

# CCGCD INVESTMENT POLICY

## AMENDED 2017

### SECTION 1 – SCOPE AND PURPOSE OF INVESTMENT POLICY

*Sec 1.1: STATEMENT OF POLICY* – It is the policy of the Colorado County Groundwater Conservation District (CCGCD), through the District’s Board of Directors (Board), that after allowing for the anticipated cash flow requirements of the District and giving due consideration to the safety and risk of investment, all available funds shall be invested in conformance with these legal and administrative guidelines seeking to optimize interest earnings.

*Sec 1.2: PURPOSE* – The purpose of this Investment Policy is to comply with Chapter 36, Water Code, and Chapters 2256 and 2257, Government Code (“Public Funds Investment Act” and “Public Funds Collateral Act” respectively), which requires each District to adopt a written investment policy regarding the investment of its funds and funds under its control. The Investment Policy addresses the methods, procedures and practices that must be exercised to ensure effective and judicious fiscal management of the District funds. Appendix A is a copy of the Board resolution adopting the Investment Policy.

*Sec 1.2: FUNDS INCLUDED* – This Investment Policy shall govern the investment of all financial assets of the District unless specifically exempted from this Policy by the Board or by law. This policy does not apply to the assets administered for the benefit of the District by outside agencies under deferred compensation programs.

### SECTION 2 – INVESTMENT OBJECTIVES

*Sec 2.1: GENERAL STATEMENT* – Funds of the District will be invested in accordance with federal and state laws as well as the District Investment Policy and any written administrative procedures. Future investments will be according to District investment strategies developed specifically for each fund or group of funds under the District’s control.

*Sec 2.2: SAFETY* – Safety of principal is a foremost objective of the investment program. To the extent possible, the District will ensure that the principal of any investment is safe and will not be subject to loss in any investment strategy.

- a. **Credit Risk and Concentration of Credit Risk** – The District will minimize credit risk, the risk of loss due to the failure of the issuer or backer of the investment, and concentration of credit risk, the risk of loss attributed to the magnitude of investment in a single issuer by:
  - limiting investments to the safest types of investments;
  - pre-qualifying the financial institutions and broker or dealers with which the District will do business; and,
  - diversifying the investment portfolio so that potential losses on individual investments will be minimized.
- b. **Interest Rate Risk** – The District will manage the risk that the interest earnings and the market value of investments in the portfolio will fall due to changes in general interest rates by limiting the average maximum weighted maturity of the investment portfolio to 180 days. The District will, in addition:
  - structure the investment portfolio so that investments mature to meet cash requirements for ongoing operations, thereby avoiding the need to liquidate investments prior to maturity;
  - invest operating funds primarily in certificates of deposit, shorter-term securities, money market mutual funds, or local government investment pools functioning as money market mutual funds; and,
  - diversify maturities and staggering purchase dates to minimize the impact of market

movements over time.

**Sec 2.3: LIQUIDITY** – The investment portfolio shall remain sufficiently liquid to meet all operating requirements that may be reasonably anticipated. This is accomplished by structuring the portfolio so that investments mature concurrent with cash needs to meet anticipated demands. Because all possible cash demands cannot be anticipated, a portion of the portfolio should be invested in shares of money market mutual funds, Negotiable Order of Withdrawal (NOW) accounts, or local government investment pools that offer same-day liquidity.

**Sec 2.4: PUBLIC TRUST** – All participants in the District’s investment process shall seek to act responsibly as custodians of the public trust. Investment officers must avoid any transaction that might impair public confidence in the District’s ability to govern effectively.

**Sec 2.5: YIELD** – The CCGCD will employ an investment strategy that works to earn the maximum rate of return allowed on its investments within the policies imposed by its safety and liquidity objectives and by investment strategies for each fund and state and federal laws governing investment of public funds. Return on investment is of secondary importance compared to the safety and liquidity objectives described above.

**SECTION 3 – INVESTMENT PARAMETERS**

**Sec 3.1: MAXIMUM MATURITIES** – It is the District’s policy to concentrate its investment portfolio in shorter-term securities in order to limit principal risk caused by changes in interest rates.

The District attempts to match its investments with anticipated cash flow requirements. Unless matched to a specific cash flow, the District will not directly invest in securities maturing more than one (1) year from the date of purchase; however, the obligations, certificates, or agreements may be collateralized using longer dated investments.

