

CCGCD INVESTMENT POLICY

AMENDED 2021

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.

Effective cash management is recognized as essential to good fiscal management. Investment interest is a source of revenue to District funds. The District’s investment portfolio shall be designed and managed in a manner to optimize this revenue source, to be responsive to public trust, and to be in compliance with Federal, State, and local legal requirements and limitations.

Investments shall be made with the following primary objectives: safety and preservation of principal; maintenance of sufficient liquidity to meet operating needs; public trust from prudent investment activities; and, optimization of interest earnings on the portfolio.

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 1.3: SCOPE – 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. These funds are accounted for in an annual report and include, as applicable, the following: general fund; special revenue fund; assigned capital outlay funds; assigned professional services fund; and, any new fund created by the District unless specifically exempted from this Policy by the Board or by law.

This Investment Policy shall apply to all transactions involving the financial assets and related activity for all the foregoing funds. 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. The District shall manage and invest its cash with four primary objectives, listed in order of priority: safety, liquidity, public trust, and yield, expressed as optimization of interest earnings. The safety of the principal invested always remains the primary objective. All investments shall be designed and managed in a manner responsive to the public trust and consistent with state and local law.

The District shall maintain a comprehensive cash management program, which includes collection of account receivables, vendor payments in accordance with invoice terms, and prudent investment of available cash. Cash management is defined as the process of managing monies to ensure maximum cash availability and maximum earnings on short-term investment of idle cash.

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, guaranteed interest-bearing banking deposits, 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 (OPTIMIZATION OF INTEREST EARNINGS) – 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 illiquidity. 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%
- No Load Mutual Funds.....15%
- Authorized Pools.....50%
- Guaranteed Interest-Bearing Banking Deposits.....100%

SECTION 4 – INVESTMENT RESPONSIBILITY AND CONTROL

Sec 4.1: DELEGATION OF AUTHORITY – 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 is authorized to execute investment transactions on behalf of the District with 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 every two years thereafter. The investment training session shall be provided by an independent source approved by the Board. For purposes of this policy, an "independent source" from 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;
- separation, as far as practical, of transactions authority from accounting and record keeping;
- 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 – SUITABLE AND AUTHORIZED INVESTMENTS

Sec 5.1: PORTFOLIO MANAGEMENT – The District has a "buy and hold" portfolio strategy. Maturity dates are matched with cash flow requirements and investments are purchased with the intent to be held until maturity. However, investments may be liquidated prior to maturity for the following reasons:

- An Investment with declining credit may be liquidated early to minimize loss of principal;
- Cash flow needs of the District require that the investment be liquidated.

Sec 5.2: AUTHORIZED INVESTMENTS – 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).

- a. Obligations, including letters of credit, of the United States or its agencies and instrumentalities including the Federal Home Loan Banks;
- b. Direct obligations of the State of Texas or its agencies and instrumentalities.
- c. Other obligations, the principal and interest of which are unconditionally guaranteed or insured by, or backed by the full faith and credit of, this state or the United States or their respective agencies and instrumentalities, including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation or by the explicit full faith and credit of the United States.
- d. 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;
- e. Certificate of Deposit issued by a depository institution that has its main office or branch office in Texas. The certificate 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.
- f. Certificate of Deposit obtained through a depository institution or broker that has its main office or a branch office in Texas and that contractually agrees to place the funds in a federally insured depository institutions in accordance with the conditions prescribed in Section 2256.010(b) of the Public Funds Investment Act.
- g. Interest-bearing banking deposits that are guaranteed or insured by the Federal Deposit Insurance Corporation or its successor or the National Credit Union Share Insurance Fund or its successor.
- h. Interest-bearing banking deposits other than those described by the above subdivision if:
 - i. The funds invested in the banking deposits are invested through a broker with a main office or branch office in this state that the investing entity selects from a list the governing body or designated investment committee of the entity adopts as required by Section 2256.025; or a depository institution with a main office or branch office in this state that the investing entity selects;
 - ii. The broker or depository institution selected as described above arranges for the deposit of the funds in the banking deposits in one or more federally insured depository institutions, regardless of where located, for the investing entity's account;
 - iii. The full amount of the principal and accrued interest of the banking deposits is insured by the United States or an instrumentality of the United States; and,
 - iv. The investing entity appoints as the entity's custodian of the banking deposits issued for the entity's account: the depository institution selected as described above; or an entity described by Section 2257.041(d); or a clearing broker registered with the Securities and Exchange Commission and operating under Securities and Exchange Commission Rule 15c3-3 (17 C.F.R. Section 240.15c3-3).
- i. No Load Money Market Mutual funds that: (1) is registered with and regulated by the Securities and Exchange Commission; (2) provides the investing entity with a prospectus and other information required by the Securities Exchange Act of 1934 (15 U.S.C. Section 78a et seq.) or the Investment Company Act of 1940 (15 U.S.C. Section 80a-1 et seq); and (3) complies with federal Securities and Exchange Commission Rule 2a-7 (17 C.F.R. Section 270.2a-7), promulgated under the Investment Company Act of 1940 (15 U.S.C. Section 80a-1 et seq.).
- j. No Load Mutual Funds if the fund: (1) is registered with the Securities and Exchange Commission; (2) has an average weighted maturity of less than two years; and (3) either:
 - i. Has a duration of one year or more and is invested exclusively in obligations approved by this subchapter; or
 - ii. Has a duration of less than one year and the investment portfolio is limited to investment grade

securities, excluding asset-backed securities.

