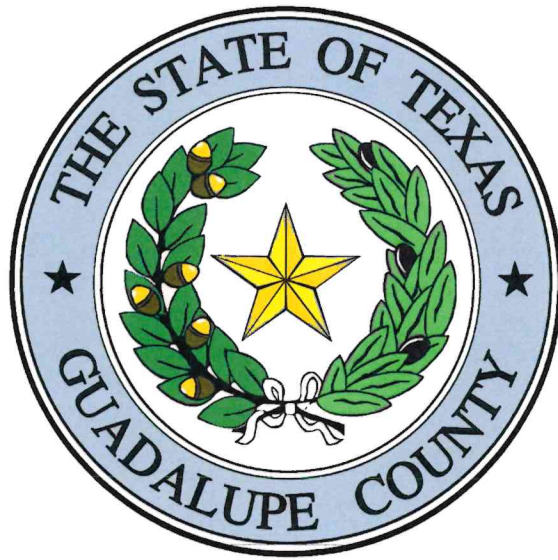


GUADALUPE COUNTY



2023 INVESTMENT POLICY

Adopted and approved:

GUADALUPE COUNTY INVESTMENT POLICY

TABLE OF CONTENTS

	PAGE
I. INVESTMENT AUTHORITY AND SCOPE OF POLICY – 2023	1
General Statement	1
Funds Included	1
County’s Investment Officer	1
Guadalupe County’s Investment Advisory Committee	1
II. INVESTMENT OBJECTIVES	2
General Statement	2
Safety of Principal	2
Liquidity	3
Diversification	3
Yield	3
Maturity	3
Quality and Capability of Investment Management	3
Investment Strategy	4
III. INVESTMENT RESPONSIBILITY AND CONTROLS	5
Investment Institutions Defined	5
Qualifications for Approval of Broker/Dealers	5
Standards of Operation	6
Delivery vs. Payment	6
Audit Controls	6
Standard of Care	7
Competitive Bids	7
IV. INVESTMENT COLLATERAL AND SAFEKEEPING	7
Collateral or Insurance	7
Safekeeping	8
Collateral Reporting	8
V. ETHICS AND CONFLICTS OF INTEREST	8
General Statement	8

TABLE OF CONTENTS (CONTINUED)

VI. INVESTMENT REPORTING AND PERFORMANCE EVALUATION	8
Quarterly Reporting	8
Methods to Monitor Market Value	9
Notification of Investment Changes	9
VII. INVESTMENT TYPES	9
Authorized Investments	9-14
Exemption for Existing Investments	14
Ratings of Certain Investment Pools	14
Authorized Investment Pools	14
Prohibited Investments	15
Effect of Loss Required Rating	15
VIII. GLOSSARY	16-20

.....

IX. ATTACHMENTS:

- Attachment A: Strategy for Investments
- Attachment B: Appointment to Guadalupe County Investment Advisory Committee 2023
- Attachment C: Approved Broker/Dealers and Acknowledgement & Certification Form
- Attachment D: Resolution to adopt Guadalupe County Investment Policy & Strategies, Investment Advisory Committee and Investment Officer
- Attachment E: Government Code Title 10, Chapter 2256, Public Funds Investment Act
- Attachment F: Government Code Title 10, Chapter 2257, Collateral for Public Funds
- Attachment G: Certification of Distinction and Certification of Investment Policy



GUADALUPE COUNTY INVESTMENT POLICY 2023

I. INVESTMENT AUTHORITY AND SCOPE OF POLICY

General Statement

This investment policy serves to satisfy the statutory requirements of Local Government Code 116.112 and Government Code Subchapter A, Chapter 2256 of the Public Funds Investment Act (“PFIA”) to define and adopt a formal investment policy. This policy will be reviewed and adopted by the Guadalupe County Commissioners’ Court at least annually in accordance with Government Code Section, 2256.005 (e).

Funds Included

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

County Investment Officer

In accordance with Section 116.112 (a), Local Government Code and /or Government Code Chapter 2256, Section 2256.005 (f) and (g), the County Treasurer under the direction of the Guadalupe County Commissioners’ Court, may invest County funds that are not immediately required to pay obligations of the County. The Commissioners’ Court shall designate by resolution one or more officers or employees as Investment Officer (s).

If the Investment Officer has a personal business relationship as defined by the PFIA with Guadalupe County, or is related within the second degree by affinity or consanguinity to an individual seeking to sell an investment to the County, the Investment Officer must file a statement disclosing that personal business interest, or relationship, with the Texas Ethics Commission and the Guadalupe County Commissioners’ Court in accordance with Government Code 2256.005 (I) (1-3).

Guadalupe County’s Investment Advisory Committee

It shall be the responsibility of the Investment Advisory Committee to act as a consultant to the Investment Officer. The members of the committee will be approved annually by the

Commissioners' Court. The County Treasurer/Investment Officer is the presiding officer of the committee and shall be present at all gatherings concerning investments for Guadalupe County.

All committee members are expected to offer their advice to the committee on a voluntary basis for the period of one year. If for any reason an individual is unable to complete a full term, the standing committee members may select someone to fill the vacancy.

Committee members and their affiliates may in no way benefit financially from their service on the committee during their membership term. Members shall refrain from undertaking any investment transactions with Guadalupe County until their term on the committee has expired.