The composite portfolio will have a weighted average maturity of 180 days or less. This dollar-weighted average maturity will be calculated using the stated final maturity dates of each security.

**Sec 3.2: DIVERSIFICATION** – The District recognizes that investment risks can result from issuer defaults, market price changes or various technical complications leading to temporary liquidity. Risk is controlled through portfolio diversification that shall be achieved by the following general guidelines:

- limiting investments to avoid overconcentration in investments from a specific issuer or business sector;
- limiting investments that have higher credit risks;
- investing in investments with varying maturities; and
- continuously investing a portion of the portfolio in readily available funds such as local government investment pools (LGIPs) or money market funds to ensure that appropriate liquidity is maintained in order to meet ongoing obligations.

The following maximum limits, by instrument, are established for the District’s total portfolio beyond operational checking and/or NOW (Negotiable Order of Withdrawal) accounts:

- U.S. Treasury Securities.....100%
- Agencies and Instrumentalities.....85%
- Certificates of Deposit.....100%
- Money Market Mutual Funds.....50%
- Authorized Pools.....50%

**SECTION 4 – INVESTMENT RESPONSIBILITY AND CONTROL**

**Sec 4.1: DESIGNATION OF INVESTMENT OFFICER** – In accordance with Chapter 36.1561, Water Code, and the Public Funds Investment Act, the Board designates the General Manager as the District’s Investment Officer. The Board resolution designating the Investment Officer is provided in Appendix B. The

Investment Officer has authority, under the direction of the Board, to invest District funds that are not immediately required to pay obligations of the District. No other person may engage in an investment transaction or the management of District funds except as provided under the terms of this Investment Policy as approved by the Board. The investment authority granted to the Investment Officer is effective until rescinded by the Board or immediately upon the Investment Officer's employment termination.

**Sec 4.2: QUALITY AND CAPABILITY OF INVESTMENT MANAGEMENT** – The District shall provide periodic training in investments for the designated Investment Officer and other investment personnel through courses and seminars offered by professional organizations, associations, and other independent sources in order to ensure the quality and capability of investment management in compliance with the Public Funds Investment Act.

**Sec 4.3: TRAINING REQUIREMENT** – The Investment Officer of the District shall attend a training session of at least six hours of instruction relating to investment responsibilities under Chapter 2256, Government Code, not later than the first anniversary of the date the officer takes office or assumes the officer's duties. The Investment Officer shall attend at least four hours of additional investment training on or before the second anniversary of the last training session the officer attended. The investment training session shall be provided by an independent source approved by the Board. For purposes of this policy, an "independent source" form which investment training shall be obtained shall include a professional organization, an institution of higher learning or any other sponsor other than a business organization with whom the District may engage in an investment transaction. The following organizations are specifically authorized as independent sources for training:

- Texas Alliance of Groundwater Districts
- Texas Water Conservation Association
- Association of Water Board Directors
- University of North Texas, Center for Public Management
- William P. Hobby Center for Public Service at Texas State University.

Training under this section must include education investment controls, security risks, strategy risks, market risks, diversification of investment portfolio and compliance with Chapters 2256 and 2257, Government Code.

**Sec 4.4: INTERNAL CONTROLS** – The General Manager is responsible for establishing and maintaining an internal control structure designed to endure that the assets of the entity are protected from loss, theft, or misuse. The internal control structure shall be designed to provide reasonable assurance that these objectives are met. The concept of reasonable assurance recognizes that (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management.

Accordingly, the District's General Manager shall establish a process for annual independent review by an external auditor to assure compliance with policies and procedures. The internal controls shall address the following points:

- control of collusion;
- custodial safekeeping;
- avoiding physical delivery of securities;
- clear delegation of authority to subordinate staff members;
- written confirmation for telephone (voice) transactions for investments and wire transfers; and,
- development of a wire transfer agreement with the depository bank or third party custodian.

**Sec 4.5: STANDARD OF CARE** – 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:

- 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
- Whether the investment decision was consistent with the written Investment Policy of the District.

**Sec 4.6: INDEMNIFICATION** – The Investment Officer may not be held personally responsible for a specific investment's credit risk or market price changes as long as the officer acted in accordance with written procedures and exercised due diligence and provided that the officer reports these deviations immediately and the appropriate action is taken to control adverse developments.

