



Reserve Policies

Central Health maintains four separate reserves, with a policy for each: an emergency reserve, a contingency reserve, a capital reserve and a reserve for HMO risk-based capital.

Emergency Reserve Policy

Central Health's emergency reserve will serve as a funding source for dire necessities that arise from unusual circumstances, e.g. natural disasters, pandemics, or severe business disruptions. The emergency reserve will normally be set at 55 days of working capital, equal to approximately 15% of budgeted ongoing expenses. The amount of the emergency reserve will be set annually through adoption of the budget.

Contingency Reserve Policy

The contingency reserve will serve as a funding source for one-time expenditures or for ongoing expenditures when needed for cyclical or temporary structural deficits. Cyclical deficits are caused by temporary decreases in revenue or by one-time, nonrecurring expenses that cannot be funded through current revenue. Structural deficits are caused by an excess of projected annual expense over projected annual revenue over periods of several fiscal years. Contingency reserves may be used as part of a plan for correcting structural deficits; however, the plan should also include structural fixes such as permanent increases to revenue and/or permanent reductions to expense.

The contingency reserve may also serve as a source of supplemental appropriation that can be used for Intergovernmental Transfers, depending on circumstances and amounts available. The Intergovernmental Transfers are unpredictable and are often misaligned with Central Health's fiscal year.

Capital Reserve Policy

A capital reserve will be established to fund capital assets or projects that will not be funded through the issuance of debt or through a grant. The capital reserve will be established in October, the first month of the fiscal year, by moving investment balances from current assets to noncurrent assets in the amount needed to fund the capital reserve. Changes may be made to the capital reserve during the year if, for example, other funding is obtained for a portion of the capital budget: in this case, the capital reserve would be decreased by moving the amount of the grant from noncurrent assets (investments) back to current assets.



CENTRAL HEALTH

HMO Risk-Based Capital Reserve Policy

Central Health will set up a risk-based capital reserve to be used for paid-in capital payments to Sendero Health Plans, Inc., (Sendero) the Medicaid managed care nonprofit corporation established in 2011. This reserve will be shown in the noncurrent assets section of Central Health's balance sheet and will not be part of working capital or fund balance. This fund will be used to provide risk-based capital to Sendero. Payments will be made based on the level of enrollment and on claims experience, as recommended by the Sendero actuary.



Investment Policies

Travis County Healthcare District Investment & Collateral Policies and Procedures¹

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Subchapter A. General Provisions of Chapter

23.001 Authority

- (a) The Public Funds Investment Act and the Public Funds Collateral Act authorize the Board of Managers to promulgate this chapter on investment policy and procedures.
- (b) Texas Local Government Code Annotated 116.112(a) (Vernon 1994) authorizes the Board of Managers to invest the District funds in compliance with Texas Local Government Code Annotated chapter 2256.

23.002 Application

This chapter governs the investment of the operating account portfolio, the pooled bond funds portfolio, and the debt service portfolio. The pooled bond funds portfolio is managed in compliance with its governing ordinances and federal laws, including the Tax Reform Act of 1986, as amended, in addition to compliance with this chapter.

23.003 Effective Date

This chapter 23 is effective upon adoption by the Board of Managers.

23.004 Definitions

- (a) In this manual, the following words and phrases have the following meanings:
 - (1) "Auditor" means the Travis County Auditor or her designees.
 - (2) "Investment Officer(s)" means the Travis County Chief Investment Officer and/or the Investment Manager or her designees.
 - (3) "Board of Managers" means Central Health Board of Managers.
 - (4) "Treasurer" means the Travis County Treasurer or her designees.



- (b) In this chapter, the words “bond proceeds”, “book value”, “funds”, “investing entity”, “entity”, “investment pool”, “local government”, “market value”, “separately invested asset”, “qualified representative”, and “state agency” are used as defined in the Texas Government Code Annotated 2256.002.
- (c) Definitions in the Public Funds Investment Act shall be used to interpret this chapter.

23.005 Construction and Interpretation

Despite any other Code provision to the contrary, this Chapter 23 must be construed to meet the following provisions:

- (1) This chapter must be construed liberally to give all of the authorization intended for the investment of all portfolios.
- (2) Throughout the chapter, words defined in this section are shown with an initial capital. The use of an initial capital is construed to mean that the definition of the capitalized word or phrase is the definition in this section.
- (3) All hours stated in this chapter are stated in Central Standard Time or Central Daylight Saving Time as applicable in Austin, Texas at that time of year.

23.006 The Public Funds Investment Act

When this chapter is provided to broker/dealer/financial institutions, the Investment Management Office shall also include a copy of the Public Funds Investment Act.

(23.007 - 23.010 Reserved for expansion)

Subchapter B. Investment Authority and Scope of Policy

23.011 Delegation of Investment Authority

- (a) Board of Managers delegates the authority to select investment instruments in which district funds may be placed and to prepare any documentation necessary to evidence the investment of district funds to the Chief Investment Officer, Investment Manager, and Senior Financial Analyst. Occasionally, the Board of Managers may designate in writing other Travis County personnel authorized to invest district funds as back-ups.