The Investment Advisory Committee derives its authority and responsibility from the Guadalupe County Commissioners' Court. It will be the responsibility of the committee to oversee the investments of the County's funds and the fiduciary funds that Guadalupe County has the responsibility and authority to invest.

The Investment Advisory Committee shall meet annually or more frequently if needed to review the County's investment policy, investment strategies, and investment performances. The Advisory members may formally communicate through teleconference, email or by physical meetings. The Investment Officer may call for an official consultation at any time. Meetings may be called, as deemed necessary, by any Investment Advisory member.

The members of the Guadalupe County Investment Advisory Committee shall make prudent and intelligent suggestions. The members shall keep the best interests of Guadalupe County in mind while setting aside personal gain.

II. INVESTMENT OBJECTIVES

General Statement

Funds of the County will be invested in accordance with federal and state laws and within the boundaries of this investment policy. Investments shall be made with judgment and care-under circumstances then prevailing-which persons of prudence, discretion, and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived. The first and foremost consideration of all Guadalupe County investment transactions is the suitability of the investment to the financial requirements of the County. The County will invest according to investment strategies for each fund as they are adopted by Commissioners' Court resolution in accordance with PFIA 2256 of the Texas Government Code.

Safety of Principal

Guadalupe County is concerned about the return of its principal; therefore, safety of principal is a primary objective in any investment transaction. To attain this objective, diversification will be required in order to reduce risk resulting from over concentration of assets in a specific security or maturity.

Liquidity

The Guadalupe County investment portfolio will remain sufficiently liquid to enable Guadalupe County to meet all of the operating requirements that might be reasonably anticipated. In the consideration of liquidity is the marketability of the investment if the need arises to liquidate the investment before maturity.

Diversification

It will be the policy of Guadalupe County 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 Guadalupe County shall always be selected that provide for safety of principal, stability of income and reasonable liquidity prior to maturity. Guadalupe County will diversify its investments by security type and institution with the exception of U.S. Treasury securities, authorized pools and depository bank, no more than 75% of the County's total investment portfolio will be invested in a single security type with a single financial institution.

Yield

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

Maturity

Portfolio maturities will be structured to meet the obligations of Guadalupe County first and then to achieve the highest return of interest. When the County has funds that will not be needed to meet current year obligations, maturity restraints will be imposed based upon the investment strategy for each fund. The maximum allowable stated maturity of any individual investment owned by the County may be invested up to sixty (60) months.

Quality and Capability of Investment Management

It is Guadalupe County's policy to provide training in accordance with the Public Funds Investment Act, Sec. 2256.008. Investment training is required for the County Treasurer and any other investment officer(s). Training must be received from an independent source, approved by the Commissioners Court or Investment Committee, and must include education in investment controls, security risks, strategy risks, market risks, diversification of investment portfolio, and compliance with PFIA.

The County Investment Officer and members of the investment committee shall attend at least one training session, earning not less than 10 hours of instruction relating to their responsibilities under this policy within 12 months after taking office or assuming duties; and attend an investment training session not less than once in a two-year period that begins on the first day of the County's fiscal year and consists of the two consecutive fiscal years after that date.

Investment Strategy

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 Guadalupe County'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 County;
- (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;
- (7) maturity restrictions; and
- (8) procedures to monitor rating changes.

Each fund type has varying cash flow requirements and liquidity needs. Therefore, specific strategies shall be implemented considering the fund's unique requirements. All funds will be pooled for investment purposes.

Guadalupe County Pooled Funds:

General Operating Funds
Special Revenue Funds
Capital Projects Fund
Debt Service Fund

Pooled funds mean an internally created fund of an investing entity in which one or more institutional accounts of the investing entity are invested.

All funds of Guadalupe County that are invested will be invested by matching the maturity of investments with liabilities. Investments are made with the intention of holding to maturity, but with the ability to liquidate should funds be needed at any time.

This strategy is achieved by utilizing highly liquid short term Treasury Bills, Agency Discount Notes, Certificates of Deposit with a stated average maturity of thirty-six (36) months or less and pooled funds in Texas Class. The dollar weighted average maturity of 365 days or less will be calculated using the stated final maturity dates of each security.

Investment Strategies for all funds is attached. In accordance with the Public Funds Investment Act, Section 2256.005 (e), investment strategies will be reviewed and adopted by resolution at least annually.

III. INVESTMENT RESPONSIBILITY AND CONTROLS

Investment Institutions Defined

The Guadalupe County Investment Officer shall invest County funds with any or all of the following institutions or groups consistent with federal and state law and the current Depository Bank contract.

- (a) depository bank;
- (b) other state or national banks domiciled in the State of Texas and insured by the FDIC;
- (c) public funds investment pools; or
- (d) government securities brokers and dealers that has its main office or a branch office in this state; or
- (e) mutual fund companies and money managers.

Qualifications for Approval of Broker/Dealers

In accordance with Section 2256.005 (k-l), a written copy of this investment policy shall be presented to any person seeking to sell to the County an authorized investment. The qualified representative of the business organizations seeking to sell an authorized investment shall execute a written instrument substantially to the effect that the qualified representative has:

- (a) Received and thoroughly reviewed the investment policy of the County; and
- (b) Acknowledged that the organization has implemented reasonable procedures and controls in an effort to preclude imprudent investment activities arising out of investment transactions conducted between the County and the organization.
- (c) In accordance with Section 2256.025, the broker must be deemed by the Guadalupe County Investment Advisory Committee as qualified and authorized to engage in investment transactions with Guadalupe County; and
- (d) The Broker/Dealer list must be reviewed and approved at least annually by the Investment Advisory Committee.

