by the Commissioners Court after the checks are co-signed by the Auditor, and keeps proper records of county finances. 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 investment purposes for Travis County. 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. The Treasurer records investments in the HTE investment module at par value.
- (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 Travis County's account balances. The Treasurer adds the certificates of deposit purchased by the Investment Officers, Tax Office, County Clerk, and District Clerk to the total county cash balances to obtain the total county balance. The Treasurer compares the total county balance to the total collateral purchased by the depository banks.
 - (A) The collateral must be 105% of Travis County's total balances held with the depository.
 - (B) If the collateral is less than 105% of Travis County's total balances, the Treasurer must contact the depository bank to verify that the depository bank has increased the collateral to the required level.
- (5) Collateral. The Treasurer safekeeps any Letters of Credit provided by the depository bank as collateral.
- (6) Reporting Accounts. The Treasurer provides to the Auditor copies of monthly statements of all fund bank accounts which include beginning balances, deposits, disbursements, and ending balances. The Treasurer prepares and submits to the Auditor a monthly report of all outstanding checks for the CAPSO funds.

23.093 Investment Management Office

- (a) The Chief Investment Officer is the primary manager of county investment portfolios.
- (b) The Chief Investment Officer, the Investment Manager, and the Senior Financial Analyst, make investment decisions, and keep proper records of county 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 Travis County. 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 Investment Advisory Committee and the Commissioners Court; and
 - (F) revise the investment strategy based on recommendations by the Investment Advisory Committee.
 - (2) **Selecting and Processing Investments.** The Investment Officers review the composition of the current portfolio and determine whether the securities under consideration maintain the portfolio within policy guidelines. 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 Auditor's Financial Reporting Division for entry in the General Ledger. 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 Travis County department staff to develop and amend cash flow projections of Travis County cash requirements. The 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 county 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 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 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 Chief Investment Officer monitors yield spreads between various government agency issues and United States notes and bonds to determine the best value. The Chief Investment Officer summarizes economic and market trend information and presents it at each regular meeting of the Investment Advisory Committee. The Chief Investment Officer also presents recommendations for investment strategy based on economic and market conditions.
 - (C) If a securities lending agreement is executed, the Investment Officers will monitor the securities lending reports frequently or as needed, but not less than weekly, to reconcile safekeeping reports with lending reports. In addition to the Investment Officer's monitoring of the securities, regular valuation of the collateral also needs to be made to insure that the collateral held by the Lending Agent (the institution with which the securities lending agreement has been executed) is in compliance with the Travis County Investment Policy and remains above the 102% market value of the securities that were borrowed.
- (7) Reconciling Investment Records and General Ledger. The Investment Officers provide the Auditor's Financial Reporting Division 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 Auditor reconciles this report to the investment accounts in the general ledger.

- (8) Providing Revenue Estimates for All Portfolios. The Chief Investment Officer provides an estimate of the investment revenue for the annual budget.

23.094 Auditor's Office

The Auditor is the primary monitor of county transactions. The Auditor prepares the general ledger and makes all entries in it, and performs internal audits of the controls of county departments. In the investment function, the Auditor has the following responsibilities:

- (1) Posting Investments and Reconciling to General Ledger. The Auditor's Financial Reporting Division posts investment transactions, investment interest revenue received, and accrued interest income to the General Ledger. The Auditor's Financial Reporting Division performs the monthly reconciliation of investments, investment interest revenue received, and accrued interest income to the General Ledger. The Auditor's Financial Reporting Division notifies the Investment Manager if there are any discrepancies between the monthly investment report described in section 23.092 (6) and the general ledger so that these two departments can work together to reconcile the differences.
- (2) Confirming Balances and Performing Compliance Audit. The Auditor's Internal Audit Division, in conjunction with its annual financial audit, shall perform a compliance audit of management controls on investments and adherence to this Chapter 23 and Texas Government Code Annotated Chapter 2256, known as the Texas Public Funds Investment Act.
- (3) Monitoring Arbitrage. The Auditor monitors Travis County's arbitrage responsibilities and provides the bond fund transaction information required by Travis County's arbitrage advisors.
- (4) Reconciling Safekeeping Reports with Investments. On a monthly basis, the Investment Management Office reconciles Travis County's current investment holdings with the Safekeeping records, provided by the custodian bank. The account is reviewed monthly by the Auditor's Financial Reporting Division.
- (5) Allocating Budget from Interest Revenue. The Auditor's General Ledger Division allocates the interest revenue earned from investments proportionately to all funds that participate in the investment function.

Subchapter I. Investment Purchasing Procedures

23.101 Competitive Bidding

- (a) Travis County 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 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 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 enters into a repurchase agreement with any issuer, that issuer must sign a Master Repurchase Agreement approved by Commissioners Court 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 Commissioners Court.

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-county accounts, the agreement with the depository bank must require the depository bank to notify 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 Investment Advisory Committee evaluates the investment strategies and portfolio performance. The Director of Economic Development and Strategic Investments or the County Executive of Planning and Budget evaluates the Chief Investment Officer's entire performance.

23.112 Investment Advisory Committee

The Investment Advisory Committee reviews investment policies and procedures, investment strategies, and investment performance. Travis County members of the Committee include: two designated members of Commissioners Court, one of whom acts as Chair, the County Executive of Planning and Budget, the Chief Investment Officer, the Treasurer, and the Auditor. Outside expertise is provided by at least six persons from the Austin Metropolitan Area, who have demonstrated knowledge and expertise in the area of investment portfolio management. The Chair calls annual meetings of the committee or more often as needed.

23.113 Performance Analysis and Reporting

The Chief Investment Officer determines the level and content of daily and weekly performance analysis and reporting. The Chief Investment Officer and the Commissioners Court jointly decide the level and content of monthly performance analysis and reporting.

23.114 Quarterly Performance Analysis and Reporting

- (a) The Chief Investment Officer and the Investment Manager must prepare, provide, and sign a quarterly summary report, for each fund group, that describes in detail the investment position of Travis County 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 Investment Advisory Committee and Commissioners Court. A comparison of the performance of Travis County's portfolio to appropriate benchmarks selected by the 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 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 Chief Investment Officer and the Investment Manager certifying compliance of the Travis County investment portfolios with the Travis County investment strategy, policy and the Public Funds Investment Act.
- (b) Any reference to Generally Accepted Accounting Principles (a) relates only to internal reporting of investments by the 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 as a whole.

23.115 Annual Performance Analysis and Reporting

- (a) The 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 County’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 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 Commissioners Court.

[23.116 - 23.120 Reserved for expansion]

Subchapter K. Investment Policy Review And Amendment

23.121 Review Procedures

The Chief Investment Officer and the Investment Advisory Committee must review this Chapter 23 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 Chief Investment Officer must present a summary report of the review with changes recommended by the Investment Advisory Committee to the Commissioners Court. The Commissioners Court must review the investment policy and strategies at least annually.

23.122 Changes to the Investment Policy

After adoption of this Chapter 23, the Commissioners Court must approve any revisions to the policy 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 B

GOVERNMENT CODE

TITLE 10. GENERAL GOVERNMENT

SUBTITLE F. STATE AND LOCAL CONTRACTS AND FUND MANAGEMENT

CHAPTER 2256. PUBLIC FUNDS INVESTMENT

SUBCHAPTER A. AUTHORIZED INVESTMENTS FOR GOVERNMENTAL ENTITIES

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

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

Sec. 2256.002. DEFINITIONS. In this chapter:

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

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

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

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

(B) the investing entity has authority to invest.