- (1) The Board of Managers approves or ratifies the investments, and the Board of Managers retains ultimate responsibility as fiduciaries of the assets of Travis County Healthcare District.
 - (2) The Chief Investment Officer, Investment Manager, and Senior Financial Analyst advise the Travis County Treasurer of the investment instruments purchased. The Travis County Treasurer's office, with the verification of the President and CEO or their authorized designee, wires the funds for the investment instruments purchased.
 - (3) No other person may invest, withdraw, transfer or manage Travis County Healthcare District funds without the express written authority of the Board of Managers.
 - (4) Authority granted under this section is effective until rescinded by Board of Managers or until termination of employment by Travis County of persons in the designated positions or until elimination by Travis County of the designated positions.
- (b) These designated Travis County Investment Officers must perform their duties in compliance with Chapter 23 and Chapter 32, subchapter C Travis County Code and the Texas Government Code Annotated Chapter 2256, known as the Texas Public Funds Investment Act. When these Investment Officers act in good faith and in compliance with these chapters, they have no personal liability for their actions.
- (c) Officers and employees of any regional planning commission created under Texas Local Government Code Annotated Chapter 391 are not eligible to be designated any authority under 23.011.

23.012 District Investment Portfolio Structure

The funds of Travis County Healthcare District that are entrusted to the Board of Managers for investment are divided into the following portfolios based on the source of funds:

- (1) The operating account portfolio means funds from the general fund account, the risk management fund account, the employee benefit fund account, the general county reserve account, and all other Travis County Healthcare District funds except capital projects, and debt service.
- (2) The pooled bond funds portfolio means bond funds from all capital projects except road district funds.
- (3) The debt service portfolio means all interest and sinking funds.



23.013 Prudence and Ethical Standards

These standards apply to Travis County Investment Officers and anyone acting on their behalf.

(1) Prudence

- (A) Travis County Investment Officers serve as fiduciaries of Travis County Healthcare District and are responsible for prudently investing its assets. The Investment Officers shall comply with the provisions of this section, the Public Funds Investment Act, and all other applicable laws.
- (B) Travis County Healthcare District uses the “prudent investor rule” when administering the duties of an investment officer within the applicable legal and policy constraints.

The prudent investor rule is restated as follows: The Investment Officers shall invest and manage Travis County Healthcare District assets as a prudent investor would, by considering the purposes, terms, distribution requirements, and other circumstances of the portfolio. In satisfying this standard, the Travis County Investment Officers shall exercise professional care, skill, and judgment. Among circumstances that an Investment Officer shall consider in investing and managing Travis County Healthcare District assets include, but are not limited to the following:

- (i) general economic conditions,
 - (ii) the yield curve,
 - (iii) the role that each investment plays within the overall portfolio, and,
 - (iv) the risk/reward relationship of investments considered.
- (C) In determining whether an Investment Officer has exercised prudence with respect to an investment decision, the determination shall be made as follows:
- (i) the Travis County Investment Officer's investment and portfolio management decisions must be evaluated not in isolation of an individual purchase or sale but in the context of the Travis County Healthcare District portfolio as a whole and as a part of an overall investment strategy having risk and return objectives reasonably suited to the portfolio; and
 - (ii) whether the investment decision was consistent with this chapter 23.



- (D) Travis County Investment Officers must be honest in the exercise of their duties and must not take actions that will discredit Travis County Healthcare District.
 - (E) Travis County Investment Officers must comply with the Chapter 33, Travis County Healthcare District Ethics Policy.
- (2) Avoidance of Conflicts of Interest
- (A) Travis County Investment Officers shall be loyal to the interests of Travis County Healthcare District, the Board of Managers, and to Travis County residents, to the extent that such loyalty is not in conflict with other duties or legal requirements. Officers shall avoid personal, employment, or business relationships that create conflicts of interest. Should they become aware of any conflict of interest, they have an affirmative duty to disclose and remedy the conflict promptly.
 - (B) A conflict of interest exists whenever Travis County Investment Officers have personal or private commercial or business relationships that could reasonably be expected to diminish their independence of judgment in the performance of their duties.
 - (C) Serving on the Board of a Local Government Investment Pool shall not be prohibited. However, the Board member should not be allowed to invest funds in that Pool without additional approval from another authorized signer, who does not serve on the board of the proposed investment pool and is not a subordinate of the board member.
- (3) Acceptance of Gifts
- (A) Travis County Investment Officers may not personally accept gifts or entertainment from vendors or consultants doing or seeking to do investment or banking related business with Travis County Healthcare District, except as noted below:
 - (B) Gifts, which may be accepted under these guidelines, should not exceed \$50.00 per person, per vendor, in a given fiscal year. If gifts over \$50.00 are provided, they must be returned, donated to a charitable cause, or shared with other District employees or disclosed the President and CEO of the Healthcare District. However, entertainment, food, or goods provided to all persons attending a conference or a continuing education activity and goods or services provided during meetings to conduct business and manage a contract generally do not violate this prohibition.



- (C) Disclosure shall be made to the Travis County Director of Economic Development and Strategic Investments of the acceptance of all gifts, entertainment, food, goods, or services no later than 30 days following the calendar quarter in which received.