A list of no more than four (4) authorized broker/dealers will be established and maintained. The following criteria must be met by those firms on the list:

- (a) proof of certification by the Financial Industry Regulatory Authority (FINRA),
- (b) proof of current registration with the State Securities Commission, and
- (c) completion of a County Broker/Dealer questionnaire.

The Investment Officer may not buy any securities from a person who has not delivered to the County an instrument in substantially the form provided above according to Section 2256.005.

Standards of Operation

The County Treasurer / Investment Officer shall develop and maintain written administrative procedures for the operation of the investment program, consistent with this investment policy. It shall be the responsibility of the County Treasurer / Investment Officer to:

- (a) Determine the amount of funds which are available for investment.
- (b) Determine the specific investment which will yield maximum income for a particular fund.
- (c) Determine the length of time for which investments shall be made.
- (d) Insure that sufficient funds are available to meet immediate and short-term needs for the operation of the County.
- (e) Make recommendations to the Commissioners' Court and Investment Advisory Committee concerning new types of investment instruments which may require approval from the Court.
- (f) Provide the Commissioners' Court with a monthly report of all investment transactions.
- (g) Receive and provide for the safekeeping of all pledged securities as collateral for invested funds.

Delivery vs. Payment

In accordance with Government Code Section 2256.005(b) (4) (e), it will be the policy of Guadalupe County 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, County funds are not released until the County has Received, through the Federal Reserve wire, the securities purchased.

Audit Controls

The County Investment Officer will establish a liaison with the Guadalupe County Auditor in preparing investment forms to assist the County Auditor for accounting and auditing control. The County Investment Officer is subject to audit by the Guadalupe County Auditor. In addition, the Guadalupe County Commissioners' Court, at a minimum, will have an annual financial audit of all County funds by an independent auditing firm, as well as a compliance audit of management controls on investments and adherence to the County's established investment policies in accordance with PFIA Section 2256.005(m). The quarterly report, in conjunction with the annual financial audit shall be reviewed by the external auditor at least annually in accordance with PFIA, Section 2256.023 (d). The independent auditor will report to the Guadalupe County Commissioners' Court after completion of the audit.

Standard of Care

In accordance with PFIA, Section 2256.006 (a-b), investments shall be made with judgment and care, under prevailing circumstances, that a person of prudence, discretion, and intelligence would exercise in the management of the person's own affairs, not for speculation, but for

investment, considering the probable safety of capital and the probable income to be derived. Investment of funds shall be governed by the following investment objectives, in order of priority: preservation and safety of principal, liquidity, and yield.

In determining whether an Investment Officer has exercised prudence with respect to an investment decision, the determination shall be made taking into consideration:

- (a) the investment of all funds, or funds under the County's control, over which the office had responsibility rather than a consideration as to the prudence of a single investment; and
- (b) Whether the investment decision was consistent with the written investment policy of Guadalupe County.

Competitive Bids

The Investment Officer shall obtain competitive bids from at least three brokers or financial institutions on all purchases and sales of investment instruments transacted on the secondary market.

IV. INVESTMENT COLLATERAL AND SAFEKEEPING

Collateral or Insurance

The Guadalupe County Investment Officer shall insure that all County funds are fully collateralized or insured consistent with federal and state laws and the current Bank Depository Contract in one or more of the following manners:

- (a) FDIC insurance coverage;
- (b) Obligations of the United States or its agencies and instrumentalities;
- (c) Direct obligations of the State of Texas or its agencies;
- (d) Any instrument that has been approved in this policy and that Guadalupe County would be permitted to hold by state and federal law; and
- (e) Any other manner allowed by the Government Code Chapter 2257 (Public Funds Collateral Act).

The Investment Officer is responsible for entering into collateralization agreements with third party custodians in compliance with this policy. The agreements are to specify the acceptable investment securities for collateral, including provisions relating to possession of the collateral, the substitution or release of investment securities, ownership of securities, and the method of valuation of securities. A clearly marked evidence of ownership (safekeeping receipt) must be supplied to the County and retained. The Investment Officer or designee will approve and

release all pledged collateral. Collateral will be monitored at least monthly to assure the market value of the pledged securities exceeds investments and/or the related bank balances.

Safekeeping

- (a) All purchased securities shall be held in safekeeping by the County, or a County account in a third party financial institution, or with the Federal Reserve Bank.
- (b) All certificates of deposit, insured by the FDIC, purchased outside the Depositor Bank shall be held in safekeeping by either the County or a County account in a third party financial institution.
- (c) All pledged securities by the Depository Bank shall be held in safekeeping by the County, or a County account in a third party financial institution, or with a Federal Reserve Bank.

Collateral Reporting

The Guadalupe County Investment Officer shall report to the Guadalupe County Commissioners' Court with his or her valuation of all collateral compared to all County deposits

Not less than quarterly. Collateral deficiencies should be identified and immediately corrected through additional collateral deposited or reductions in the volume of deposited funds.