**Sec 4.7: ETHICS AND CONFLICTS OF INTEREST** – Officers and employees involved in the investment process shall refrain from personal business activity that would conflict with the proper execution and management of the investment program, or that would impair their ability to make impartial decisions. Employees and Investment Officers shall disclose any material interests in financial institutions with which they conduct business. They shall further disclose any personal financial or investment positions that could be related to the performance of the investment portfolio. Employees and officers are prohibited from undertaking personal investment transactions with the same person with whom business is conducted on behalf of the District.

An Investment Officer of the District who has a personal business relationship with an organization seeking to sell an investment to the District shall file a statement disclosing that personal business interest. An Investment Officer who is related within the second degree by affinity or consanguinity to an individual seeking to sell an investment to the District shall file a statement disclosing that relationship. A statement required under this subsection must be filed with the Texas Ethics Commission and the District Board.

## **SECTION 5 – AUTHORIZED INVESTMENT TYPES AND STRATEGIES**

**Sec 5.1: PORTFOLIO MANAGEMENT** – District funds governed by this policy may be invested in the instruments described below, all of which are authorized by Chapter 2256 of the Government Code (Public Funds Investment Act).

**Sec 5.2: OBLIGATIONS OF, OR GUARANTEED BY GOVERNMENTAL ENTITIES** – The following are authorized investments:

- a. United States – Obligations of the United States or its agencies and instrumentalities; and,
- b. Texas – Direct obligations of the State of Texas or its agencies and instrumentalities.

**Sec 5.3: CERTIFICATES OF DEPOSIT AND SHARE CERTIFICATES** – The depository institution or broker must have its main office or a branch office in Texas. Certificates of deposit must be guaranteed or insured by the Federal Deposit Insurance Corporation or the National Credit Union Share Insurance Fund. Any funds held in excess of the amount insured shall be secured by obligations in a manner and amount as provided by law. Additionally, certificates of deposit may be obtained through a depository institution or broker that contractually agrees to place the funds in federally insured depository institutions in accordance with the conditions prescribed in Section 2256.010(b) of the Public Funds Investment Act.

**Sec 5.4: LOCAL GOVERNMENT INVESTMENT POOLS** – Eligible investment pools must meet the requirements of Chapter 2256.016 of the Public Funds Investment Act and be rated no lower than AAA or an equivalent rating by at least one nationally recognized rating service. A District, by Board resolution, may delegate to an investment pool the authority to hold legal title as custodian of investments purchased with its local funds. A local government investment pool may also be created to function as a money market mutual fund if the pool marks its portfolio to the market daily and, to the extent possible, stabilizes at \$1.00 net asset value.

**Sec 5.5: MONEY MARKET MUTUAL FUNDS** – Money market mutual funds are acceptable investments and are authorized if they:

- are registered and regulated by the Securities and Exchange Commission;
- have a dollar weighted average stated maturity of 90 days or less;
- have a goal to maintain a net asset value of \$1.00 per share; and,

- are rated AAA by at least one nationally recognized rating service.

*Sec 5.6: INVESTMENT STRATEGIES* – A separate written strategy will be developed for each of the funds under CCGCD control. Each investment strategy must describe the investment objective for the particular fund using the following priorities in order of importance:

- a. Suitability – how sustainable the investment is to the financial requirements of the District;
- b. Preservation and Safety of Principal – whether the principal of the investment can be adequately safeguarded;
- c. Liquidity – funds of the District must be available for both anticipated and unanticipated payments without undue loss of investment;
- d. Marketability – how marketable the investment would be should the need arise to liquidate prior to maturity;
- e. Diversification – minimizing potential for losses through diversifying the portfolio;
- f. Yield – what is the return on investment; and,
- g. Maturity Restrictions – minimizing market risk by ensuring that penalties from maturity restrictions do not compromise the investment.

*Sec 5.7: REVIEW OF INVESTMENT STRATEGIES* – All investment strategies must be reviewed and adopted by the Board of Directors at least annually. Appendix C includes the investment strategies for all existing funds.

## **SECTION 6 – PROHIBITED INVESTMENT TYPES**

*Sec 6.1: PORTFOLIO MANAGEMENT* – Investment of District funds in any instrument or security not authorized for investment under the Public Funds Investment Act is prohibited. The Investment Officer should not pursue investment opportunities that are allowed under the Public Funds Investment Act, but not authorized under this policy, unless the District Board authorizes this policy to be amended to allow such investment opportunities.