23.014 Quality and Capability of Investment Management

Travis County Healthcare District shall provide periodic training in investments for the Chief Investment Officers, the President and CEO and the Chief Financial Officer through courses and seminars offered by professional organizations and associations, in order to insure the quality and capability of the Investment Officers.

23.015 Disclosure of Personal Business

- (a) Travis County Investment Officers who have a personal business relationship, as described in Texas Government Code 2256.005(i), with any qualified representative offering to engage in an investment transaction with Travis County Healthcare District, shall file a statement disclosing that personal business interest with the Texas Ethics Commission and the Board of Managers (See Subchapter L, Forms).
- (b) Travis County Investment Officers who are related within the second degree by affinity or consanguinity, as determined under Texas Government Code Annotated 573, to an individual seeking to engage in an investment transaction with Travis County shall file a statement disclosing that relationship with the Texas Ethics Commission and the Board of Managers (See subchapter L, Forms).

(23.016 - 23.020 Reserved for expansion)

Subchapter C. Investment Objectives

23.021 Safety of Principal

The primary investment objective of Travis County Healthcare District is to ensure the safety of principal in all portfolios. (See Subchapter E, Safety of Principal.)

23.022 Maintenance of Adequate Liquidity

The secondary investment objective of Travis County Healthcare District for all portfolios is to provide the liquidity necessary to pay obligations as they become due. (See Subchapter F, Liquidity.)



23.023 Return on Investments

- (a) Travis County Healthcare District must invest its portfolios in eligible investments that yield the highest possible rate of return while providing the necessary protection of the principal. Travis County Healthcare District seeks to optimize return on investments in all portfolios. The average minimum rate of return for the entire portfolio must be at least equal to the Federal Reserve constant maturity treasury rate with a comparable maturity. The only exception to the average minimum rate of return is that the portfolios, during a period of rapidly rising interest rates, will not be able to meet or exceed the rate of return indicator. If funds are subject to yield restrictions due to federal arbitrage regulations, those funds are excluded from the yield calculation.
- (b) Travis County Healthcare District may only invest in a particular eligible investment if its yields are equal to or greater than the Treasury Convention or Street Convention yield provided by the Bloomberg Financial Information System or the Interactive Data Corporation yield on United States Treasury obligations of comparable maturity. The Chief Investment Officer and the Investment Advisory Committee may establish additional appropriate criteria for investment performance measures.

23.024 Additional Objectives for Pooled Bond Funds Portfolio

The major objectives for the pooled bond funds portfolio governed by Federal arbitrage regulations are to maximize permitted market yield and to minimize investment costs.

(23.025 - 23.030 Reserved for expansion)

Subchapter D. Investment Strategies

23.031 Operating Account Portfolio

- (a) The primary objective of the investment strategy for the operating account portfolio is to create a diversified structure (see 23.048 through 23.051) which will experience minimal volatility during economic cycles, thus providing for preservation and safety of principal.
- (b) The secondary objective is to assure that anticipated cash expenditures are matched with adequate liquidity.



- (c) The tertiary objective is to ensure that the portfolio is invested in eligible securities that yield the highest possible rate of return while providing the necessary protection of principal. The suitable securities to accomplish these objectives are high quality, marketable, short-to-medium term securities that complement each other in a laddered maturity structure. All eligible securities described by this Chapter 23 are suitable for this fund. The dollar weighted average maturity of two and one-half years or less will be calculated using the stated final maturity dates of each security.

23.032 Debt Service Portfolio

The primary, secondary, and tertiary objectives of the investment strategy for the debt service portfolio are the same as the operating account portfolio. The suitable securities to accomplish these objectives are high quality, marketable, short-term securities that mature on or before the debt service payment dates. The securities suitable for this fund are described in 23.042.

23.033 Pooled Bond Funds Portfolio

The primary, secondary, and tertiary objectives of the investment strategy for the pooled bond funds portfolio are the same as the operating account portfolio. The suitable securities to accomplish these objectives are high quality, marketable, short-to-medium term securities that match forecasted project expenditures to investment maturities. In addition, a three month historical cash expenditure balance is maintained in highly liquid securities to cover unexpected project outlays. All eligible securities described by this Chapter 23 are suitable for this fund.

(23.0034 - 23.040 Reserved for expansion)

Subchapter E. Safety of Principal

23.041 Protection of Principal

- (a) Travis County Healthcare District seeks to control the risk of loss due to the failure of a security issuer or grantor.
- (1) To control that risk, Travis County Healthcare District purchases only eligible investments, requires prior approval of qualified representatives/business organizations with which it transacts business, diversifies investments in all portfolios based on maturity and type, monitors the market price of investments by way of independent sources such as market telecommunication



services and financial publications, when possible, or through an approved Broker/Dealer other than the one that sold Travis County Healthcare District the security, and collateralizes deposits.