V. ETHICS AND CONFLICTS OF INTEREST

General Statement

Officers and employees involved in the investment process shall refrain from personal business activity that could conflict with the proper execution and management of the investment program, or that could impair their ability to make impartial decisions. Employees and investment officials shall disclose any material interests in financial institutions with which they conduct business. They shall further disclose any personal financial/investment positions that could be related to the performance of the investment portfolio. Employees and officers shall refrain from undertaking personal investment transactions with the same individual with whom business is conducted on behalf of their County.

VI. INVESTMENT REPORTING AND PERFORMANCE EVALUATION

Quarterly Reporting

In accordance with PFIA, Section 2256.023, not less than quarterly, the Investment Officer shall prepare and submit to the Commissioners' Court a written report of investment transactions for all funds for the preceding reporting period within a reasonable time after the end of the period. The report must:

- 1. describe in detail the investment position of the County on the date of the report,
- 2. be prepared jointly by all Investment Officers of the County;
- 3. be signed by the Investment Officers of the County;

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 issued asset at the end of the reporting period by the type of asset and fund type invested;
6. state the yield and maturity date of each separately invested asset that has a maturity date;
7. state the account or fund or pooled group fund in the County for which each individual investment was acquired; and
8. state the compliance of the investment portfolio of the County as it relates to:
 - (a) the investment strategy expressed in the County's investment policy; and
 - (b) relevant provisions of the PFIA.

Methods to Monitor Market Value

The Guadalupe County Investment Officer shall monitor the market value of each security held in all portfolios at least on a monthly basis. On a monthly basis the collateral pledged to Guadalupe County for bank deposits shall be valued from recognized market pricing sources. Guadalupe County shall take all prudent measures that are consistent with this policy to liquidate any investment that does not have the minimum rating.

Notification of Investment Changes

It shall be the duty of the County Investment Officer of Guadalupe County to notify the Guadalupe County Commissioners' Court of any significant changes in current investment methods and procedures prior to their implementation, regardless of whether they are authorized by this policy or not.

VII. INVESTMENTS TYPES

Authorized Investments

The Guadalupe County Investment Officer shall use any or all of the following authorized investment instruments consistent with governing laws and PFIA contained in Texas Government Code, Section 2256.

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 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; and
6. interest-bearing banking deposits that are guaranteed or insured by:
 - (1) The Federal Deposit Insurance Corporation or its successor; or
 - (2) The National Credit Union Share Insurance Fund or its successor.

(A) Certificates of deposit are an authorized investment 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) 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 **accordance with Chapter 2257** or in any other manner and amount provided by law for deposits of the County.

(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 if the funds are invested by the County through:

1. 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
2. the funds are invested by the County through a depository institution that has its main office or a branch office in this state and that is selected by the County;
3. the broker or the depository institution selected by the County 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 County;
4. 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
5. the County 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 County.

Bids for Certificates of Deposit may be solicited orally, in writing, electronically, or in any combination of these methods.

(C) A fully collateralized repurchase agreement is an authorized investment, as defined in the Public Funds Investment Act 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); and
3. requires the securities being purchased by the County or cash held by the County to be pledged to the County, held in the County name, and deposited at the time the investment is made with the County or with a third party selected and approved by the County; 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.
5. 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.
6. money received by the County 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.

(D) A bankers' acceptance is an authorized investment 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 other 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.

(E) Commercial paper is an authorized investment if the commercial paper:

1. has a stated maturity of 270 days or less 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 other state.

(F) Mutual funds and money market mutual funds with limitations described below:

1. A no-load money market mutual fund is an authorized investment if the mutual fund;
 - (a) is registered with and regulated by the Securities and Exchange Commission;
 - (b) provides the Investment Officer with an annual prospectus and other information in accordance with Section 2256.014; and
 - (c) complies with federal Securities and Exchange Commission Rule 2a-7, promulgated under the Investment Company Act of 1940.

2. A no-load mutual fund is an authorized investment if the mutual fund;
 - (a) is registered with the Securities and Exchange Commission;
 - (b) has an average weighted maturity of less than two (2) years;
 - (c) either;
 1. has a duration of one year or more and is invested exclusively in obligations approved by this subchapter; or;
 2. has a duration of less than one year and the investment portfolio is limited to investment grade securities, excluding asset-backed securities.

3. Relative to mutual funds and money market mutual funds, the County may not:
 - (a) invest in the aggregate more than 15% of its monthly average fund balance, excluding bond proceeds, reserves and other funds held for debt service, in money market mutual funds or mutual funds, either separately or collectively;
 - (b) invest any portion of bond proceeds, reserves and funds held for debt service in mutual funds; or
 - (c) 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 or money market mutual fund in an amount that exceeds 10 percent of the total assets of the mutual fund.

(G) Eligible investment pools (as discussed in the Public Funds Investment Act, Section 2256.016-2256.019) if the Commissioners' Court, by rule, order, ordinance, or resolution, as appropriate, authorizes investment in the particular pool. An investment pool shall invest the funds it receives from the County in authorized investments permitted by the Public Funds Investment Act. The pool must maintain a rating of no less than AAA or AAA-m and have a weighted average maturity no greater than 90 days. 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.