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

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

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

(A) preservation and safety of principal;

(B) liquidity; and

(C) yield.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

- (1) a public retirement system as defined by Section 802.001;
- (2) state funds invested as authorized by Section 404.024;
- (3) an institution of higher education having total endowments of at least \$150 million in book value on September 1, 2017;
- (4) funds invested by the Veterans' Land Board as authorized by Chapter 161, 162, or 164, Natural Resources Code;
- (5) registry funds deposited with the county or district clerk under Chapter 117, Local Government Code; or
- (6) a deferred compensation plan that qualifies under either Section 401(k) or 457 of the Internal Revenue Code of 1986 (26 U.S.C.

Section 1 et seq.), as amended.

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

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

Amended by:

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

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

(b) The investment policies must:

- (1) be written;
- (2) primarily emphasize safety of principal and liquidity;
- (3) address investment diversification, yield, and maturity and the quality and capability of investment management; and
- (4) include:
 - (A) a list of the types of authorized investments in which the investing entity's funds may be invested;
 - (B) the maximum allowable stated maturity of any individual investment owned by the entity;
 - (C) for pooled fund groups, the maximum dollar-weighted average maturity allowed based on the stated maturity date for the portfolio;
 - (D) methods to monitor the market price of investments acquired with public funds;
 - (E) a requirement for settlement of all transactions, except investment pool funds and mutual funds, on a delivery versus payment basis; and
 - (F) procedures to monitor rating changes in investments acquired with public funds and the liquidation of such investments consistent with the provisions of Section [2256.021](#).

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

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

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

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

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

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

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

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

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

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

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

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

(i) An investment officer of an entity who has a personal business relationship with a business organization offering to engage in an investment transaction with the entity shall file a statement disclosing that personal business interest. An investment officer who is related within the second degree by affinity or consanguinity, as determined under Chapter 573, to an individual seeking to sell an investment to the investment officer's entity shall file a statement disclosing that relationship. A statement required under this subsection must be filed with the Texas Ethics Commission and the governing body of the entity. For purposes of this subsection, an investment officer has a personal business relationship with a business organization if:

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

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

the previous year; or

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

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

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

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

and

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

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

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

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

(l) The investment officer of an entity may not acquire or otherwise obtain any authorized investment described in the investment policy of the investing entity from a business organization that has not delivered to the entity the instrument required by Subsection (k).

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

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

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

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

Amended by:

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

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

Sec. 2256.006. STANDARD OF CARE. (a) Investments shall be made with judgment and care, under prevailing circumstances, that a person of prudence, discretion, and intelligence would exercise in the management of the person's own affairs, not for speculation, but for investment, considering the probable safety of capital and the probable income to be

derived. Investment of funds shall be governed by the following investment objectives, in order of priority:

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

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

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

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

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

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

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

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

Amended by Acts 1995, 74th Leg., ch. 402, Sec. 1, eff. Sept. 1, 1995; Acts 1997, 75th Leg., ch. 73, Sec. 1, eff. May 9, 1997; Acts 1997, 75th Leg., ch. 1421, Sec. 4, eff. Sept. 1, 1997; Acts 1999, 76th Leg., ch. 1454, Sec. 5, eff. Sept. 1, 1999.

Amended by:

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

Sec. 2256.008. INVESTMENT TRAINING; LOCAL GOVERNMENTS. (a) Except as provided by Subsections (a-1), (b), (b-1), (e), and (f), the treasurer, the chief financial officer if the treasurer is not the chief financial officer, and the investment officer of a local government shall:

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

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

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

(b) An investing entity created under authority of Section 52(b), Article III, or Section 59, Article XVI, Texas Constitution, that has contracted with an investment management firm under Section 2256.003(b) and has fewer than five full-time employees or an investing entity that has contracted with another investing entity to invest the entity's funds may satisfy the training requirement provided by Subsection (a)(2) by having an officer of the governing body attend four hours of appropriate instruction in a two-year period that begins on the first day of that local government's fiscal year and consists of the two consecutive fiscal years

after that date. The treasurer or chief financial officer of an investing entity created under authority of Section 52(b), Article III, or Section 59, Article XVI, Texas Constitution, and that has fewer than five full-time employees is not required to attend training required by this section unless the person is also the investment officer of the entity.

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

(1) the treasurer, or the chief financial officer if the treasurer is not the chief financial officer, or the investment officer; or

(2) if the authority does not have an officer described by Subdivision (1), another officer of the authority.

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

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

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

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

(1) does not invest municipal or housing authority funds, as applicable; or

(2) only deposits those funds in:

(A) interest-bearing deposit accounts; or

(B) certificates of deposit as authorized by Section 2256.010.

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

(1) the district:

(A) does not invest district funds; or

(B) only deposits those funds in:

(i) interest-bearing deposit accounts; or

(ii) certificates of deposit as authorized by Section

[2256.010](#); and

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

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

Amended by:

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

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

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

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

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

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

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

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

(1) obligations, including letters of credit, of the United States or its agencies and instrumentalities, including the Federal Home Loan Banks;

(2) direct obligations of this state or its agencies and instrumentalities;

(3) collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States;

(4) other obligations, the principal and interest of which are unconditionally guaranteed or insured by, or backed by the full faith and credit of, this state or the United States or their respective agencies and instrumentalities, including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation or by the explicit full faith and credit of the United States;

(5) obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than A or its equivalent;

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

- (1) obligations whose payment represents the coupon payments on the outstanding principal balance of the underlying mortgage-backed security collateral and pays no principal;
- (2) obligations whose payment represents the principal stream of cash flow from the underlying mortgage-backed security collateral and bears no interest;
- (3) collateralized mortgage obligations that have a stated final maturity date of greater than 10 years; and
- (4) collateralized mortgage obligations the interest rate of which is determined by an index that adjusts opposite to the changes in a market index.

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

Amended by:

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

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

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

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

Sec. 2256.010. AUTHORIZED INVESTMENTS: CERTIFICATES OF DEPOSIT AND SHARE CERTIFICATES. (a) A certificate of deposit or share certificate is an authorized investment under this subchapter if the certificate is issued by a depository institution that has its main office or a branch office in this state and is:

- (1) guaranteed or insured by the Federal Deposit Insurance Corporation or its successor or the National Credit Union Share Insurance Fund or its successor;
- (2) secured by obligations that are described by Section [2256.009\(a\)](#), including mortgage backed securities directly issued by a federal agency or instrumentality that have a market value of not less than

the principal amount of the certificates, but excluding those mortgage backed securities of the nature described by Section 2256.009(b); or

(3) secured in accordance with Chapter 2257 or in any other manner and amount provided by law for deposits of the investing entity.

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

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

(A) a broker that has its main office or a branch office in this state and is selected from a list adopted by the investing entity as required by Section 2256.025; or

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

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

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

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

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

Amended by:

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

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

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

Sec. 2256.011. AUTHORIZED INVESTMENTS: REPURCHASE AGREEMENTS. (a)

A fully collateralized repurchase agreement is an authorized investment under this subchapter if the repurchase agreement:

- (1) has a defined termination date;
- (2) is secured by a combination of cash and obligations described by Section [2256.009](#)(a)(1) or [2256.013](#) or, if applicable, Section [2256.0204](#);
- (3) requires the securities being purchased by the entity or cash held by the entity to be pledged to the entity either directly or through a joint account approved by the entity, held in the entity's name either directly or through a joint account approved by the entity, and deposited at the time the investment is made with the entity or with a third party selected and approved by the entity; and
- (4) is placed through a primary government securities dealer, as defined by the Federal Reserve, or a financial institution doing business in this state.

(a-1) A repurchase agreement made by an investing entity under this section may be submitted for clearing and settlement to a covered clearing agency, as defined by the Securities and Exchange Commission in Rule 17Ad-22 (17 C.F.R. Section 240.17Ad-22).

