



HUTTO FIRE RESCUE

WILLIAMSON COUNTY EMERGENCY SERVICES DISTRICT #3

STANDARD OPERATING PROCEDURES

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| <p>STANDARD OPERATING PROCEDURE - Administration</p> <p style="text-align: center;">#1-4.4 (Revised)</p> <p>ISSUE DATE: October 1, 2021 EFFECTIVE: October 1, 2021</p> | <p>RESCINDS: #1-4.4: Investment Policy (2009), (2019), (2021)</p> |
| <p>SUBJECT:</p> <p style="text-align: center;">INVESTMENT POLICY FOR WILLIAMSON COUNTY EMERGENCY SERVICES DISTRICT #3</p> | <p>AUTHORIZED BY:</p> <p>Williamson County ESD #3 Board of Commissioners</p> |
| <p>REFERENCE / AUTHORITY: State of Texas Laws State of Texas Statutes</p> | <p>APPLIES TO:</p> <p><input type="checkbox"/> Full Time Uniformed Staff <input type="checkbox"/> Volunteer Uniformed Staff <input type="checkbox"/> Civilian Staff <input checked="" type="checkbox"/> ESD Commissioners</p> |
| <p>TFCA BEST PRACTICES: Chapter (s) : Item (s) :</p> | <p>CPSE / CFAI ACCREDITATION:</p> |



PURPOSE

Establish a fiduciary policy for Hutto Fire Rescue/Williamson County Emergency Services District #3 (Hutto Fire Rescue) for the protection and management of district monies.

BACKGROUND

By law and statute, Emergency Services Districts are required to adopt, implement, oversee, and update a Financial Investment Policy that protects the tax monies maintained in financial institutions. This policy is designed to aid the Williamson County Emergency Services District #3 (WCESD #3) Board of Commissioners in carrying out those required duties and obligations.

POLICY

INVESTMENT AUTHORITY AND SCOPE

General Statement

A. This Investment Policy ("Policy") has been adopted by Williamson County Emergency Services District #3 ("District") to satisfy and carry out the statutory requirements of Government Code Chapter 2256, the Local Government Code (as applicable) and Chapter 775 of the Health and Safety Code, to define and adopt a

formal Investment Policy. This policy has been adopted by resolution of the District Board of Emergency Services Commissioners ("Commissioners"), and said Resolution is attached hereto as Attachment A. This Policy will be reviewed and adopted by resolution at least annually as provided under Section 2256.005(e).

Funds Included

- A. This Investment Policy applies to all financial assets and all funds of the District at the present time and any funds of the District held in the future and any other funds held by or in the custody of the District, unless expressly prohibited by law or unless it is in contravention of any depository contract between the District and any depository bank.

District's Investment Officer

- A. In accordance with the Local Government Code (as may be applicable), and/or Chapter 775 of the Health and Safety Code, and/or Chapter 2256, Sec. 2256.005 (f) and (g), the District Treasurer, under the direction of the District Commissioners, may invest District funds that are not immediately required to pay obligations of the District. The District Commissioners shall designate by resolution the District Treasurer as the District Investment Officer, as such as described and defined under Chapter 2256 of the Local Government Code. A copy of the resolution that designates the investment officer is located in the Fire Administrators office.
- B. If the investment officer has a personal business relationship with an entity - or is related within the second degree by affinity or consanguinity to an individual - seeking to sell an investment to the District, the investment officer must file a statement disclosing that personal business interest - or relationship - with the Texas Ethics Commission, as may be required by law, and with the General Counsel and District Board of Commissioners, in accordance with Government Code 2256.005 (i).

INVESTMENT OBJECTIVES

General Statement

- A. Funds of the District will be invested in accordance with federal and state laws, this investment Policy and written District administrative procedures. The District will invest according to investment strategies for each fund that are adopted by District resolution in accordance with Sec. 2256.005 (d).

Safety and Maintenance of Adequate Liquidity

- A. The District is concerned and has a primary consideration about

the return of its principal; therefore, safety of principal is a primary objective in any investment transaction.

- B. The District's investment portfolio must be structured in conformance with an asset/liability management plan which provides for liquidity necessary to pay District obligations as they become due.

Diversification

- A. It will be the Policy of the District to diversify its portfolio to eliminate the risk of loss resulting from over-concentration of assets in a specific maturity, a specific issuer or a specific class of investments. Investments of the District shall always be selected that provide stability of income and reasonable liquidity.