- (2) The quarterly report will identify the method and source used to monitor the market price of investments. The quarterly report will also indicate whether the method and source changed from the previous quarterly report.
- (b) The ratings of all investments held by Travis County Healthcare District are monitored on a regular basis to ensure that the investments remain eligible. If an investment is downgraded to a level lower than the minimum rating required by Chapter 23, the Travis County Investment Officers will take prudent action as described in 23.013(1).
- (c) In addition, Travis County Healthcare District must execute the purchase of individual eligible investments only on the "delivery versus payment" (DVP) method with the exception of investment pools and money market mutual funds to ensure that county funds are not released until Travis County Healthcare District has received the securities purchased.
- (d) Investment securities must be held in Travis County Healthcare District's name by a third party custodian, as evidenced by safekeeping receipts from the institution with which the securities are deposited.
- (e) All investments made by Travis County Healthcare District must comply with all federal, state, and local statutes, rules, and regulations.

23.042 Purchasing Only Eligible Investments

- (a) Ineligible Investments: The following investments, which are legal investments under the Public Funds Investment Act, are ineligible investments for Travis County Healthcare District:
 - (1) Collateralized mortgage obligations
 - (2) Any security the interest rate of which is determined by an index that adjusts opposite to the changes in a market index.
- (b) Eligible Investments: The following investments, which do not include all of the securities allowed by the Public Funds Investment Act, are the only eligible investments for all of Travis County Healthcare District's portfolios:
 - (1) Obligations of the United States or its agencies and instrumentalities;



- (2) Direct obligations of the State of Texas or its agencies and instrumentalities;
- (3) Other obligations, the principal and interest on which are unconditionally guaranteed or insured by or backed by the full faith and credit of the State of Texas or the United States or their respective agencies and instrumentalities, including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation or by the explicit full faith and credit of the United States;
- (4) Obligations of states, agencies, counties, cities, and other political subdivisions of any state, rated as to investment quality by a nationally recognized investment rating firm not less than A or its equivalent.
- (5) Domestic commercial paper, including commercial paper issued in the United States by corporations doing business and having a significant market presence in the United States, which are wholly owned by foreign entities, and with a stated maturity of 270 days or less from the date of its issuance that is rated not less than A-1 by Standard and Poor's, and P-1 by Moody's, two nationally recognized credit rating agencies.
- (6) Fully collateralized repurchase agreements including direct security repurchase agreements and reverse security repurchase agreements that:
 - (A) have a defined termination date that does not exceed 90 days after delivery,
 - (B) are placed either through a primary government securities dealer as defined by the Federal Reserve, or a financial institution doing business in this state,
 - (C) are secured by a combination of cash and obligations described by 23.042(b)(1), that are pledged to Travis County, held in Travis County Healthcare District's name, and deposited with a third party selected and approved by Travis County Healthcare District, and
 - (D) have a market value at the time funds are disbursed of not less than the principal amount of the funds disbursed. (See 23.056, Collateral Requirements for Repurchase Agreements.)
- (7) Certificates of deposit issued by a depository institution that has its main office or a branch office in this state that are:



- (A) guaranteed or insured by the Federal Deposit Insurance Corporation, or its successor; or
 - (B) secured by obligations that are described by 23.042(b)(1), 23.042(b)(2), 23.042(b)(3) or 23.042(b)(4) that have a market value of not less than 102% of the principal amount plus accrued interest of the certificates. (See 23.052 Collateral Requirements for All Deposits.)
 - (C) secured in any other manner and amount provided by law for deposits of the investing entity.
- (8) Certificates of deposit when:
- (A) the funds are invested through a broker that has its main office or a branch office in this state and is selected from a list adopted by the investing entity as required by 23.043 through 23.047 or
 - (B) the broker or the District depository arranges for the deposit of the funds in certificates of deposit in one or more federally insured depository institutions, wherever located, for the account of Travis County Healthcare District;
 - (C) the full amount of principal and accrued interest of each of the certificates of deposit is insured by the United States or an instrumentality of the United States; and
 - (D) Travis County Healthcare District appoints one of the following as its custodian for these certificates of deposit
 - (i) the District depository,
 - (ii) the Texas Treasury Safekeeping Trust Company;
 - (iii) a Federal Reserve Bank or a branch of a Federal Reserve Bank; or
 - (iv) a Federal Home Loan Bank
- (9) A no-load money market mutual fund ("MMMF") that is registered with and regulated by the Securities and Exchange Commission and:
- (A) has a dollar-weighted average stated maturity of 90 days or less,
 - (B) whose investment objectives include maintenance of a stable net asset value of \$1 per share, and
 - (C) provides Travis County Healthcare District with a prospectus and other information required by the Securities and Exchange Act of 1934 (15 U.S.C. § 78a et



seq.) or the Investment Company Act of 1940 (15 U.S.C. § 80a-1 et seq.)

- (10) Public funds and local government investment pools ("LGIP") if the following conditions are met:
 - (A) the LGIP is organized under the Interlocal Cooperation Act, as amended,
 - (B) the Board of Managers has authorized investment in that particular LGIP by an order,
 - (C) the assets of the LGIP consist exclusively of obligations that are authorized investments in the Tex. Gov't Code Ann. ch 2256, known as the Texas Public Funds Investment Act,
 - (D) the LGIP meets all eligibility acts including disclosure and reporting,
 - (E) the LGIP meets all management requirements of the Public Funds Investment Act, including existence and reliance on maintenance of advisory board, net asset value and maintenance ratings, and
 - (F) the LGIP must be continuously rated no lower than AAA or AAA-m or at an equivalent rating by at least one nationally recognized rating service.