(b) In this section:

- (1) "Joint account" means an account maintained by a custodian bank and established on behalf of two or more parties to engage in aggregate repurchase agreement transactions.
- (2) "Repurchase agreement" means a simultaneous agreement to buy, hold for a specified time, and sell back at a future date obligations described by Section [2256.009](#)(a)(1) or [2256.013](#) or, if applicable, Section [2256.0204](#), at a market value at the time the funds are disbursed of not less than the principal amount of the funds disbursed. The term includes a direct security repurchase agreement and a reverse security repurchase agreement.

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

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

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

(f) An investing entity that contracts with an investment management firm under Section [2256.003](#)(b) may authorize the firm to invest the entity's public funds or other funds under the entity's control in repurchase agreements as provided by this section using a joint account.

(g) An investment management firm responsible for managing a repurchase agreement transaction using a joint account on behalf of an investing entity as authorized under Subsection (f) must ensure that:

(1) accounting and control procedures are implemented to document the investing entity's aggregate daily investment and pro rata share in the joint account;

(2) each party participating in the joint account retains the sole rights of ownership to the party's pro rata share of assets invested in the joint account, including investment earnings on those assets; and

(3) policies and procedures are implemented to prevent a party participating in the joint account from using any part of a balance of the joint account that is credited to another party.

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

Amended by:

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

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

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

Acts 2023, 88th Leg., R.S., Ch. 1093 (S.B. [1246](#)), Sec. 7, eff. June 18, 2023.

Sec. 2256.0115. AUTHORIZED INVESTMENTS: SECURITIES LENDING PROGRAM.

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

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

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

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

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

(A) pledged securities described by Section [2256.009](#);

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

- (i) organized and existing under the laws of the United States or any other state; and
- (ii) continuously rated by at least one nationally recognized investment rating firm at not less than A or its equivalent; or
- (C) cash invested in accordance with Section:
 - (i) 2256.009;
 - (ii) 2256.013;
 - (iii) 2256.014; or
 - (iv) 2256.016;
- (4) the terms of a loan made under the program must require that the securities being held as collateral be:
 - (A) pledged to the investing entity;
 - (B) held in the investing entity's name; and
 - (C) deposited at the time the investment is made with the entity or with a third party selected by or approved by the investing entity;
- (5) a loan made under the program must be placed through:
 - (A) a primary government securities dealer, as defined by 5 C.F.R. Section 6801.102(f), as that regulation existed on September 1, 2003; or
 - (B) a financial institution doing business in this state;
 and
- (6) an agreement to lend securities that is executed under this section must have a term of one year or less.

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

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

- (1) has a stated maturity of 270 days or fewer from the date of its issuance;
- (2) will be, in accordance with its terms, liquidated in full at maturity;
- (3) is eligible for collateral for borrowing from a Federal Reserve Bank; and
- (4) is accepted by a bank organized and existing under the laws of the United States or any state, if the short-term obligations of the bank, or of a bank holding company of which the bank is the largest subsidiary, are rated not less than A-1 or P-1 or an equivalent rating by at least one nationally recognized credit rating agency.

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

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

- (1) has a stated maturity of 365 days or fewer from the date of its issuance; and
- (2) is rated not less than A-1 or P-1 or an equivalent rating by at least:
 - (A) two nationally recognized credit rating agencies; or
 - (B) one nationally recognized credit rating agency and is fully secured by an irrevocable letter of credit issued by a bank organized and existing under the laws of the United States or any state.

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

Amended by:

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

Sec. 2256.014. AUTHORIZED INVESTMENTS: MUTUAL FUNDS.

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

- (1) is registered with and regulated by the Securities and Exchange Commission;
- (2) provides the investing entity with a prospectus and other information required by the Securities Exchange Act of 1934 (15 U.S.C. Section 78a et seq.) or the Investment Company Act of 1940 (15 U.S.C. Section 80a-1 et seq.); and
- (3) complies with federal Securities and Exchange Commission Rule 2a-7 (17 C.F.R. Section 270.2a-7), promulgated under the Investment Company Act of 1940 (15 U.S.C. Section 80a-1 et seq.).

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

- (1) is registered with the Securities and Exchange Commission;
- (2) has an average weighted maturity of less than two years; and
- (3) either:
 - (A) has a duration of one year or more and is invested exclusively in obligations approved by this subchapter; or

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

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

(1) invest in the aggregate more than 15 percent of its monthly average fund balance, excluding bond proceeds and reserves and other funds held for debt service, in mutual funds described in Subsection (b);

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

(3) invest its funds or funds under its control, including bond proceeds and reserves and other funds held for debt service, in any one mutual fund described in Subsection (a) or (b) in an amount that exceeds 10 percent of the total assets of the mutual fund.

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

Amended by:

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

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

(1) has a defined termination date;

(2) is secured by obligations described by Section 2256.009(a) (1), excluding those obligations described by Section 2256.009(b), in an amount at least equal to the amount of bond proceeds invested under the contract; and

(3) is pledged to the entity and deposited with the entity or with a third party selected and approved by the entity.

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

(c) To be eligible as an authorized investment:

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

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

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

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

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

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

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

Amended by:

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

Sec. 2256.016. AUTHORIZED INVESTMENTS: INVESTMENT POOLS. (a) An entity may invest its funds and funds under its control through an eligible investment pool if the governing body of the entity by rule, order, ordinance, or resolution, as appropriate, authorizes investment in the particular pool. An investment pool shall invest the funds it receives from entities in authorized investments permitted by this subchapter. An investment pool may invest its funds in money market mutual funds to the extent permitted by and consistent with this subchapter and the investment policies and objectives adopted by the investment pool.

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

(1) the types of investments in which money is allowed to be invested;

(2) the maximum average dollar-weighted maturity allowed, based on the stated maturity date, of the pool;

(3) the maximum stated maturity date any investment security within the portfolio has;

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

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

- (1) investment transaction confirmations; and
- (2) a monthly report that contains, at a minimum, the following information:
 - (A) the types and percentage breakdown of securities in which the pool is invested;
 - (B) the current average dollar-weighted maturity, based on the stated maturity date, of the pool;
 - (C) the current percentage of the pool's portfolio in investments that have stated maturities of more than one year;
 - (D) the book value versus the market value of the pool's portfolio, using amortized cost valuation;
 - (E) the size of the pool;
 - (F) the number of participants in the pool;
 - (G) the custodian bank that is safekeeping the assets of the pool;
 - (H) a listing of daily transaction activity of the entity participating in the pool;

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

(J) the portfolio managers of the pool; and

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

(d) An entity by contract may delegate to an investment pool the authority to hold legal title as custodian of investments purchased with its local funds.

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

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

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

(2) if the investment pool uses amortized cost:

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

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

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

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

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

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

(h) To maintain eligibility to receive funds from and invest funds on behalf of an entity under this chapter, an investment pool must be continuously rated no lower than AAA or AAA-m or at an equivalent rating by at least one nationally recognized rating service.

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

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

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

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

Amended by:

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

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

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

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

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

Amended by:

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

Sec. 2256.019. RATING OF CERTAIN INVESTMENT POOLS. A public funds investment pool must be continuously rated no lower than AAA or AAA-m or at an equivalent rating by at least one nationally recognized rating service.

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

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

Amended by:

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

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

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

(2) negotiable certificates of deposit issued by a bank that has a certificate of deposit rating of at least 1 or the equivalent by a nationally recognized credit rating agency or that is associated with a holding company having a commercial paper rating of at least A-1, P-1, or the equivalent by a nationally recognized credit rating agency; and

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

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

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

(b) A payment by a municipally owned electric or gas utility under a hedging contract or related agreement in relation to fuel supplies or fuel

reserves is a fuel expense, and the utility may credit any amounts it receives under the contract or agreement against fuel expenses.