- k. Local government investment pools, which 1) meet the requirements of Chapter 2256.016 of the Public Funds Investment Act, and 2) are rated no lower than AAA or an equivalent rating by at least one nationally recognized rating service.
- l. A local government investment pool created to function as a money market mutual fund if the pool 1) marks its portfolio to the market daily and, 2) to the extent reasonably possible, stabilizes at \$1.00 net asset value.

All prudent measures will be taken to liquidate an investment that is downgraded to less than the required minimum rating. The Investment Officer shall, at least quarterly, review the credit quality rating of instruments in the District's portfolio using published resources from at least one nationally recognized rating service.

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 that have a final stated maturity date of greater than 10 years or the interest rate of which is determined by an index that adjusts opposite to the changes in a market index.

Sec 6.5: NON-SANCTIONED COUNTRIES OR FOREIGN ACTORS – The Investment Officer has no authority to invest in companies engaged in business with the governments of Sudan and Iran or with a foreign terrorist organization designated as such by the United States Secretary of State.

Sec 6.6: SCRUTINIZED BUSINESSES – The Investment Officer has no authority to invest in securities of a business identified by the state comptroller as a “scrutinized business” on a list provided at least annually to the District unless acquired pursuant to an exception under Chapter 2270, Government Code.

Sec 6.7: MINIMUM RATING – The Investment Officer has no authority to make any investment that does not meet a required minimum rating under this policy for the duration the investment does not have the minimum rating.

Sec 6.8: ACTION AND REPORTS ON PROHIBITED INVESTMENTS – The District will take all prudent measures consistent with its investment policy to liquidate an investment that does not have the minimum rating. Except as provided by Chapter 2270, Government Code, relating to the prohibition on certain investments, the District is not required to liquidate investments that were authorized investments at the time of purchase.

Not later than the 30th calendar day after the date the District receives the list of scrutinized businesses from the state comptroller, the District shall notify the comptroller of the listed companies in which the District owns direct or indirect holdings, if any.

Not later than December 31 of each year, the District shall:

1. File a publicly available report regarding its investments with the presiding officer of each house of the legislature and the attorney general in compliance with Section 2270.0252(1), Government Code; and,
2. File a report with the United States presidential special envoy to Sudan in compliance with Section 2270.0252(2), Government Code.

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;
- the credit worthiness and financial stability of the bank; and,
- the firm does not boycott Israel and will not boycott Israel during the term of the contract.

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; 2) a certificate stating the firm received, read and understood the District’s investment policy and agrees to comply with that policy; and, 3) a statement that the firm does not boycott Israel and will not boycott Israel during the term of the contract. 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, and the firm does not boycott Israel and will not boycott Israel during the term of the contract.

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 – The Investment Officer shall prepare an investment report on a quarterly basis that summarizes investment strategies employed in the most recent reporting period and describes the portfolio in terms of investment securities, maturities, and shall explain the total investment return for the reporting 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;
- additions and changes to the market value during 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: REVIEW OF CERTAIN INVESTMENTS – The District and any entity investing on behalf of the District may not acquire securities of a company that is identified on a list of companies with scrutinized active business operations in Sudan or Iran, or with business ties to Foreign Terrorist Organizations. The Investment Officer shall review the Texas Comptroller's list of Companies that Boycott Israel, Scrutinized Companies with ties to Sudan, Scrutinized Companies with ties to Iran, Designated Foreign Terrorist Organizations, and Scrutinized Companies with ties to Foreign Terrorist Organizations to ensure compliance with this Investment Policy.

Sec 8.5: 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.

Collateral for deposits will be held by a third-party custodian designated by the District and pledged to the District as evidenced by safekeeping receipts of the institution with which the collateral is deposited. Original safekeeping receipts shall be obtained. Collateral may be held by a bank's trust department, a Federal Reserve Bank or branch of a Federal Reserve Bank, a Federal Home Loan Bank, or a third-party bank approved by the District. A Custodian, other than a government agency or department thereof, shall provide the District with a statement that the firm does not boycott Israel and will not boycott Israel during the term of the contract.

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.

Adopted: September 15, 2010
Amended: July 20, 2011
Amended: July 16, 2015
Amended: June 22, 2017
Amended: August 19, 2021

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 16th 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 16th day of July, 2015.

COLORADO COUNTY GROUNDWATER CONSERVATION DISTRICT

By: _____
Scott Brasher, Vice President

Attested by: _____
Whyman D. Psencik, Secretary