- (11) A securities lending program in which the loan meets the following conditions:
 - (A) The loan may be terminated at any time;
 - (B) The loan is placed through
 - (i) a primary government securities dealer, as defined by 5 Code of Federal Regulation section 6801.102(f), as that regulation existed on September 1, 2003, or
 - (ii) a financial institution doing business in this state that is rated no less than A or its equivalent by two nationally recognized rating services.
 - (C) The loan agreement has a term of one year or less and complies with the provisions of section 1058 of the Internal Revenue Code;
 - (D) The loan is secured by
 - (i) cash invested in accordance with subsections (1), (2), (3), (4), (5), (8), or (9) of section 23.042 for a term that ends no later than the expiration date of the loan agreement,



- (ii) pledged irrevocable letters of credit issued by a bank that is organized and exists under the laws of the United States or any other state and is continuously rated by at least one nationally recognized investment rating firm at not less than A or its equivalent, or
 - (iii) pledged securities issued by the United States government or its agencies and instrumentalities as described in Section 23.042(1) through (4) inclusive;
 - (E) The loan agreement requires securities being held as collateral to be pledged to Travis County Healthcare District, held in Travis County Healthcare District's name, and deposited at the time the investment is made with a third party approved by Travis County Healthcare District.
 - (F) The amount of the collateral is not be less than 102% of the market value of securities loaned, including accrued income with the market value of securities determined daily.
- (c) Purchasing Eligible Investments
 - (1) The Travis County Chief Investment Officer and the Travis County Investment Manager may invest all portfolios in the eligible investments described by 23.042. When contemplating a new type of investment instrument, the Chief Investment Officer will submit a description to the Travis County Attorney to ensure that the proposed investment instruments are eligible investments described by 23.042.
 - (2) If an investment that was eligible at the time of purchase becomes ineligible during the holding period, consistent with the Public Funds Investment Act, Section 2256.017, the Travis County Investment Officer is not required to liquidate the investment. The Travis County Investment Officer shall take all prudent measures that are consistent with this Policy to analyze the investment and determine the most prudent course of action to minimize any potential loss.

Requiring Approval of Broker/Dealer/Financial Institutions

23.043 Applications for Approval as Broker/Dealer/Financial Institutions

- (a) When a primary broker/dealer/financial institution applies for approval, the Travis County Investment Management Office provides a copy of



Travis County Healthcare District Investment and Collateral Policies and Procedures to the qualified representative of that institution. To qualify for approval, the qualified representative of the primary broker/dealer/financial institution must comply with the following requirements:

- (1) Provide the most recent audited financial statements of the institution,
 - (2) Sign the Certification in 23.132,
 - (3) Acknowledge receipt, thorough review and understanding of Travis County Healthcare District Investment and Collateral Policies and Procedures, and
 - (4) Acknowledge that the primary broker/dealer/financial institution has implemented reasonable procedures and controls in an effort to preclude investment transactions conducted between it and Travis County Healthcare District that are not authorized by this Travis County Healthcare District Investment and Collateral Policies and Procedures, except to the extent that this authorization is dependent on an analysis of the makeup of Travis County Healthcare District's entire portfolio or requires an interpretation of subjective investment standards.
- (b) When a non-primary broker/dealer/financial institution doing business that is regulated by or registered with a securities commission applies for approval, the Travis County Investment Management Office provides a copy Travis County Healthcare District Investment and Collateral Policies and Procedures, to the qualified representative of that institution. To qualify for approval, the qualified representative of the broker/dealer/financial institution must submit a written application that complies with the following requirements:
- (1) Provides references by public fund investment officers, preferably in Texas,
 - (2) Gives evidence of capital adequacy (See 23.044(b)(3)),
 - (3) Signs the Certification in 23.132,
 - (4) Acknowledges receipt, thorough review and understanding of Travis County Healthcare District Investment and Collateral Policies and Procedures,
 - (5) Acknowledges broker/dealer/financial institution has implemented reasonable procedures and controls in an effort to preclude investment transactions conducted between it and



Travis County Healthcare District that are not authorized by Travis County Healthcare District Investment and Collateral Policies and Procedures except to the extent that this authorization is dependent on an analysis of the makeup of Travis County Healthcare District's entire portfolio or requires an interpretation of subjective investment standards, and

- (6) Includes a completed Broker/Dealer Questionnaire in 23.133.
- (c) Travis County Healthcare District strives to include in the application process broker/dealers located in Travis County who are currently serving institutional clients.

23.044 Qualifications for Approval as Broker/Dealer/Financial Institutions

The Travis County Investment Management Office reviews the applications of the broker/dealer/financial institutions for compliance with this policy and recommends broker/dealer/financial institutions for approval. Although having an office in Texas is not a required criteria, Travis County Healthcare District prefers working with broker/dealer/financial institutions with offices located in Texas.