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

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

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

Amended by:

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

Sec. 2256.0202. AUTHORIZED INVESTMENTS: MUNICIPAL FUNDS FROM MANAGEMENT AND DEVELOPMENT OF MINERAL RIGHTS. (a) In addition to other investments authorized under this subchapter, a municipality may invest funds received by the municipality from a lease or contract for the management and development of land owned by the municipality and leased for oil, gas, or other mineral development in any investment authorized to be made by a trustee under Subtitle B, Title 9, Property Code (Texas Trust Code).

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

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

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

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

least A-1, P-1, or the equivalent by a nationally recognized credit rating agency.

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

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

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

(2) is an unsecured debt obligation.

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

(c) In addition to authorized investments permitted by this subchapter, an independent school district subject to this section may purchase, sell, and invest its funds and funds under its control in corporate bonds that, at the time of purchase, are rated by a nationally recognized investment rating firm "AA-" or the equivalent and have a stated final maturity that is not later than the third anniversary of the date the corporate bonds were purchased.

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

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

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

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

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

(2) adopts procedures to provide for:

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

(B) liquidating the investment in corporate bonds; and

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

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

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

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

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

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

Amended by:

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

Sec. 2256.0205. AUTHORIZED INVESTMENTS; DECOMMISSIONING TRUST. (a) In this section:

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

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

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

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

Sec. 2256.0206. AUTHORIZED INVESTMENTS: HEDGING TRANSACTIONS. (a) In this section:

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

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

- (i) outstanding long-term indebtedness;
- (ii) long-term indebtedness proposed to be issued; or
- (iii) a combination of outstanding long-term indebtedness and long-term indebtedness proposed to be issued; and

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

- (1) statutory provisions governing the debt issuance or the agreement, as applicable; and

(2) the local government's investment policy regarding the debt issuance or the agreement, as applicable.

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

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

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

Sec. 2256.022. EXPANSION OF INVESTMENT AUTHORITY. Expansion of investment authority granted by this chapter shall require a risk assessment by the state auditor or performed at the direction of the state auditor, subject to the legislative audit committee's approval of including the review in the audit plan under Section 321.013.

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

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

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

(b) The report must:

- (1) describe in detail the investment position of the entity on the date of the report;
- (2) be prepared jointly by all investment officers of the entity;
- (3) be signed by each investment officer of the entity;
- (4) contain a summary statement of each pooled fund group that states the:
 - (A) beginning market value for the reporting period;
 - (B) ending market value for the period; and
 - (C) fully accrued interest for the reporting period;
- (5) state the book value and market value of each separately invested asset at the end of the reporting period by the type of asset and fund type invested;

(6) state the maturity date of each separately invested asset that has a maturity date;

(7) state the account or fund or pooled group fund in the state agency or local government for which each individual investment was acquired; and

(8) state the compliance of the investment portfolio of the state agency or local government as it relates to:

(A) the investment strategy expressed in the agency's or local government's investment policy; and

(B) relevant provisions of this chapter.

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

(d) If an entity invests in other than money market mutual funds, investment pools or accounts offered by its depository bank in the form of certificates of deposit, or money market accounts or similar accounts, the reports prepared by the investment officers under this section shall be formally reviewed at least annually by an independent auditor, and the result of the review shall be reported to the governing body by that auditor.

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

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

Amended by:

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

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

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

or

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

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

(c) Mortgage pass-through certificates and individual mortgage loans that may constitute an investment described in Section [2256.009](#)(b) are

authorized investments with respect to the housing bond programs operated by:

- (1) the Texas Department of Housing and Community Affairs or a nonprofit corporation created to act on its behalf;
 - (2) an entity created under Chapter 392, Local Government Code;
- or
- (3) an entity created under Chapter 394, Local Government Code.

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

Amended by:

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

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

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

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

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

SUBCHAPTER B. MISCELLANEOUS PROVISIONS

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

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

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

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

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

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

Sec. 2256.054. DELIVERY OF SECURITIES PURCHASED BY STATE. A security purchased under this chapter may be delivered to the comptroller, a bank, or the board or agency investing its funds. The delivery shall be made under normal and recognized practices in the securities and banking industries, including the book entry procedure of the Federal Reserve Bank.

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

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

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



**CENTRAL
HEALTH**

BUDGET & FINANCE COMMITTEE MEETING

December 13, 2023

AGENDA ITEM 3

Receive, discuss, and approve the Fiscal Year 2024 Broker/Dealer Applicants for conducting investment business with the Travis County Healthcare District (dba Central Health) as recommended by the Travis County Cash/Investment Management Department. (*Action Item*)

INVESTMENT MANAGEMENT DEPARTMENT
TRAVIS COUNTY, TEXAS



Planning & Budget Office
700 Lavaca, Suite 1560
P.O. Box 1748
Austin, Texas 78767

Phone: (512) 854-9779
Fax: (512) 854-4210
Email: deborah.laudermilk@traviscountytx.gov

DATE: November 17, 2023

TO: Charles E. Bell, M.D., M.S., Chairperson
Cynthia Brinson, M.D., Vice Chairperson
Maram Museitif, Manager, MPH, CPH, Treasurer
Cynthia Valadez, Sr., Secretary
Ann Kitchen, Manager
Manuel Martin, M.D., Manager
Shannon Jones III, M.P.A., Manager
Amit Motwani, Manager
Guadalupe Zamora, M.D., Manager

FROM: Deborah Laudermilk, Travis County Chief Investment Officer
Reagan Grimes, Travis County Investment Manager

RE: Travis County Healthcare District Annual Broker/Dealer Selection

The State of Texas Public Funds Investment Act requires that public entities review, revise, and adopt a list of qualified brokers at least annually.

For Travis County, we collect applications to do business with the County every two years, and every year our office goes through an extensive review process.

The following brokers have been reviewed, approved, and are authorized to do business with Travis County and recommended for the Healthcare District:

Primary Broker/Dealers

Bank of America Securities LLC
Daiwa Capital Markets America Inc.
UBS Financial Services Inc.

Jefferies & Company, Inc.
RBC Wealth Management,
a division of RBC Capital Markets

All of the primary listed firms are currently on the Travis County approved broker/dealer list.

Secondary Broker/Dealers

Academy Securities
Bancroft Capital LLC
Drexel Hamilton LLC
CastleOak Securities L.P.
FHN Financial Capital Markets

Multi-Bank Securities, Inc
KeyBanc Capital Markets Inc.
Samuel A. Ramirez & Co
Stifel Financial Corp.
Wells Fargo Securities, LLC

All of the secondary firms, with the exception of Academy, are currently on the Travis County approved broker/dealer list.

In selecting these brokers, we address issues such as the size, financial strength, and trading volume for the firms. For the individual brokers, we look at such factors as experience, how long they have been with their current firm, and we check references. For both, we check their records with the Financial

Industry Regulatory Authority (FINRA) which was previously called National Association of Securities Dealers for regulatory and civil judicial actions against the firm or person. These and other factors are used in a point system to see which brokers are most compatible with Travis County's needs. For the last twelve years, we have used the list of brokers produced by this process to choose brokers for Central Health. We simply sent a letter to each Travis County approved broker, along with Central Health's Investment policy and Certification, asking if they would like to do business with the District as well. We have received good responses every year. Due to the amount of business that Travis County and Central Health have done in the past year, we have kept the number of primary brokers at five and the number of secondary brokers to ten, selecting the brokers we believe are best qualified to do business with Travis County and Central Health.

This method avoids duplication of effort, and we also believe it provides a better group of brokers than if the District went out on its own. For the following reasons, it is more advantageous to use the same brokers: 1) the combination of both Travis County and Central Health provides us with greater market strength in being shown better securities, 2) it is very easy for these brokers to add the District, since they do not have to fill out an additional application, and they are familiar with the way our office does business. Again, this method is more likely to attract larger and more experienced firms and individual brokers.