- (a) To be eligible to receive funds from and invest funds on behalf of the County, an investment pool must furnish to the Investment Officer or other authorized representative of the County, the following information;

- (a) the types of investments in which money is allowed to be invested;
- (b) the maximum average dollar-weighted maturity allowed, based on the stated maturity date, of the pool;
- (c) the maximum stated maturity date any investment security within the portfolio has;
- (d) the objectives of the pool;
- (e) the size of the pool;
- (f) the names of the members of the advisory board of the pool and the dates their terms expire;
- (g) the custodian bank that will safe keep the pool's assets;
- (h) whether the intent of the pool is to maintain a net assets value of one dollar and the risk of market price fluctuation;
- (i) 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;
- (j) the name and address of the independent auditor of the pool;
- (k) 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; and
- (l) the performance history of the pool, including yield, average dollar-weighted maturities, and expense ratios.; and
- (m) the pool's policy regarding holding deposits in cash.

(b) To maintain eligibility to receive funds from and invest funds on behalf of the County, an Investment pool must furnish to the Guadalupe County Investment Officer or other authorized representatives of the County, the following information;

- (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 ration 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 the County by contract may delegate to an investment pool the authority to hold legal title as custodian of investments purchased with its local funds.
- (3) in this section, “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.
 - (4) to be eligible to receive funds from and invest funds on behalf of Guadalupe County under this chapter, a public funds investment pool that uses amortized cost or fair value accounting must mark its portfolio to market daily, and, to the extent reasonably possible, stabilize at a \$1.00 net asset value, when rounded and expressed to two decimal places. 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, the governing body of the public funds investment pool shall 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 In addition to the requirements of its investment policy and any other forms of reporting, a public funds investment pool that uses amortized cost shall report yield to its investors—in accordance with regulations if the federal Securities and Exchange Commission applicable to reporting by money market funds.
 - (5) if the investment pool operates an Internet website, the information in a disclosure instrument or report described in Subsections (a), (b) (2), and (f) must be posted on the website.
 - (6) 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 in invested.
 - (7) 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.
 - (8) an Investment Pool must have an Advisory Board as set out in §2256.018 of the Government Code.

Exemption for Existing Investments

Guadalupe County is not required to liquidate investments that were authorized investments at the time of purchase.

Ratings 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.

Authorized Investment Pool

Authorized investment pool is Texas Class.

Prohibited Investments

The Guadalupe County Investment Officer is prohibited from purchasing any of the following investment instruments which are strictly prohibited:

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

Effect of Loss Required Rating

Guadalupe County shall take all prudent measures that are consistent with this policy to liquidate any investment that falls below accepted standards.

GLOSSARY

AGENCIES: Informal name used to refer to securities issued by agencies of the U.S. government and by U.S. government-sponsored enterprises.

ASK OR ASKING PRICE: The trading price proposed by the prospective seller of securities. Also called the offer or offered price.

BANKERS' ACCEPTANCE (BA): A draft or bill or exchange accepted by a bank or trust company. The accepting institution guarantees payment of the bill, as well as the issuer.

BASIS POINT: A unit of measurement for interest rates or yields that are expressed in percentages. One hundredth of one percent. One hundred basis points equal 1 percent.

BID OR BID PRICE: The trading price acceptable to a prospective buyer of securities.

BOND PROCEEDS: 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.

BOOK VALUE: The original acquisition cost of an investment plus or minus the accrued amortization or accretion.

BROKER: A party who brings buyers and sellers together. Brokers do not take ownership of the property being traded. They are compensated by commissions.

BUSINESS RELATIONSHIP: A formal contractual relationship established to provide for regular banking or brokerage or business services.

CALL DATE: The date on which a call option may be exercised. The date before the contractual maturity date on which a bond may be redeemed before its maturity at the option of its issuer.

CALLABLE BOND: A bond the issuer has the right to redeem prior to maturity. Some callable bonds may be redeemed on one call date while others have multiple call dates. Some callable bonds may be redeemed at par while others can only be redeemed at a premium.

CERTIFICATE OF DEPOSIT (CD): A deposit of funds, in a bank or savings and loan association, for a specified term that earns interest at a specified rate or rate formula. CDs may be secured or unsecured. CDs may be for terms as short as 1 week or for terms as long as or longer than 10 years. CDs may have fixed or floating rates.

COLLATERAL: Securities, evidence of deposit or other property which a borrower pledges to secure repayment of a loan also refers to securities pledged by a bank to secure deposits of public monies.

COMMERCIAL PAPER: Unsecured short-term promissory notes issued by corporations for specific amounts and with specific maturity dates. Firms with lower ratings or firms without well-known names usually back their commercial paper with guarantees or bank letter of credit. Commercial paper may be sold on a discount basis or may be interest-bearing. Terms can be as short as 1 day and usually do not exceed 270 days.

COUPON: (a) the annual rate of interest that a bond's issuer promises to pay the bondholder on the bond's face value. (b) A certificate attached to a bond evidencing interest due on a payment date.

DEALER: A dealer, as opposed to a broker acts as a principal in all transactions buying and selling for his own account.

DEBENTURE: Unsecured, long-term corporate bonds. A bond secured only by the general credit of the issuer.

DELIVERY VERSUS PAYMENT: The simultaneous exchange of securities and cash. There are two methods of delivery of securities: delivery versus payment and delivery versus receipt. Delivery versus payment is delivery of securities with an exchange of money for the securities. Delivery versus receipt is delivery of securities with an exchange of a signed receipt for the securities.