- (a) To be recommended for approval, the qualified representative of the primary broker/dealer/financial institution must provide the information and comply with the requirements set forth in 23.043(a).
- (b) To be recommended for approval, a non-primary broker/dealer/financial institution and/or its qualified representative(s) must demonstrate possession of the following criteria:
 - (1) Institutional investment experience,
 - (2) Good references from public fund investment officers, preferably in Texas,
 - (3) Adequate capitalization in compliance with the Capital Adequacy Guidelines for Government Securities Dealers published by the New York Federal Reserve Bank for banks or adequate capitalization in compliance with the Securities and Exchange Commission for broker/dealers,
 - (4) Acknowledgement of a thorough review and understanding of this Investment Policy and Procedures Chapter,
 - (5) Regulation by the Comptroller of the Currency for banks or regulation by the Securities and Exchange Commission ("SEC") for broker/dealers,



- (6) Membership in good standing in the Financial Industry Regulatory Authority (FINRA) by broker/dealers and subsidiaries of national banks,
 - (7) Valid licensure from the State of Texas, except for national banks, and
 - (8) Acknowledgement of implementation of reasonable controls and procedures in an effort to preclude investment transactions conducted between it and Travis County Healthcare District that are not authorized by this chapter 23, except to the extent that this authorization is dependent on an analysis of the makeup of Travis County Healthcare District's entire portfolio or requires an interpretation of subjective standards.
- (c) To be recommended for approval, broker/dealer/financial institutions previously approved by Board of Managers will also be evaluated based on the following criteria:
- (1) Performance since the last review based on participation in competitive bids documented on bid sheets, and
 - (2) Activity level based on proposals presented since the last review.

23.045 Approval of Broker/Dealer/Financial Institutions

The Board of Managers reviews the recommendations of the Travis County Chief Investment Officer and may approve any number of broker/dealer/financial institutions. Travis County Healthcare District and the Travis County Investment Officers may only purchase securities, except for commercial paper, from qualified broker/dealer/financial institutions. Commercial paper shall be purchased in compliance with 23.101, Competitive Bidding. The Travis County Chief Investment Officer may limit the number of institutions with which Travis County Healthcare District does business.

23.046 Annual Review of Approved Broker/Dealer/Financial Institutions

Each year new applicants and broker/dealer/financial institutions currently on the approved list must comply with 23.043 and 23.044 and submit applications to the Travis County Investment Office. The Travis County Chief Investment Officer's recommended changes to the approved list must be submitted to the Board of Managers for approval on an annual basis.

23.047 Removal from Approved List

When the Travis County Investment Management Office reviews and reevaluates the broker/dealer/financial institutions currently on the approved list

and at any other time when the Travis County Chief Investment Officer discovers good cause, the Travis County Chief Investment Officer may recommend that a broker/dealer/financial institution be removed from the approved list for any of the following reasons:

- (1) Placing Travis County Healthcare District's funds at risk,
- (2) Inactivity of the broker/dealer/financial institution,
- (3) Failure to maintain one or more of the criteria in 23.044,
- (4) Offering to sell investments other than eligible investments described by 23.042(b),
- (5) Consistently causing an administrative burden by inaccurate documentation or late verification of trade,
- (6) Consistently offering/bidding securities at non-competitive prices, or
- (7) Undergoing material change through divestiture, merger, purchase, or other similar corporate transformations.

Diversifying Portfolios

23.048 Diversifying Operating Account Portfolio by Type

The Travis County Investment Officer must minimize loss of principal in the operating account portfolio by diversifying investments by type and maturity. The Travis County Investment Officer must maintain diversity in the types of eligible investments purchased for all Travis County Healthcare District portfolios combined (see 23.042(b) for full description of eligible investments) by limiting the percentage for each type of eligible investment to the percentage listed in this section. These percentages will be applied to all Travis County Healthcare District portfolios in aggregate. The limits will be tested each Friday and the Travis County Investment Officer will have 30 days following the test to bring the percentage back within the limits as described below:

Investment Type	Percentage Limit for Combined Portfolios
Obligations of the U.S. – Treasury Notes/Bonds/Bills.....	100%
Obligations of U.S. Agencies – U.S. Agencies.....	75%
Direct obligations of the State of Texas or its agencies and instrumentalities	60%
Other obligations, the principal and interest on which are unconditionally guaranteed or insured by or backed by the full faith and credit of the State of Texas or the United States or their respective agencies and instrumentalities, including obligations that are fully guaranteed or insured by the Federal Deposit	

Insurance Corporation or by the explicit full faith and credit of the United States
60%

Obligations of states, agencies, counties, cities, and other political subdivisions of any state. The Travis County Investment Officers must not invest more than 5% of the portfolio in municipal securities of a single entity (see 23.042(b) for full description) 20%

Domestic commercial paper.