*Sec 6.2: COUPON PAYMENTS ON OUTSTANDING PRINCIPAL BALANCES* – The Investment Officer has no authority to invest in any obligations whose payment represents the coupon payments on the outstanding principal balance of the underlying mortgage-backed security collateral and pays no principal.

*Sec 6.3: MORTGAGE-BACKED SECURITY COLLATERAL* – The Investment Officer has no authority to invest in any obligations whose payment represents the principal stream of cash flow from the underlying mortgage-backed security collateral and bears no interest.

*Sec 6.4: COLLATERALIZED MORTGAGE OBLIGATIONS* – The Investment Officer has no authority to invest in collateralized mortgage obligations in the interest rate of which is determined by an index that adjusts opposite to the changes in a market index.

## **SECTION 7 – SELECTION OF DEPOSITORIES, BROKERS AND DEALERS**

*Sec 7.1: DEPOSITORY* – At least every five years, a Depository shall be selected using a Board-approved banking services procurement process. The selection of a depository will be determined by competitive bid and evaluation of bids will be based on the following selection criteria:

- the ability to qualify as a depository for public funds in accordance with state law;
- the ability to provide requested information or financial statements for the periods specified;
- the ability to meet all requirements in the banking 'Request for Proposal' (RFP);
- a complete response to all required items on the bid form;
- the lowest net banking service cost, consistent with the ability to provide an appropriate level of service; and,
- the credit worthiness and financial stability of the bank.

*Sec 7.2: AUTHORIZED BROKERS/DEALERS* – The CCGCD 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: depository banks; state or national banks domiciled in Texas and insured by FDIC; public fund investment pools, and government securities brokers and dealers. The District shall annually review the list of qualified brokers or dealers and financial institutions authorized to engage in securities transactions with the District. Those firms that request to become qualified bidders for securities transactions will be required to provide: 1) a completed broker or dealer questionnaire that provides information regarding creditworthiness, experience and reputation; and 2) a certificate stating the firm received, read and understood the District's investment policy and agrees to comply with that policy. Authorized firms may include primary dealers or regional dealers that qualify under Securities & Exchange Commission Rule 15C3-1 (Uniform Net Capital Rule), and qualified depositories. All investment providers must sign a certification acknowledging that the organization has received and reviewed the District's investment policy and that reasonable procedures and controls have been implemented to preclude investment transactions that are not authorized by the District's policy.

**Sec 7.3: COMPETITIVE BIDS** – It is the policy of the District to require competitive bidding for all individual security purchases and sales except for: 1) transactions with money market mutual funds and local government investment pools; and 2) treasury and agency securities purchased at issue through an approved broker or dealer or financial institution. The Board Treasurer or Investment Officer shall develop and maintain procedures for ensuring competition in the investment of the District's funds.

**Sec 7.4: DELIVERY VERSUS PAYMENT** – Securities shall be purchased using the "delivery vs. payment" method with the exception of investment pools and mutual funds. Funds will be released after notification that the purchased security has been received.

## **SECTION 8 – INVESTMENT REPORTING AND PERFORMANCE EVALUATION**

**Sec 8.1: QUARTERLY REPORT** – Not less than quarterly, the Investment Officer shall prepare and submit to the CCGCD Board of Directors, a report of investment transactions for all funds for the preceding reporting period within a reasonable time after the end of the period. The investment report shall include a summary statement of investment activity prepared in compliance with generally accepted accounting principles. This summary will be prepared in a manner that will allow the District to ascertain whether investment activities during the reporting period have conformed to the Investment Policy. The report will include the following:

- a listing of individual securities held at the end of the reporting period;
- unrealized gains or losses resulting from appreciation or depreciation by listing the beginning and ending book and market value of securities for the period;
- average weighted yield to maturity of portfolio as compared to applicable benchmark;
- listing of investments by maturity date;
- fully accrued interest for the reporting period;
- the percentage of the total portfolio that each type of investment represents; and,
- a statement of compliance of the District's investment portfolio with state law and the investment strategy and policy approved by the Board.

**Sec 8.2: AUDIT CONTROL** – The CCGCD Investment Officer will establish liaison with the CCGCD Auditor in preparing investment forms to assist in accounting and auditing control. In addition, the CCGCD Board of Directors, 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 District's established investment policies.

**Sec 8.3: MARKING TO MARKET** – Market value of all securities in the portfolio will be determined on a quarterly basis. These values will be obtained from a reputable and independent source and disclosed to the governing body quarterly in a written report.