We recommend that the Board authorize the use of the above described method to review, revise, and adopt a list of brokers for the Healthcare District again this year.

Attachment A – Copy of Approval memo for Travis County Brokers

cc: Mike Geeslin, President and CEO
Jeff Knodel, VP and CFO
Jessica Rio, County Executive, Planning and Budget
Christy Moffett, Interim Director Economic Development and Strategic Investing
David Duncan, Travis County Attorney

ATTACHMENT A

INVESTMENT MANAGEMENT DEPARTMENT
TRAVIS COUNTY, TEXAS



Planning & Budget Office
700 Lavaca, Suite 1560
P.O. Box 1748
Austin, Texas 78767

Phone: (512) 854-9779
Fax: (512) 854-4210
Email: deborah.laudermilk@traviscountytx.gov

DATE: October 3, 2023

TO: Andy Brown, Travis County Judge
Jeffrey W. Travillion, Sr., Commissioner, Precinct 1
Brigid Shea, Commissioner, Precinct 2
Ann Howard, Commissioner, Precinct 3
Margaret J. Gomez, Commissioner, Precinct 4

FROM: Deborah Laudermilk, Chief Investment Officer
Reagan Grimes, Investment Manager

RE: Approval of FY 2024 Broker/Dealer Applicants

Proposed Motion

Approve the following broker/dealers to conduct investment business with Travis County:

Primary Broker/Dealers

Bank of America Securities LLC	Jefferies & Company, Inc.
Daiwa Capital Markets America Inc.	RBC Wealth Management,
UBS Financial Services Inc.	a division of RBC Capital Markets

All of the primary listed firms are currently on the Travis County approved broker/dealer list.

Secondary Broker/Dealers

Academy Securities	Multi-Bank Securities, Inc
Bancroft Capital LLC	KeyBanc Capital Markets Inc.
Drexel Hamilton LLC	Samuel A. Ramirez & Co
CastleOak Securities L.P.	Stifel Financial Corp.
FHN Financial Capital Markets	Wells Fargo Securities, LLC

All of the secondary firms, with the exception of Academy, are currently on the Travis County approved broker/dealer list.

Summary and Authorizations

The Public Funds Investment Act, Section 2256.025, requires that “the entity shall, at least annually review, revise, and adopt a list of qualified brokers that are authorized to engage in investment transactions with the entity”. The Travis County Investment Policy and Procedures Manual, Chapter 23, section 23.043-23.047 also specifies the procedures that must be followed in the selection process of broker/dealers.

All of the applications were reviewed for compliance with Approval of Broker/Dealer/Financial Applications Sections 23.043 through 23.047 of the Travis County Investment Policy and Procedures by the

Investment Management staff. Primary dealers have been approved by the Federal Reserve Bank of New York as large, financially sound firms. For secondary dealers, Investment Management requires additional information and completes a more thorough review, taking other criteria into consideration. These criteria include debt to equity ratios, total assets, regulatory and other actions recorded by the Financial Industry Regulatory Authority (FINRA) against the firm and/or individual, as well as references from other governmental entities, and experience. Past performance of individual brokers is taken into consideration for current broker/dealers.

Investment Officers' Recommendations and Issues

Primary Broker/Dealers

Travis County received five applications from primary dealers, and five are recommended for approval.

Primary Dealers have greater access to an inventory of securities and as such, can provide availability and good prices for our purchases.

If these recommendations are approved, Travis County will be using one primary broker/dealer with offices in Chicago, (Bank of America), two in San Francisco (RBC Capital Markets and Daiwa), one in New York City (UBS) and one in Atlanta (Jefferies).

RBC Wealth Management is owned by a Canadian bank, and Daiwa Capital Markets is owned by a Japanese bank, a reflection of the internationalization of today's financial markets.

Secondary Broker/Dealers

Eighteen secondary brokers requested applications and eighteen applications were received from secondary or regional broker/dealers. Nine are recommended for approval. All broker/dealers are evaluated and scored on several criteria including financial strength, service, location, etc. The results are placed in a scoring matrix. Ten are currently approved broker/dealers, including: Bancroft, Drexel Hamilton; FHN Financial Capital Markets; Samuel A. Ramirez & Co; KeyBanc; Wells Fargo; Stifel; Castle Oak and Multi-Bank Securities, Inc. The new broker recommended for approval is Academy Securities.

Due to the volume of investment business Travis County typically transacts in a year, we believe it is in the best interest of the County to limit the number of approved secondary broker/dealers to eleven. The remaining secondary firms (see Attachment B) that applied are not recommended because Travis County does not need additional brokers at this time.

If these recommendations are approved, Travis County will be using seven secondary brokers with offices located in Texas. Ramirez & Co. and CastleOak Securities are minority-owned businesses and in addition Academy, Multi-Bank Securities, Inc., Drexel Hamilton and Bancroft Capital are veteran-owned businesses.

Investment Advisory Committee

These recommendations have been reviewed by the Investment Advisory Committee and have the Committee's concurrence.

Definitions

Primary Broker/Dealers

Primary broker/dealers are national and international banks and investment firms that are authorized to deal directly with the Federal Reserve Bank of New York. They act as the Federal Reserve System's trading agent to implement monetary policy and are designated by the Federal Reserve as primary dealers in government securities. Primary dealers help to establish the market for all treasury securities by participating in the treasury auctions, from short term bills to 30-year long bonds. The Federal Reserve investigates these dealers thoroughly to make sure the firms comply with relevant capital standards.

Secondary Broker/Dealers

Secondary broker/dealers are all the other firms authorized to sell securities that have not been designated as primary dealers in government securities by the Federal Reserve. The secondary broker/dealers may be large or small, new or well established, and regional or national firms.

Minority Owned Businesses

The minority and/or women-owned businesses are at least 51% owned by one or more persons who have been historically underutilized because of their identification as members of the following groups: Asian-Pacific Americans, Black Americans, Hispanic Americans, Native Americans, American Woman and/or Service Disabled Veteran.

Exhibits: Attachment A – List of FY 2024 Applicants

Jessica Rio, County Executive, Planning & Budget
Christy Moffet, Interim Director of Economic Development and Strategic Investments
Travis Gatlin, Budget Director
Bonnie Floyd, Purchasing Agent
Dolores Ortega-Carter, County Treasurer
Barbara Wilson, Assistant County Attorney

ATTACHMENT A
FY 2024 BROKER DEALER APPLICANTS

PRIMARY DEALERS

*Bank of America Securities, LLC
101 N Wacker Dr.
Chicago, IL 60606-1511

*Daiwa Capital Markets America Inc.
555 California St., Suite 3360
San Francisco, CA 94104

* UBS Financial Services Inc.
51 JFK Parkway
Short Hills, NJ 07078

*Jefferies Group, Inc.
3414 Peachtree Rd. Ste. 200
Atlanta, GA 30326

*RBC Wealth Management, a division
of RBC Capital Markets
345 California Street, 29th Floor
San Francisco, CA 94104