The Travis County Investment Officer must not invest more than 5% of the portfolio in the commercial paper of a single entity. If the amount held exceeds 5% during the life of the investment, the Travis County Investment Officer shall take all prudent measures that are consistent with this Policy to analyze the investment and determine the most prudent course of action to minimize any potential economic loss.(See 23.042(b) for full description.) 20%

Fully collateralized repurchase agreements are limited to 15% of the portfolio when purchased from an individual broker. (See 23.042(b) for full description.)
50%

Certificates of Deposit (See 23.042(b) for full description.) 50%

A no-load money market mutual fund ("MMMF") that is registered with and regulated by the federal Securities and Exchange Commission. The Travis County Investment Officers must not make an investment in any MMMF that exceeds 10% of the total assets of that MMMF.(See 23.042(b) for full description.)
20%

TexPool if the following conditions are met:

- (A) TexPool is organized under the Interlocal Cooperation Act, as amended,
- (B) the Board of Managers has authorized investment in TexPool by an order,
- (C) the assets of TexPool consist exclusively of obligations that are authorized investments in the Tex. Gov't Code Ann. ch 2256, known as the Texas Public Funds Investment Act,
- (D) TexPool meets all eligibility requirements of the Public Funds Investment Act including disclosure and reporting, and
- (E) TexPool meets all management requirements of the Public Funds Investment Act, including existence and reliance on maintenance of advisory board, net asset value and maintenance ratings..... 50%

Public funds and local government investment pools (LGIP's).(See 23.042(b) for full description.) 30%



All LGIP's in total 60%

23.049 Diversifying All Other Portfolios by Type

- (a) Within the pooled bond funds portfolio and the debt service portfolio the proceeds of a single bond issue may be segregated and invested in a single eligible investment or group of eligible investments designed to facilitate compliance with arbitrage regulations if the Travis County Investment Officers or Travis County Healthcare District's arbitrage advisors determine that this type of strategy is necessary to comply with federal arbitrage restrictions or to facilitate arbitrage recordkeeping and calculation.
- (b) In all other cases, the Travis County Investment Officers must apply the diversification and measurement requirements to the pooled bond funds portfolio combined with all Travis County Healthcare District portfolios in accordance with 23.048.

23.050 Diversifying Operating Account Portfolio by Maturity

- (a) The Travis County Investment Officers must monitor the maturity dates of all investments in the operating account portfolio to minimize risk of loss from interest rate fluctuations and to ensure that the maturities do not exceed the anticipated cash flow requirements of the operating account portfolio. The Travis County Investment Officer must also monitor the maturity dates of all investments in the operating account portfolio to ensure that the dollar-weighted average maturity are less than 547 days. The weighted average maturity is calculated as of the end of each month using the stated final maturity dates for each security.
- (b) If these levels are exceeded, the Investment Officer shall take all prudent measures that are consistent with this Policy to analyze the investment and determine the most prudent course of action to minimize any potential economic loss.
- (c) The maximum allowable stated maturity of any individual investment owned by the operating account portfolio is as follows (see 23.042(b) for full description of eligible investments):

Investment Type	Maturity Limit
Obligations of the U.S. – Treasury Notes/Bonds/Bills.....	4 years
Obligations of U.S. Agencies	4 years
Direct obligations of the State of Texas or its agencies and instrumentalities	4 years



Other obligations, the principal and interest on which are unconditionally guaranteed or insured by or backed by the full faith and credit of the State of Texas or the United States their respective agencies and instrumentalities, including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation or by the explicit full faith and credit of the United States
4 years

Obligations of states, agencies, counties, cities, and other political subdivisions of any state (See 23.042(b) for full description) 4 years

Domestic commercial paper
(See 23.042(b) for full description.) 270 days

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

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

A no-load money market mutual fund ("MMMMF")
(See 23.042(b) for full description) 1 day

Public funds and local government investment pools (LGIP's)
(See 23.042(b) for full description) 1 day

TexasTERM local government investment pool..... 365 days

23.051 Diversifying All Other Portfolios by Maturity

- (a) The Travis County Investment Officers may limit the maturity of the pooled bond funds portfolio, the debt service portfolio and the agency funds portfolio to the "temporary period" as defined by the Internal Revenue Code, § 148, during which bond proceeds may be segregated and invested at an unrestricted yield. After the temporary period ends, the Travis County Investment Officers must consider the anticipated cash flow requirements of the funds and invest the portions of the pooled bond funds portfolio, the debt service portfolio and the agency funds portfolio subject to yield restriction within limits permitted by Federal arbitrage regulations.
- (b) The Travis County Investment Officers must monitor the maturity dates of all investments in the pooled bond funds portfolio and the debt service portfolio to ensure that the dollar-weighted average maturity for each portfolio does not exceed one year. The weighted average maturity is calculated as of the end of each month using the stated final maturity dates for each security.
- (c) If these levels are exceeded, the Travis County Investment Officers shall take all prudent measures that are consistent with this Policy to analyze

the investment and determine the most prudent course of action to minimize any potential economic loss.