**Sec 8.4: NOTIFICATION OF INVESTMENT CHANGES** – It shall be the duty of the Investment Officer of CCGCD to notify the Board of Directors 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.

## **SECTION 9 – CUSTODIAL CREDIT RISK MANAGEMENT**

*Sec 9.1: SAFEKEEPING AND CUSTODIAN AGREEMENTS* – 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. 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.

*Sec 9.2: COLLATERAL POLICY* – Consistent with the requirements of the Public Funds Collateral Act, it is the policy of the District to require full collateralization of all District investments and funds on deposit with a depository bank, other than investments, which are obligations of the U.S. government and its agencies and instrumentalities. In order to anticipate market changes and provide a level of security for all funds, the collateralization level will be no less than 102% of market value of principal and accrued interest on the deposits or investments less an amount insured by the FDIC. At its discretion, the District may require a higher level of collateralization for certain investment securities. Securities pledged as collateral shall be held by an independent third party with whom the District has a current custodial agreement. The General Manager 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 District and retained. Collateral shall be reviewed at least quarterly to assure that the market value of the pledged securities is adequate.

*Sec 9.3: COLLATERAL DEFINED* – The CCGCD Investment Officer shall insure that all District funds are fully collateralized or insured consistent with federal and state law and the current Bank Depository Contract in one or more of the following manners:

- FDIC insurance coverage;
- obligations of the United States or its agencies and instrumentalities;
- direct obligations of the state of Texas or its agencies and instrumentalities;
- 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;
- obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized rating firm not less than A or its equivalent with a remaining maturity of ten (10) years or less;
- a surety bond issued by an insurance company rated as to investment quality by a nationally recognized rating firm not less than A; and/or,
- a letter of credit issued to the District by the Federal Home Loan Bank.

*Sec 9.4: SUBJECT TO AUDIT* – All collateral shall be subject to inspection and audit by the General Manager or the District's independent auditors.

## **SECTION 10 – PERFORMANCE**

*Sec 10.1: PERFORMANCE STANDARDS* – The District's investment portfolio will be managed in accordance with the parameters specified within this policy. The portfolio shall be designed with the objective of obtaining a rate of return through budgetary and economic cycles, commensurate with the investment risk constraints and the cash flow requirements of the District.

*Sec 10.2: PERFORMANCE BENCHMARK* – It is the policy of the District to purchase investments with maturity dates coinciding with cash flow needs. Through this strategy, the District shall seek to optimize interest earnings utilizing allowable investments available on the market at that time. Market value will be calculated on a quarterly basis on all securities owned and compared to current book value. The District's portfolio shall be designed with the objective of regularly meeting or exceeding the average rate of return on U.S. Treasury Bills at a maturity level comparable to the District's weighted average maturity in days.

## **SECTION 11 – INVESTMENT POLICY ADOPTION**

*Sec 11.1: PROCEDURE* – The District's investment policy shall be adopted by resolution of the Board. Appendix A shows the Board's original proclamation of approval. It is the District's intent to comply with state laws and regulations. The District's investment policies shall be subject to revisions consistent with changing laws, regulations, and needs of the District. The Board shall review the policy annually and approve any changes or modifications.



**APPENDIX A**

**RESOLUTION FOR ADOPTION OF INVESTMENT POLICY FOR COLORADO COUNTY  
GROUNDWATER CONSERVATION DISTRICT**

**WHEREAS**, the Public Funds Investment Act requires that the Board of Directors adopt an Investment Policy in order for the District to invest funds in accordance with federal and state laws using approved investment strategies; and

**WHEREAS**, a separate investment strategy shall be developed for each investment of the funds under District control; and

**WHEREAS**, each investment strategy must describe the investment objective for the particular fund using the following priorities in order of importance: suitability; preservation and safety of principal; liquidity; marketability; diversification; yield; and maturity restrictions; and,

**WHEREAS**, the Public Funds Investment Act designates and specifies certain investments which are allowed and prohibited; and,

**WHEREAS**, District investments shall only be invested in institutions or groups consistent with federal and state law and the specified depository bank contract; and,

**WHEREAS**, an independent auditing firm will perform an annual financial audit of all District funds, as well as an annual compliance audit of management controls on investments and adherence to the District's investment policy; and,

**WHEREAS**, the designated Investment Officer will ensure that investments are made in a prudent manner, adhering to the Investment Policy while still allowing access to funds as might reasonably be needed in the expected course of District operations

**NOW, THEREFORE, BE IT RESOLVED THAT** The Board of Directors of the Colorado County Groundwater Conservation District does hereby adopt and approve the Colorado County Groundwater Conservation District Investment Policy.