DERIVATIVES: (1) Financial instruments whose return profile is linked to or derived from the movement of one or more underlying index or security, and may include a leveraging factor, or (2) financial contracts based upon notional amounts whose value is derived from an underlying index or security (interest rates, foreign exchange rates, equities, or commodities).

DISCOUNT: The difference between the cost price of a security and its maturity when quoted at lower than face value. A security selling below original offering price shortly after sale also is considered to be at a discount.

DISCOUNT SECURITIES: Non-interest bearing money market instruments that are issued a discount and redeemed at maturity for full face value, e.g. U.S. Treasury Bills.

DIVERSIFICATION: Dividing investment funds among a variety of securities offering independent returns.

FAIR VALUE: The amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. If a market price is available, the fair value is equal to the market value. If a quoted market price is not available, the estimate of fair value should be based on the best information available in the circumstances.

FEDERAL CREDIT AGENCIES: Agencies of the Federal government set up to supply credit, to various classes of institutions and individuals, e.g. S&L's, small business firms, students, farmers, farm cooperatives, and exporters.

FEDERAL DEPOSIT INSURANCE CORPORATION (FDIC): A federal agency that insures bank deposits currently up to \$100,000 per deposit.

FEDERAL FUNDS RATE: The rate of Interest at which Fed funds are traded. This rate is currently pegged by the Federal Reserve through open-market operations.

FEDERAL HOME LOAN BANKS (FHLB): Government sponsored wholesale banks (currently 12 regional banks) which lend funds and provide correspondent banking services to member commercial banks, thrift institutions, credit unions and insurance companies. The mission of the FHLBs is to liquefy the housing related assets of its members who must purchase stock in their district Bank.

FEDERAL NATIONAL MORTGAGE ASSOCIATION (FNMA): FNMA, like GNMA was chartered under the Federal National Mortgage Association Act in 1938. FNMA is a federal corporation working under the auspices of the Department of Housing and Urban Development (HUD). It is the largest single provider of residential mortgage funds in the United States. Fannie Mae, as the corporation is called, is a private stockholder-owned corporation. The corporation's purchases include a variety of adjustable mortgages and second loans, in addition to fixed-rate mortgages. FNMA's securities are also highly liquid and are widely accepted. FNMA assumes and guarantees that all security holders will receive timely payment of principal and Interest.

FEDERAL OPEN MARKET COMMITTEE (FOMC): Consists of seven members of the Federal Reserve Board and five of the twelve Federal Reserve Bank Presidents. The President of the New York Federal Reserve Bank is a permanent member, while the other Presidents serve on a rotating basis. The Committee periodically meets to set Federal Reserve guidelines regarding purchases and sales of Government Securities in the open market as a means of influencing the volume of bank credit and money.

FEDERAL RESERVE SYSTEM: The central bank of the United States created by Congress and consisting of a seven member Board of Governors in Washington, D.C., 12 regional banks, and about 5,700 commercial banks that are members of the system.

FUNDS: 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.

GOVERNMENT NATIONAL MORTGAGE ASSOCIATION (GNMA or Ginnie Mae): Securities influencing the volume of bank credit guaranteed by GNMA and issued by mortgage bankers, commercial banks, savings and loan associations, and other institutions. Full faith and credit of the U.S. Government protect security holder. Ginnie Mae securities are backed by the FHA, VA or FMHM mortgages. The term "passthroughs" is often used to describe Ginnie Mae's.

INVESTING ENTITY: An entity subject to this chapter and described by Section 2256.003.

INVESTMENT POOL: 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.

LETTER OF CREDIT: A letter from a bank guaranteeing that a buyer's payment to a seller will be received on time and for the correct amount. In the event that the buyer is unable to make payment on the purchase, the bank will be required to cover the full or remaining amount of the purchase.

LIQUIDITY: A liquid asset is one that can be converted easily and rapidly into cash without a substantial loss of value. In the money market, a security is said to be liquid if the spread between bid and asked prices is narrow and reasonable size can be done at those quotes.

LOCAL GOVERNMENT INVESTMENT POOL (LGIP): Commingled investment pools. The public sector equivalent of money market mutual funds. The aggregate of all funds from political subdivisions that are placed in the custody of the State Treasurer for investment and reinvestment.

MARKET VALUE: 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.

MATURITY: The date upon which the principal or stated value of an investment becomes due and payable.

MONEY MARKET: The market in which short-term debt instruments (bills, commercial paper, bankers' acceptances, etc.) are issued and traded.

PAR: The principal or maturity value of a non-amortizing debt security. The current face value of a mortgage-backed security. The price at which the face value of a debt security equals its selling price or 100.

POOLED FUND GROUP: An internally created fund of an investing entity in which one or more institutional accounts of the investing entity are invested.

PORTFOLIO: A collection of financial assets belonging to a single owner. Collection of securities held by an investor.

PRICE: The amount paid for a security. The price of a security is usually expressed as a percentage of its par value.

PRIMARY DEALER: A group of government securities dealers who submit daily reports of market activity and positions and monthly financial statements to the Federal Reserve Bank of New York and are subject to its informal oversight. Primary dealers include Securities and Exchange Commission (SEC)-registered securities broker-dealers, banks, and a few unregulated firms.