SECONDARY DEALERS

**Academy Securities Inc.
501 Congress Ave., Suite 150
Austin, TX 78701

*Bancroft Capital LLC
501 Office Center Drive
Fort Washington. PA 19034

Cabrera Capital
10 South LaSalle Street, Suite 1050
Chicago, IL 60603

*CastleOak Securities, LP
111 SW 5th Avenue
Portland OR 97024

*Drexel Hamilton, LLC
8421 Amber Hill Ct, Suite 205
Lincoln, NE 68526

*FHN Financial Capital Markets
920 Memorial City Way, 11th Fl
Houston, TX 77024

Great Pacific Securities
151 Kalmus Drive, Suite H8
Costa Mesa, CA 92626

Hilltop Securities
700 Milam Street, Suite 500
Houston, TX 77002

Inspere LLC
25 SE 4th Avenue, Suite 400
Delray Beach, FL 33483

* KeyBanc Capital Markets, Inc.
1 California St.
San Francisco, CA 94111

Mischler Financial Group Inc.
9330 LBJ Freeway, Suite 900
Dallas, TX 75243

* Multi Bank Securities
20 N. Wacker Drive, Suite 1829
Chicago, IL 60606

#Piper Sandler
609 Main Street, Suite 3800
Houston, TX 77002

#Raymond James
50 North Front St., 12th Floor
Memphis, TN 38103

ATTACHMENT A
FY 2024 BROKER DEALER APPLICANTS

*Samuel A. Ramirez & Co.
61 Broadway, Suite 2924
New York, NY 10006

*Stifel Financial Corp.
5956 Sherry Lane, Suite 875
Dallas, TX 75225

#TD Securities USA LLC
1 Vanderbilt Avenue
New York, NY 10017

*Wells Fargo Securities, LLC
1445 Ross Avenue, Suite 420
Dallas, TX 75202

* Firms that are currently approved and recommended for re-approval.
** Firms that are new applicants that are recommended for approval.
Firms that applied, but are not recommended for approval.



CENTRAL
HEALTH

BUDGET & FINANCE COMMITTEE MEETING

December 13, 2023

AGENDA ITEM 4

Receive updates on the preliminary October 2023 financial statements, including capital projects, for Central Health and the Community Care Collaborative. (*Informational Item*)



CENTRAL HEALTH

Central Health

Financial Statement Presentation FY 2024 – as of October 31, 2023 (Preliminary)

Central Health Board of Managers

December 13, 2023

Jeff Knodel CFO

Patti Bethke, Controller



- Slide 2 Index
- Slide 3 Highlights
- Slide 4 Balance Sheet
- Slide 5 Sources & Uses
- Slide 6 HCD - Summary
- Slide 7 HCD - Specialty



- Healthcare Delivery is \$11 million for the year as of 10/31/2023.
- GAAP reporting Net Assets increased \$147 million year-over-year.
- TCHD LPPF total restricted balance of LPPF as of 9/30/2023 is \$79 million.
- Governmental Accounting Standards Board statements 87 & 96, Leases (GASB87) and Subscription-Based Information Technology Arrangements (GASB97 SBITAs), new accounting standards require entities to report future long term obligations, previously reported as operating activity, on the balance sheet to convey control of the right to use the non-financial asset. This will significantly increase long term governmental balance sheets as a result of these requirements. The new rules require recognition of a lease or SBITA liability and an intangible asset while lessors are required to recognize lease receivables and a deferred inflow of resources on their financial statements.

GAAP: Generally Accepted Accounting Principles refer to a common set of accounting principles, standards, and procedures issued by the Financial Accounting Standards Board. GAAP primary focus is to improve clarity, consistency, and comparability of the communication of financial information.



	Preliminary as of 10/31/2023	as of 10/31/2022
ASSETS		
CURRENT ASSETS		
CASH AND CASH EQUIVALENTS	4,210,814	3,425,276
SHORT TERM INVESTMENTS	502,492,046	353,285,434
RESTRICTED TCHD LPPF CASH & INVESTMENT RESTRICTED FOR CAPITAL ACQUISITION	78,889,158	55,814,976
RESTRICTED CASH & INVESTMENTS OR NONCURRENT	182,520,005	111,708,010
ACCOUNTS RECEIVABLE TAX	261,409,163	167,522,986
OTHER RECEIVABLES	324,371,784	289,532,601
TOTAL CURRENT ASSETS	7,171,381	3,457,523
LONG TERM ASSETS	1,099,655,188	817,223,820
LEASE RECEIVABLE	112,083,000	112,083,000
LEASE RECEIVABLE SHORT TERM*	12,721,747	9,938,687
LEASE RECEIVABLE LONG TERM*	237,820,808	238,566,993
TOTAL LEASE RECEIVABLES	250,542,555	248,505,680
CAPITAL ASSETS	199,838,666	161,504,874
ACCUMULATED DEPRECIATION	(39,308,432)	(31,456,639)
TOTAL CAPITAL ASSETS	160,530,234	130,048,236
TOTAL ASSETS	1,622,810,976	1,307,860,735
LIABILITIES		
CURRENT LIABILITIES		
ACCOUNTS PAYABLE	20,540,200	11,922,068
SALARIES & BENEFITS PAYABLE	4,375,867	3,371,755
DEBT SERVICE SHORT TERM	8,945,712	4,345,000
DEFERRED TAX REVENUE	322,275,364	287,715,083
TOTAL CURRENT LIABILITIES	356,137,144	307,353,907
RESTRICTED OR NONCURRENT LIABILITIES		
FUNDS HELD FOR TCHD LPPF	79,336,674	55,840,455
DEBT SERVICE PAYABLE LONG TERM	168,355,764	76,120,512
TOTAL RESTRICTED OR NONCURRENT LIABILITIES	247,692,438	131,960,966
NONCURRENT LIABILITIES		
LEASE & SUBSCRIPTION LIABILITIES*	53,152,362	44,016,206
DEFERRED REVENUE*	236,523,340	241,804,351
TOTAL NONCURRENT LIABILITIES AND LEASES	289,675,701	285,820,556
TOTAL LIABILITIES	893,505,283	725,135,429
NET ASSETS		
INVESTMENT IN CAPITAL ASSETS RESTRICTED	108,109,406	0
UNRESTRICTED	134,946,679	0
TOTAL NET ASSETS	486,249,608	582,725,306
LIABILITIES AND NET ASSETS	1,622,810,976	1,307,860,735

* New GASB87 & GASB96 reporting requirement for leases and Subscription-Based Information Technology Arrangements.



CENTRAL HEALTH

SOURCES / USES	OCT 2023	FY24 YTD	FY24 Budget**	Percent of Budget Used	FY23 YTD
SOURCES					
PROPERTY TAX REVENUE	(172,425)	(172,425)	312,456,814	0%	(67,778)
LEASE REVENUE*	1,666,437	1,666,437	12,022,497	14%	1,562,165
OTHER REVENUE	1,968,691	1,968,691	7,500,000	26%	692,554
TOBACCO SETTLEMENT REVENUE	-	-	4,500,000	0%	-
TOTAL SOURCES	3,462,702	3,462,702	336,479,311	1%	2,186,942
USES OF FUNDS					
HEALTHCARE DELIVERY PROGRAM (SEE NEXT PAGE)	11,282,173	11,282,173	295,246,807	4%	26,808,009
UT AFFILIATION AGREEMENT	-	-	35,000,000	0%	-
ADMINISTRATIVE PROGRAM					
SALARIES AND BENEFITS	849,541	849,541	15,587,147	5%	449,277
OTHER GOODS AND SERVICES	69,132	69,132	13,059,883	1%	409,355
TOTAL ADMINISTRATIVE PROGRAM	918,673	918,673	28,647,030	3%	858,632
TOTAL USES	12,200,847	12,200,847	358,893,837	3%	27,666,641
EXCESS SOURCES / (USES)	(8,738,145)	(8,738,145)	(22,414,526)		(25,479,699)

* New GASB87 & GASB96 reporting requirement for leases and Subscription-Based Information Technology Arrangements.