Yield

- A. It will be an objective of the District to earn the maximum rate of return allowed on its investments within the policies imposed by its safety and liquidity objectives, investment strategies for each fund, and state and federal law governing investment of public funds.

Maturity

- A. Portfolio maturities will be structured to meet the obligations of the District first and then to achieve the highest return of interest. When the District has funds that will not be needed to meet current-year obligations, maturity restraints will be imposed based upon the investment strategy for each fund. The maximum allowable stated maturity of any individual investment owned by the District is six (6) months.

Quality and Capability of Investment Management

- A. It is the District's Policy to provide training required by the Public Funds Act, Sec. 2256.008 and periodic training in investments for the District Investment Officer through courses and seminars offered by professional organizations and associations in order to insure the quality, capability and currency of the District Investment Officer in making investment decisions.

Investment Strategies

- A. In accordance with the Public Funds Investment Act, Section 2256.005(d), a separate written investment strategy will be developed for each of the funds under the District's control. Each investment strategy must describe the investment objectives

for the particular fund using the following priorities 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; [using a cash-flow analysis to show what District obligations must be met and utilizing and investment strategy for meeting those obligations.]
 4. Marketability of the investment if the need arises to liquidate the investment before maturity,
 5. Diversification of the investment portfolio;
 6. Yield; and
 7. Maturity restrictions.
- B. In accordance with the Public Funds Investment Act, Section 2256.005(e), all investment strategies will be reviewed and adopted by resolution at least annually.

INVESTMENT TYPES

Authorized Investments

- A. The District Investment Officer shall use any or all of the following authorized investment instruments consistent with governing law (Government Code 2256):
- B. Except as provided by Government Code 2256.009(b), the following are authorized investments:
1. Obligations of the United States or its agencies and instrumentalities;
 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 of the United States or their respective agencies and instrumentalities; and

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.
- C. Certificates of Deposit if issued by a state or national bank domiciled in this state or a savings and loan association domiciled in this state and is:
1. Guaranteed or insured by the Federal Deposit Insurance Corporation or its successor;
 2. Secured by obligations that are described by Section 2256.009(a) of the Public Funds Investment Act, 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) of the Public Funds Investment Act; or
 3. Secured in any other manner and amount provided by law for deposits of the District.
- D. A fully collateralized repurchase agreement, as defined in the Public Funds Investment Act, if it:
1. Has a defined termination date,
 2. Is secured by obligations described by Section 2256.009(a)(1) of the Public Funds Investment Act; and
 3. Requires the securities being purchased by the District to be pledged to the District, held in the District's name, and deposited at the time the investment is made with the District or with a third party selected, and approved by the District; 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.
- E. Notwithstanding any law, the term of any reverse security repurchase agreement may not exceed 90 days after the date the reverse security repurchase agreement is delivered. Money received by a District 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.
- F. Commercial paper, as defined in the Public Funds Investment Act,

if it:

1. Has a stated maturity of 270 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.

G. Eligible investment pools (as discussed in the Public Funds Investment Act, Sec. 2256.016-2256.019) if the District by resolution authorizes investment in the particular pool. An investment pool shall invest the funds it receives from entities in authorized investments permitted by the Public Funds Investment Act. The District by contract may delegate to an investment pool the authority to hold legal title as custodian of investments purchased with its local funds.

1. Pooled Fund Groups - Government Code Section 2256.016: Investment Pools. Subject to the limitations set forth in Section 2256.016, Government Code, the District is authorized to invest its funds through an eligible investment pool, including the TexPool and TexPool Prime investment pools, operated by the State of Texas, and Texas CLASS and Texas CLASS Government, operated by Public Trust Advisors, LLC, if the governing Board by resolution authorizes investment in the particular pool. The maximum dollar-weighted maturity based on the stated maturity date for the portfolio for the investment pool may not exceed 60 days.

Prohibited Investments

- A. The District Investment Officer has no authority to use any of the following investment instruments which are strictly prohibited:
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.

INVESTMENT RESPONSIBILITY AND CONTROL

Investment Institutions Defined

- A. The District Investment Officer shall invest District funds with any or all of the following institutions or groups consistent with federal and state law and the current Depository Bank contract:
1. Depository bank;
 2. Other state or national banks domiciled in Texas that are insured by FDIC
 3. Public funds investment pools (i.e., TexPool, TexPool *Prime, etc.*); or
 4. Government securities brokers and dealers.