**AND SO IT IS CONSIDERED, PASSED, APPROVED, ADOPTED, RESOLVED, SIGNED AND DONE IN OPEN MEETING** on this 16<sup>th</sup> day of July, 2015.

**COLORADO COUNTY GROUNDWATER CONSERVATION DISTRICT**

By: \_\_\_\_\_

Scott Brasher, Vice President

Attested by: \_\_\_\_\_

Whyman D. Psencik, Secretary

**APPENDIX B**

**RESOLUTION FOR DESIGNATION OF INVESTMENT OFFICER TO THE COLORADO COUNTY GROUNDWATER CONSERVATION DISTRICT**

**WHEREAS**, the Public Funds Investment Act requires that the Board of Directors designate an Investment Officer to administer District funds and adhere to the District Investment Policy; and

**WHEREAS**, the District Investment Officer is charged with selecting and monitoring the investments of the District; and

**WHEREAS**, the District Investment Officer is charged with developing and maintaining administrative procedures for the operation of the Investment Program, consistent with the District Investment Policy; and

**WHEREAS**, the Investment Officer shall ensure that a seller provides the District with a written assurance that said seller understands and approves of the District Investment Policy; and

**WHEREAS**, the Investment Officer, not less than bi-annually, shall provide to the Board of Directors, a report of investment transactions for all funds for the preceding period; and

**WHEREAS**, the Investment Officer is responsible for notifying the Board of any significant changes in current investment methods and procedures prior to implementation; and

**WHEREAS**, the Investment Officer shall establish liaison with the CCGCD Auditor in preparing any investment forms to assist the Auditor for accounting and auditing control; and

**WHEREAS**, the Board of Directors has determined that the General Manager of the CCGCD is the most suitable candidate for Investment Officer

**NOW, THEREFORE, BE IT RESOLVED THAT** The Board of Directors of the Colorado County Groundwater Conservation District does hereby approve the General Manager to serve as Investment Officer for the District.

**AND SO IT IS CONSIDERED, PASSED, APPROVED, ADOPTED, RESOLVED, SIGNED AND DONE IN OPEN MEETING** on this 16<sup>th</sup> day of July, 2015.

**COLORADO COUNTY GROUNDWATER CONSERVATION DISTRICT**

By: \_\_\_\_\_  
Scott Brasher, Vice President

Attested by: \_\_\_\_\_  
Whyman D. Psencik, Secretary

## **APPENDIX C**

### **DESCRIPTION OF INVESTMENT STRATEGIES**

#### **NOW (Negotiable Order of Withdrawal) Account**

**Description:** NOW accounts are interest-earning bank accounts with which the customer is permitted to write drafts against money held on deposit.

**Suitability:** The District currently employs a NOW account with Industry State Bank in Columbus, Texas which is used for day-to-day operations. Industry State Bank is owned by Industry Bancshares, Inc., a holding company established by local shareholders in the Industry, Texas community. Industry Bank has been in business since 1911 and the Columbus branch opened in May 2011.

**Preservation:** Account funds are federally insured through FDIC up to \$250,000. District funds in excess of that amount are insured by securities that Industry State Bank has in safekeeping at Texas Independent Bank and that are pledged to the Colorado County Groundwater Conservation District.

**Liquidity:** The District has full access to the Industry State Bank NOW account and may withdraw all or part of the deposit at any time. There are no minimum balance penalties.

**Marketability:** Not Applicable

**Diversification:** The District's primary operating account is held at Industry State Bank. Funds are withdrawn and deposited as appropriate according to District policy. As of end of first quarter 2017, the Industry State NOW Account contains 28.5% of the District's funds.

**Yield:** The interest rate for the NOW account at Industry State Bank is 0.90%.

**Maturity Restrictions:** The interest rate for the Industry State Bank can vary at the discretion of the Bank.

**Overall Investment Objective:** The NOW account with Industry State Bank is the day-to-day operating account used by the District. There are no penalties for minimum balance or number of transactions; however, Industry State Bank does provide an unusually high interest rate for this type of account. The account provides good yield while still maintaining FDIC insurance for safety and immediate liquidity if necessary.