** FY2024 Budget preliminary to be finalized by category in November Financial Statements



HEALTHCARE DELIVERY SUMMARY	OCT 2023	FY24 YTD	FY24 Budget**	Percent of Budget Used	FY23 YTD
PURCHASED HEALTHCARE SERVICES					
PRIMARY CARE	5,020,714	5,020,714	73,782,200	7%	4,019,459
SPECIALTY CARE, INCLD DENTAL	1,777,858	1,777,858	30,188,000	6%	485,697
SPECIALTY BEHAVIORAL HEALTH AND SUBSTANCE USE	547,560	547,560	20,675,000	3%	34,580
PHARMACY	1,501,847	1,501,847	18,000,000	8%	837,117
POST ACUTE CARE	508,006	508,006	7,250,000	7%	18,000
COMMUNITY HEALTHCARE INITIATIVES FUND	(53,800)	(53,800)	875,000	0%	-
ALL OTHER HEALTHCARE SERVICES	-	-	-		-
SUBTOTAL PURCHASED HEALTHCARE SERVICES	9,302,184	9,302,184	150,770,200	6%	5,394,853
DIRECT HEALTHCARE SERVICES	461,277	461,277	29,276,374	2%	-
MAP ELIGIBILITY - INCREASE IN PERIOD	-	-	1,000,000		-
SUBTOTAL HEALTHCARE SERVICES	9,763,462	9,763,462	181,046,574	6%	5,394,853
ACA PREMIUM ASSIST	9,200	9,200	18,587,364	0%	1,066,410
HEALTHCARE FACILITIES AND CAMPUS REDEVELOPMENT	430,778	430,778	8,656,910	7%	170,196
HEALTHCARE DELIVERY OPERATION COSTS	519,924	519,924	71,989,497	1%	2,005,192
DEBT, RESERVES AND TRANSFERS	558,809	558,809	14,966,462	4%	18,171,357
TOTAL HEALTHCARE DELIVERY	11,282,173	11,282,173	295,246,807	4%	26,808,009

** FY2024 Budget preliminary to be finalized by category in November Financial Statements



HEALTHCARE DELIVERY - SPECIALTY CARE	OCT 2023	FY24 YTD	FY2024 BUDGET**	Percent of Budget Used	FY2023 YTD	Comments
HCD-Ancillary Services	48,867	48,867	2,000,000	2%	-	Includes additional services: Anesthesia, Mammography, DME
HCD-Cardiology	60,189	60,189	1,215,000	5%	26,596	
HCD-Dental	174,916	174,916	1,500,000	12%	61,234	
HCD-Dermatology	126,450	126,450	915,000	14%	54,329	
HCD-Dialysis	235,600	235,600	3,000,000	8%	49,782	New Service late FY22
HCD-Durable Medical Equipment	11,723	11,723	998,000	1%	-	
HCD-Endocrinology	85,893	85,893	830,000	10%	47,829	
HCD-Ear, Nose & Throat ENT	12,090	12,090	900,000	1%	-	Provider Vacancy
HCD-Gastroenterology	183,795	183,795	2,030,000	9%	73,179	Service Expansion
HCD-General Surgery	37,753	37,753	600,000	6%	-	
HCD-Gynecology	177,950	177,950	1,550,000	11%	-	Transition from CCC
HCD-Musculoskeletal	59,180	59,180	2,500,000	2%	5,170	Transition from CCC
HCD-Nephrology	12,675	12,675	200,000	6%	4,306	
HCD-Neurology	6,825	6,825	100,000	7%	1,056	New CUC Service
HCD-Oncology	49,631	49,631	2,900,000	2%	1,939	
HCD-Ophthalmology	155,373	155,373	3,100,000	5%	33,272	
HCD-Pain Management	8,325	8,325	-	0%	-	New Services FY23
HCD-Podiatry	93,627	93,627	1,300,000	7%	38,766	
HCD-Project Access	-	-	330,000	0%	-	
HCD-Pulmonology	52,325	52,325	425,000	12%	28,058	
HCD-Referral Management	55,130	55,130	585,000	9%	25,000	
HCD-Rheumatology	43,875	43,875	300,000	15%	14,273	
HCD-Sexual & Reproductive Svc	85,665	85,665	2,210,000	4%	20,909	
HCD-Urology	-	-	300,000	0%	-	New agreement for vasectomies
Total Healthcare Delivery - Specialty Care	1,777,858	1,777,858	30,788,000	6%	485,697	

** FY2024 Budget preliminary to be finalized by category in November Financial Statements



Questions ? Comments ?

DRAFT



Balance Sheet

Current Assets

Cash and Cash Equivalents – \$4.2M compared to \$3.4M October 2022

Short-term Investments – Short-term investments were \$502M at month-end, net of restricted investments totaling \$261M.

Ad Valorem Taxes Receivable – \$324.4M balance is composed of:

Gross Tax Receivables	\$ 327.5M
Taxable Assessed Valuation Adjustment	(261)K
Est. Allowance for Doubtful collections	(2.8)M
Total Taxes Receivable	<u>\$ 324.4M</u>

Other Receivables – Other receivables total \$7.1M and includes intercompany balances:

- Accrued Interest - \$2.7M
- CUC – \$2.6M
- Prepaid Expenses – \$667K
- Sendero - \$665K
- Other - \$492K

Total Current Assets – \$1.1B

Long Term Assets

Sendero Paid-in-Capital – \$71.0M (unchanged)

Working Capital Advance to CommUnityCare – \$4.0M (unchanged)



Sendero Surplus Debenture – \$37.1M (unchanged)

Lease Receivables GASB87* - \$250M

- Lease Receivable Short-Term \$12M
- Lease Receivable Long-Term \$238M

Capital Assets – \$161M, net of accumulated depreciation, include purchase of Cameron Road

Buildings **Total Assets – \$1.6B**

Current Liabilities

Accounts Payable – Major components of the \$21M balance are:

- \$16.6M estimated IBNR for healthcare services.
- \$3.9M invoices payable

Salaries and Benefits Payable – \$4.4M balance is comprised of the accrued liability for salary costs unpaid at month-end, the value of accrued personal time off.

Debt Service Payable, Short-Term – \$9M in Certificates of Obligation and Interest Payable for Series 2020, 2021 and 2023 Taxable and non-Taxable debt.

Deferred Tax Revenue - \$322.3M

Total Current Liabilities – \$356M

Restricted or Noncurrent Liabilities

Funds held for TCHD LPPF - \$79M receipts from participants in the LPPF.

Debt Service Payable, Long-Term – \$168M balance (changed):

	Series 2020	Series 2021	Series 2023	
	General Obligation Bonds	Certificates of Obligation Bonds	Certificates of Obligation Bonds	
Non-tax LT		12.2 M	7.7 M	
Taxable LT	2.5 M	54.6 M	88.6 M	
Premium		1.9 M	0.2 M	
Totals	2.5 M	68.7 M	96.5 M	167.7 M

\$7.285M was originally issued in 2011 for the North Central clinic and refunded May 2020. \$72.9M was issued in 2021 for two clinics and an administration building. \$99.4M was issued in 2023 for two clinics. Annual payments are due on 3/1 for all Series.

Total Restricted or Noncurrent Liabilities – \$247M

Lease/SBITA Payable GASB87 and GASB96* - \$53M

- Lease Payable Short-Term \$1.2M
- Lease Payable Long-Term \$45M
- Subscription Payable Short-Term 1.8M
- Subscription Payable Long-Term 3.6M
- Interest Payable Long-Term 1.4M

Deferred Revenue Long-Term GASB87* - \$237M

Total Noncurrent Liabilities Leases* – \$290M
Total Liabilities – \$894M



Net Assets

Unrestricted Net Assets – \$487M

Restricted Net Assets – \$135M

Investment in Capital Assets – \$108M

Total Net Assets – \$729M

Total Liabilities and Net Assets – \$1.6B

*• Governmental Accounting Standards Board statements 87 & 96, Leases (GASB87) and Subscription-Based Information Technology Arrangements (GASB97 SBITAs), new accounting standards require entities to report future long term obligations, previously reported as operating activity, on the balance sheet to convey control of the right to use the non-financial asset. This will significantly increase long term governmental balance sheets as a result of these requirements. The new rules require recognition of a lease or SBITA liability and an intangible asset while lessors are required to recognize lease receivables and a deferred inflow of resources on their financial statements.