Qualifications for Approval of Broker/Dealers

- A. In accordance with 2256.005(k), a written copy of this Investment Policy shall be presented to any person seeking to sell the District an authorized investment. The registered principal of the business organization seeking to sell an authorized investment shall execute a written instrument substantially to the effect that the registered principal has:
1. Received and thoroughly reviewed the Investment Policy of the District; and
 2. Acknowledged that the organization has implemented reasonable procedures and controls in an effort to preclude imprudent investment activities arising out of investment transactions conducted between the District and the organization.
- B. The District Investment Officer may not buy any securities from a person who has not delivered to the District an instrument in substantially the form provided above according to Section 2256.005(1).

Standards of Operation

- A. The District Investment Officer shall develop and maintain

written administrative procedures for the operation of the investment program, consistent with this Investment Policy.

Delivery vs. Payment

- A. It will be the Policy of the District that all Treasury Bills, Notes and Bonds and Government Agencies' securities shall be purchased using the "Delivery vs. Payment" (DVP) method through the Federal Reserve System. By so doing, District funds are not released until the District has received, through the Federal Reserve wire, the securities purchased.

Audit Control

- A. The District Investment Officer will establish liaison with the District's Auditor in preparing investment forms to assist the District's Auditor for accounting and auditing control. The Investment Officer is subject to audit by the District's Auditor. In addition, the District, at a minimum, will have an annual financial audit of all District funds by an independent auditing firm, as well as an annual compliance audit of management controls on investments and adherence to the entity's established investment policies in accordance with Gov. Code 2256.005(m).

Standard of Care

- A. In accordance with Government Code 2256.006, investments shall be made with judgment and care, under prevailing circumstances, that a person of prudence, discretion, and intelligence would exercise in the management of the person's own affairs, not for speculation, but for investment, considering the probable safety of capital and the probable income to be derived. Investment of funds shall be governed by the following investment objectives, in order of priority: preservation and safety of principal, liquidity, and yield.
- 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 District'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 in effect at the time of the investment decision.

INVESTMENT REPORTING AND PERFORMANCE EVALUATION

Monitoring and Internal Reporting

- A. The Investment Officer must regularly monitor the performance of the District's Investments, including market price and ratings. Not less than quarterly, the Investment Officer shall prepare and submit to the Board a written report of all investment transactions for the preceding quarter, signed by the Investment Officer. The report must:
1. Describe in detail the investment position of the District on the date of the report;
 2. Be prepared by the District Investment Officer;
 3. Be signed by the District Investment Officer;
 4. Contain a summary statement of each pooled fund group that states the:
 - a. Beginning market value for the reporting period;
 - b. Additions and changes to the market value during the period, and
 - c. Ending market value for the period;
 5. State the book value and market value of each separately invested asset at the beginning and end of the reporting period by the type of asset and fund type invested;
 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 District for which each individual investment was acquired; and
 8. State the compliance of the investment portfolio of the District as it relates to:
 - a. The investment strategy expressed in the District's Investment Policy' and
 - b. Relevant provisions of this chapter.
 9. State the total rate of return.

Minimum Investment Ratings

- A. An investment under Section 4.02 that requires a minimum rating does not qualify as an Authorized Investment during the period that the investment does not have the minimum rating. Upon loss of a minimum rating, the Investment Officer must take all prudent measures that are consistent with this Resolution to liquidate an investment that does not have a minimum rating.

Notification of Investment Changes

- A. It shall be the duty of the District Investment Officer of the District to notify the District Board of Commissioners of any significant changes in investment methods and procedures prior to their implementation, regardless of whether they are authorized by this Policy or not.

INVESTMENT COLLATERAL AND SAFEKEEPING

Collateral of Insurance

- A. The District Investment Officer shall ensure that all District Funds are fully collateralized or insured consistent with federal and state law, in particular the Public Funds Collateral Act, and the current Bank Depository Contract in one or more of the following manners:
1. FDIC insurance coverage;
 2. Obligations of the United States.

Safekeeping

- A. All purchased securities shall be held in safekeeping by the District, or a District account in a third party financial institution, or with the Federal Reserve Bank. All certificates of deposit, insured by the FDIC, purchased outside the Depository Bank shall be held in safekeeping by either the District or a District account in a third party financial institution.
- B. All pledged securities by the Depository Bank shall be held in safekeeping by the District, or a District account in a third-party financial institution, or with a Federal Reserve Bank.