## **Certificates of Deposit**

**Description:** Like savings accounts, Certificates of Deposit (CDs) are FDIC insured and virtually risk-free. They have a fixed term and usually a fixed rate associated with that term. The interest rates for CDs tend to be higher than savings accounts because there is an agreement not to withdraw money until maturity. Interest rates tend to be higher for longer terms. Principal and accrued interest may be accessed without penalty after maturity.

**Suitability:** A CD is held at Flatonia National Bank, a branch of First National Bank of Shiner, located in Flatonia, Texas. First National Bank of Shiner was opened in 1891. The Flatonia branch was opened in 2012.

A CD is also held at the Pioneer Bank branch located in La Grange, Texas. The main bank location is in Dripping Springs, Texas. Pioneer Bank was established in May 2007.

**Preservation:** Account funds are federally insured through FDIC up to \$250,000. District policy is not to exceed a balance of \$ 250,000.

**Liquidity:** In the unlikely event that funds need to be withdrawn from either CD before full maturity, a penalty would be incurred. Penalty for early withdrawal of funds from the Flatonia National Bank CD is three months interest on the amount withdrawn. Penalty for early withdrawal on the Pioneer Bank CD is 30 days interest on the amount withdrawn.

**Marketability:** Not Applicable

**Diversification:** As of end of first quarter 2017, the Flatonia National Bank CD and Pioneer Bank CD account for 29.5% and 17.5% of the District's funds respectively.

**Yield:** As of end of first quarter 2017, interest rate for the Flatonia National Bank CD is 1.23%. Interest is paid quarterly and added back to the CD. The interest rate for the Pioneer Bank CD is 0.9963%. Interest is paid monthly and added back to the CD.

**Maturity Restrictions:** Both CD's have a one-year term. If not renewed by the District after a 10 day grace period, both CD's automatically renew. The early withdrawal penalty assessed by Flatonia State Bank is 3 months interest. The early withdrawal penalty assessed by Pioneer Bank is 1 month interest.

**Overall Investment Objective:** CDs are insured by FDIC. Though the maturity of the CDs is one year, they are staggered so as to improve accessibility to funds. With remaining funds invested in securities that are immediately available, this staggering of CDs should maximize yield while still maintaining sufficient liquidity of funds.

### **Local Government Investment Pools**

**Description:** TexPool is a local government investment pool created on behalf of Texas entities whose investment objectives are preservation and safety of principal, liquidity and yield consistent with the Public Funds Investment Act. TexPool currently provides investment services to over 2,000 communities throughout the State.

**Suitability:** Organized in 1989, TexPool is the largest and oldest local government investment pool in the State of Texas. TexPool currently provides investment services to over 2000 communities throughout Texas.

**Preservation:** An investment in the security is not insured or guaranteed by the FDIC or any other government agency. TexPool and TexPool Prime are managed conservatively to provide a safe, efficient, and liquid investment alternative to Texas governments. These investment pools are overseen by the Texas Comptroller of Public Accounts and managed by Federated Investors, which is the same team that administers TexPool. The pools seek to maintain a \$1.00 value per share as required by the Texas Public Funds Investment Act. TexPool investments consist exclusively of U. S. Government securities, repurchase agreements collateralized by U. S. Government securities, and AAA-rated no-load money market mutual funds. TexPool Prime invests in the above plus, commercial paper and certificates of deposits. TexPool and TexPool Prime are each rated AAAM by Standard & Poor's, the highest rating a local government investment pool can achieve.

**Liquidity:** The District has full access to funds and may withdraw all or part of the deposit at any time. TexPool's fee is 0.0423% annually, and TexPool Prime's fee is 0.0588% annually, calculated daily on the fund balance of each respective pool.

**Marketability:** Not Applicable

**Diversification:** As of end of first quarter, 21017, TexPool Prime accounts for 24.5% of the District's funds.

**Yield:** As of July 15, 2015, the current TexPool Prime rate is 0.1190%. Interest is accrued daily and paid monthly. Interest may either be left in the participant's account or withdrawn.

**Maturity Restrictions:** Not Applicable

**Overall Investment Objective:** An investment pool is a recognized option for district funds according to the Public Funds Investment Act (Sec. 2256.016). District funds added to the investment pool have the advantage of immediate liquidity which helps to offset the funds invested in the staggered certificates of deposit.