Sources and Uses Report

October financials → first months, 8.3% of the fiscal year.

Sources – Total \$3.5M for the month

Property Tax Revenue – Net property tax revenue for the month was (\$172K). Net revenue includes \$0K current month's collections; \$69K Penalties and Interest; and \$0K in adjustments for Uncollectible Property tax; (\$241k) in adjustment for prior year delinquent taxes.

Lease Revenue – \$1.7M for Downtown Campus, Careron, Hancock Clinic, and land leases

Other Revenue/Expense – \$2M primarily for investment income

Uses of Funds – Total \$12.2M for the month

Total Healthcare Delivery Program – Total healthcare delivery expenses were \$11.3M for the month and \$11.3M YTD compared to \$27M FY23 YTD.

Administration Program – \$919K in expense for the month, which includes:

- Salaries and Benefits – \$850K
- Other Goods and Services - \$69K

Excess Sources/(Uses) – \$(8.7M) current month. Current YTD is \$(8.7M) compared to \$(25M) FY23 YTD.

Community Care Collaborative

Financial Statement Presentation

FY 2023 – as of October 31, 2023 (Preliminary)

Central Health Board of Managers
Board of Managers Meeting
December 13, 2023

Jeff Knodel, Chief Financial Officer



Community Care
COLLABORATIVE

a partnership of Central Health and Seton Healthcare Family

Preliminary

DRAFT

Highlights

Community Care Collaborative
October 31, 2023



- * Cash is \$104K compared to \$15.6M last year.
- * Total Liabilities are \$107K at the end of October.
- * Net Assets are zero at the end of October.

Preliminary

DRAFT

Balance Sheet

Community Care Collaborative
October 31, 2023



	<u>10/31/2023</u>	<u>10/31/2022</u>
Assets		
Cash and Cash Equivalents	104,038	15,610,575
Other Receivables	2,462	23,958
Prepaid and Other	0	116,598
Total Assets	<u>106,500</u>	<u>15,751,131</u>
Liabilities		
AP and Accrued Liabilities	106,500	2,853,439
Deferred Revenue	0	9,045,686
Other Liabilities	0	40,842
Accrued Payroll	0	0
Total Liabilities	<u>106,500</u>	<u>11,939,967</u>
Net Assets	<u>0</u>	<u>3,811,164</u>
Liabilities and Net Assets	<u>106,500</u>	<u>15,751,131</u>

Preliminary

DRAFT

Sources and Uses Report

Community Care Collaborative
Fiscal Year-to-Date through October 31, 2023



Sources of Funds	Budget*	YTD Actual	YTD % of Budget	Prior YTD Actual
DSRIP Revenue	61,168,472	0	0%	0
Operations Contingency Carryforward	5,362,495	0	0%	3,938,408
Other Sources	100,000	0	0%	25,330
Total Sources of Funds	66,630,967	0	0%	3,963,738
Uses - Programs				
Healthcare Delivery	19,630,967	0	0%	152,574
UT Affiliation Agreement	35,000,000	0	0%	0
DSRIP Project Costs	12,000,000	0	0%	0
Total Uses	66,630,967	-	0%	152,574
Net Sources (Uses)	-	0		3,811,164
Net Assets	-	0		3,811,164

* Operating under FY20 approved budget.

Preliminary

DRAFT

Healthcare Delivery Costs

Community Care Collaborative
Fiscal Year-to-Date through October 31, 2023



	Budget*	YTD Actual	YTD % of Budget	Prior YTD Actual
Healthcare Delivery				
Primary Care & Emergency Transport	921,822	0	0%	0
Specialty Care	3,908,000	0	0%	0
Specialty Behavioral Health	8,000,000	0	0%	0
Post-Acute Care	2,675,000	0	0%	0
Urgent and Convenient Care	475,000	0	0%	0
Healthcare Delivery - Operations	2,849,742	0	0%	152,574
Operations Contingency Reserve	801,403	0	0%	0
Total Healthcare Delivery	19,630,967	0	0%	152,574

* Operating under FY20 approved budget.

DRAFT

Preliminary

Thank You

www.ccc-ids.org



Community Care
COLLABORATIVE

a partnership of Central Health and Seton Healthcare Family

Preliminary

DRAFT



October 2023 FYTD Financial Statements (unaudited)
Page 1 of 2

Balance Sheet

Current Assets

Cash and Cash Equivalents – \$104K

Total Assets – \$107K

Liabilities

Accounts Payable and Accrued Liabilities – \$107K:

- \$165K Project Access and \$23K audit fees accruals
- Less Intercompany Due To/From Central Health \$82K for furniture purchase

Total Liabilities – \$107K

Net Assets

Unrestricted Net Assets – Zero

Total Net Assets – Zero

Total Liabilities and Net Assets – \$107K

Sources and Uses Report

October financials - 1 month - 8% of fiscal year

Sources of Funds, FYTD - \$0

DSRIP Revenue - \$0

Operations Contingency - \$0

Other Sources - \$0

Uses of Funds, FYTD

Healthcare Delivery (Excludes DSRIP) - \$0

Net Sources (Uses) - \$0

	Budget*	YTD Actual	YTD % of Budget	Prior YTD Actual
Healthcare Delivery				
Primary Care & Emergency Transport	921,822	0	0%	0
Specialty Care	3,908,000	0	0%	0
Specialty Behavioral Health	8,000,000	0	0%	0
Post-Acute Care	2,675,000	0	0%	0
Urgent and Convenient Care	475,000	0	0%	0
Healthcare Delivery - Operations	2,849,742	0	0%	152,574
Operations Contingency Reserve	801,403	0	0%	0
Total Healthcare Delivery	19,630,967	0	0%	152,574

UT Affiliation Agreement - \$0

DSRIP Project Costs - \$0



**CENTRAL
HEALTH**

BUDGET & FINANCE COMMITTEE MEETING

December 13, 2023

AGENDA ITEM 5

Discuss and take appropriate action on the Calendar Year 2024 budget for Sendero Health Plans.
³ (*Action Item*)



AGENDA ITEM SUBMISSION FORM

This form is to provide a general overview of the agenda item in advance of posting for the Board meeting. Proposed motion language is a recommendation only and not final until the meeting and may be changed by the Board Manager making the motion. All information in this form is subject to the Public Information Act.

Agenda Item Meeting Date December 13, 2023

Who will present the agenda item? (Name, Title) Eli Barrenche/Sharon Alvis

General Item Description Approve 2024 Sendero Budget

Is this an informational or action item? Action

Fiscal Impact _____

Recommended Motion (if needed – action item) Move to approve the Sendero Budget for Sendero FY 2024.

Key takeaways about agenda item, and/or feedback sought from the Board of Managers:

- 1) Previewed by Central Health Board of Managers in November meeting.
- 2) Approved by Sendero Board.
- 3) Provides budgetary approval to Sendero for the Sendero FY 2024 which begins January 1, 2024.

What backup will be provided, or will this be a verbal update? (Backup is due one week before the meeting.) Backup to be provided at Budget/Finance Committee meeting

Estimated time needed for presentation & questions? 30 minutes

Is closed session recommended? (Consult with attorneys.) Yes

Form Prepared By/Date Submitted: Jeff Knodel 12-8-2023



CENTRAL
HEALTH

BUDGET & FINANCE COMMITTEE MEETING

December 13, 2023

AGENDA ITEM 6

Confirm the next Budget and Finance Committee meeting date, time, and location. (Informational Item)