PRUDENT PERSON RULE: An investment standard. In some states the law requires that a fiduciary such as a trustee, may invest money only in a list of securities selected by the Custody State--the so-called legal list. In other states the trustee may invest in a security if it is one which would be bought by a prudent person of discretion and intelligence who is seeking a reasonable income and preservation of capital.

QUALIFIED PUBLIC DEPOSITORIES: A financial institution which does not claim exemption from the payment of any sales or compensating use or ad valorem taxes under the laws of this state, which has segregated for the benefit of the commission eligible collateral having a value of not less than its maximum liability and which has been approved by the Public Deposit Protection Commission to hold public deposits.

RATE OF RETURN: The yield obtainable on a security based on its purchase price or its current market price. This may be the amortized yield to maturity on a bond the current income returns.

REPURCHASE AGREEMENT (RP OR REPO): A holder of securities sells these securities to an investor with an agreement to repurchase them at a fixed price on a fixed date. The security "buyer" in effect lends the "seller" money for the period of the agreement, and the terms of the agreement are

structured to compensate him for this. Dealers use RP extensively to finance their positions. Exception: When the Fed is said to be doing RP, it is lending money, which is, increasing bank reserves.

SAFEKEEPING: A service to customers rendered by banks for a fee whereby securities and valuables of all types and descriptions are held in the bank's vaults for protection. A safekeeping arrangement is evidenced by a safekeeping receipt.

SECONDARY MARKET: Markets for the purchase and sale of any previously issued financial instrument. The first sale of a financial instrument by the original issuer is said to be done on a primary market. All subsequent trades are said to be secondary market.

SECURITIES & EXCHANGE COMMISSION: Agency created by Congress to protect investors in securities transactions by administering securities legislation.

STRUCTURED NOTES: Notes issued by Government Sponsored Enterprises (FHLB, FNMA, SLMA, etc.) and Corporations which have imbedded options (e.g. call features, step-up coupons, floating rate coupons, and derivative-based returns) into their debt structure. Their market performance is impacted by the fluctuation of interest rates, the volatility of the imbedded options and shifts in the shape of the yield curve.

TREASURY BILLS: A non-interest bearing discount security issued by the U.S. Treasury to finance the national debt. Bills are issued for maturities of one year or less. They do not pay interest but are issued on a discount basis instead.

TREASURY BONDS: Long-term coupon bearing U.S. Treasury securities issued as direct obligations of the U.S. Government and having initial maturities greater than 10 years.

TREASURY NOTES: Medium-term coupon-bearing U.S. Treasury securities issued as direct obligations of the U.S. Government and having initial maturities from over 1 to 10 years.

UNIFORM NET CAPITAL RULE: Securities and Exchange Commission requirement that member firms as well as nonmember broker-dealers in securities maintain a maximum ratio of indebtedness to liquid capital of 15 to 1; also called net capital rule and net capital ratio. "Indebtedness covers all money owed to a firm, including margin loans and commitments to purchase securities, one-reason new public issues are spread among members of underwriting syndicates. Liquid capital includes cash and assets easily converted into cash.

YIELD: The rate of annual income return on an investment, expressed as a percentage. (a) **INCOME YIELD** is obtained by dividing the current dollar income by the current market price for the security. (b) **NET YIELD or YIELD TO MATURITY** is the current income yield minus any premium above par or plus any discount from par in purchase price with the adjustment spread over the period from the date of purchase to the date of maturity of the bond. Different formulas or methods are used to calculate yields.

Attachment A:
Strategy for Investments

Guadalupe County

Fund Investment Strategy – 2023

It is the policy of Guadalupe County that, giving due regard to the safety and risk of investment, all available funds shall be invested in conformance with State and Federal Regulations, Public Funds Investment Act, adopted Investment Policy and adopted Investment Strategy.

In accordance with the Public Funds Investment Act, Guadalupe County Investment Strategies shall address the following priorities (in order of importance):

- Understanding of the suitability of the investment to the financial requirements of the County;
- Preservation and safety of principal
- Liquidity
- Marketability of the investment if the need arises to liquidate the investment before maturity;
- Diversification of the investment portfolio; and
- Yield

Each major fund type has varying cash flow requirements and liquidity needs. Therefore, specific strategies shall be implemented considering the fund's unique requirements. County funds shall be analyzed and invested according to the following major fund types.

In order to minimize risk of loss due to interest rate fluctuations, investment maturities will not exceed the anticipated cash flow requirements of the funds. Investment guidelines by fund-type are as follows:

- A. General Operating Funds
- B. Capital Projects Fund
- C. Debt Service Fund
- D. Special Revenue Funds

Guadalupe County Strategy for Investments (Continued)

Our strategy is as follows:

1. Safety of principal is the foremost objective of the County, followed by liquidity and yield. Each investment transaction shall seek to first ensure that capital losses are avoided; whether they are from securities defaults or erosion of market value.
2. Investment decisions should not incur unreasonable investment risks in order to obtain current investment income.
3. The County's investment portfolio will remain sufficiently liquid to enable the County to meet all operating requirements which might be reasonably anticipated. This strategy is achieved by utilizing highly liquid short term Treasury Bills, Agency Discount Notes, Certificates of Deposit with a stated maturity of thirty-six (36) months or less. The dollar weighted average maturity of 365 days or less will be calculated using the stated final maturity dates of each security.
4. The investment portfolio shall be designed to attain a market-average rate of return throughout budgeting and economic cycles, taking into account the County's investment risk constraints, the cash flow characteristics of the portfolio, and state law that restricts the replacement of county funds.
5. The County will attempt to diversify its investments to avoid incurring unreasonable and avoidable risks regarding specific types or individual financial institutions.
6. The County will not make investments for the purpose of trading or speculation as the dominant criteria, such as anticipating an appreciation of capital through changes in market interest rate.
7. The County adheres to the guidance provided by the "prudent person rule", which obligates a fiduciary to ensure that, "...investments shall be made with the exercise of that degree of judgment and care, under circumstances then prevailing, which persons of prudence, discretion and intelligence exercise in the management of their own affairs, not for speculation but for investment, considering the probable safety of their capital as well as the probable income to be derived."
8. In managing its investment portfolio, the County will specifically avoid any purchase of investments, or any investment practice or procedure not specifically authorized by the investment policy as approved by Commissioners' Court.

Guadalupe County Strategy for Investments (Continued)

9. All participants in the investment process shall seek to act responsibly as custodians of the public trust. Investment officials shall avoid any transaction that might impair public confidence in the County's ability to govern effectively. Investment officials shall recognize that the investment portfolio is subject to public review and evaluation. The overall program shall be designed and managed with a degree of professionalism that is worthy of the public trust.

Each fund type has varying cash flow requirements and liquidity needs. Therefore, specific strategies shall be implemented considering the fund's unique requirements. All funds will be pooled for investment purposes.

Pooled funds mean an internally created fund of an investing entity in which one or more institutional accounts of the investing entity are invested.

All funds of Guadalupe County that are invested are invested by matching the maturity of investments with liabilities. Investments are made with the intention of holding to maturity, but with the ability to liquidate should funds be needed at any time.

This strategy is achieved by utilizing highly liquid short term Treasury Bills, Agency Discount Notes, Certificates of Deposit with a stated maturity of thirty-six (36) months or less and pooled funds in Texas Class. The dollar weighted average maturity of 365 days or less will be calculated using the stated final maturity dates of each security.

Submitted by:
Linda Douglass
Guadalupe County Treasurer
Chairman, Investment Advisory Committee

Attachment B:

**Appointment to Guadalupe County
Investment Advisory Committee
2023**

**APPOINTMENT TO GUADALUPE COUNTY INVESTMENT
ADVISORY COMMITTEE 2023**

Linda Douglass CIO, County Treasurer
Chairman, Investment Advisory Committee
307 West Court Street
Seguin, Texas 78155

Jackie Zambrano CIO, Assistant County Treasurer
307 West Court Street
Seguin, Texas 78155

Kris Klein CPA, County Auditor
307 West Court Street
Seguin, Texas 78155

Roxanne Canales CIO, Assistant Auditor – First Assistant
307 West Court Street
Seguin, Texas 78155

Donnie Magin, Citizen
675 Flint Rock
Seguin, Texas 78155

Commissioner Greg Seidenberger
101 East Court Street
Seguin, Texas 78155

Commissioner Drew Engelke
101 East Court Street
Seguin, Texas 78155

Attachment C:

List of Approved Broker/Dealers 2023

LIST OF APPROVED BROKER/DEALERS 2023

Multi-Bank Securities, Inc.
Fernando Pulido, Senior Vice President
13062 Hwy 290 West, Suite 111
Austin, Texas 78737
Financial Industry Regulatory Agency (FINRA) Number 5634138

National Alliance Securities
J. Howard LeDet, Senior Vice President
2245 Texas Dr. #300
Sugar Land, Texas 77479
Financial Industry Regulatory Agency (FINRA) Number 1038292

Attachment D:

**Resolution to adopt Guadalupe County
Investment Policy & Strategies, Investment
Advisory Committee and Investment Officer**

Attachment E:
(Included with original policy in
Treasurer's office)

**Government Code Title 10, Chapter 2256,
Public Funds Investment Act**

Attachment F:
(Included with original policy
in Treasurer's office)

**Government Code Title 10, Chapter 2257,
Collateral for Public Funds**

Attachment G:

**Certificate of Distinction and Certification of
Investment Policy**

Government Treasurers' Organization of Texas
Certification of Investment Policy

Presented to the

Guadalupe County

for developing an investment policy that meets the requirements of the Public Funds Investment Act and the standards for prudent public investing established by the Government Treasurers' Organization of Texas.

Heather Hurlbert

Government Treasurers' Organization of Texas
President

Conni J. Steger

Investment Policy Review Committee

For the two-year period ending July 31, 2024

Government Treasurers' Organization of Texas

July 13, 2022

Linda Douglass
County Treasurer
Guadalupe County
307 W. Court St., Ste. 206
Seguin, TX 78155-5743

Dear Linda:

On behalf of the Investment Policy Review Committee, I am pleased to inform you that the Government Treasurers' Organization of Texas (GTOT) has awarded the **Certificate of Distinction** to Guadalupe County for its Investment Policy. Members of the Review Committee congratulate Guadalupe County for its commitment to maintaining a comprehensive written investment policy that meets the criteria set forth in the GTOT Investment Policy Review Checklist.

We have no recommendations for your policy at this time.

Congratulations once again on an excellent policy and thank you for participating in our certification program. Your certificate is good for a two-year period ending **July 31, 2024**.

Sincerely,

Corrine Steeger
GTOT Investment Policy Review Committee