- (d) The maximum allowable stated maturity of any individual investment owned by the pooled bonds fund portfolio and the debt service portfolio, that is not subject to the temporary period, is the same as the operating portfolio (See 23.050); except for the following:

Investment Type	Maturity Limit
Obligations of the U.S. – Treasury Notes/Bonds/Bills.....	3 years
Obligations of U.S. Agencies	3 years

Collateralizing Deposits

23.052 Collateral Requirements for All Deposits

- (a) Certificates of deposit and bank deposits in financial institutions must be either federally insured or collateralized only with the following securities:
 - (1) Direct obligations of the United States or its agencies and instrumentalities;
 - (2) Other obligations, the principal and interest on which are unconditionally guaranteed or insured by or backed by the full faith and credit of the United States or its agencies and instrumentalities, including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation or by the explicit full faith and credit of the United States;
 - (3) Letters of credit issued to Travis County Healthcare District by the Federal Home Loan Bank, if approved in advance by Travis County Healthcare District.

- (b) If an event causes an increase in Collateral of more than \$50 million to be needed after noon on any business day, the market value of collateral must be equal to or greater than 100% of the par value of the certificates of deposit, plus accrued interest, and equal to or greater than 100% of the bank deposits plus accrued interest, less the amount insured by the Federal Deposit Insurance Corporation and may remain at that level until the next business day when additional collateral can be obtained. At all other times, the market value of collateral must be equal to or greater than 105% of the par value of the certificate of deposits plus accrued interest and equal to or greater than 105% of the bank deposits plus accrued interest, less the amount insured by the Federal Deposit Insurance Corporation.



23.053 Monitoring Collateral Adequacy for All Deposits

Financial institutions with which Travis County Healthcare District has certificates of deposit or bank deposits must provide Travis County Healthcare District with monthly reports that state the market values of collateral. The Travis County Investment Officers monitor the adequacy of collateral at least weekly. If the value of the collateral falls below the required level, the financial institution must pledge additional collateral no later than the end of the next business day after the value falls below the required level.

23.054 Substituting Collateral for All Deposits

- (a) If the financial institution collateralizing certificates of deposit and bank deposits wants to substitute new collateral, the financial institution must contact the Travis County Treasurer for approval.
- (b) The Travis County Investment Officer must calculate the value of the substituted collateral and determine that the substituted collateral is within the requirements of this Investment Policy and the Depository Bank Contract.
- (c) The value of the new collateral must equal at least the value of the original collateral. If the collateral has sufficient value, the Travis County Treasurer may approve the substitution.
- (d) The Travis County Treasurer must notify the financial institution or the safekeeping agent holding the collateral when any substitution is approved. Although substitution is allowable, it should be limited to minimize a potential administrative burden. The Travis County Treasurer may limit substitutions and assess reasonable fees if requests for substitution become excessive or abusive.

23.055 Agreements and Safekeeping for All Deposits

Financial institutions serving as District depositories must enter agreements for the safekeeping of collateral with both Travis County Healthcare District and its safekeeping agent, or agree to cooperate with the Federal Reserve Bank under the terms of its Pledgee Agreement Form, to define Travis County Healthcare District's rights to the collateral in case of default, bankruptcy, or bank closing. All collateral securing deposits is held by the safekeeping agent.

23.056 Collateral Requirements for Repurchase Agreements

Issuers of repurchase agreements must collateralize them with obligations of the United States or its agencies. These issuers must wire transfer the collateral to the safekeeping agent designated by Travis County Healthcare District through the



Federal Reserve System. If the collateral matures in one year or less, the value of the collateral must be at least 101% of the par value of the repurchase agreement plus accrued interest. If the collateral matures in one to two years, the value of the collateral must be at least 102% of the par value of the repurchase agreement plus accrued interest. Collateral maturity is limited to two years.

23.057 Monitoring Collateral Adequacy for Repurchase Agreements

The Travis County Investment Officer must monitor all collateral underlying repurchase agreements weekly. More frequent monitoring may be necessary during periods of market volatility. If the value of the collateral for a repurchase agreement falls below the required level, the Travis County Investment Officer must make a margin call unless the repurchase agreement matures within five business days and the difference between the value of the collateral and the required level is immaterial.

23.058 Substituting Collateral for Repurchase Agreements

Seller shall obtain written consent of Travis County Healthcare District prior to substitution. The duration (or maturity) of securities offered as substitutes may not exceed the duration or maturity of the originally purchased securities.

23.059 Safekeeping of Repurchase Agreement Collateral

Issuers of repurchase agreements must transfer collateral for repurchase agreements to the safekeeping agent with which Travis County Healthcare District has established a safekeeping agreement.

(23.060 - 23.070 Reserved for expansion)

Subchapter F. Liquidity

23.071 Achieving Liquidity

Investments are selected to meet anticipated cash needs. The Travis County Investment Officers must achieve liquidity by purchasing eligible investments described by 23.042(b) with active secondary markets, eligible MMMF's and LGIP's.

23.072 Liquidating Investments

The Travis County Investment Officers may liquidate an investment to meet unanticipated cash requirements, to redeploy cash into other investments

expected to outperform current holdings, or to adjust the portfolios for other reasons.

(23.0073 - 23.080 Reserved for expansion)

Subchapter G. Investment Return Achievement

23.081 Priority of Investment Goals

The Travis County Investment Officers must consider legality, safety, liquidity, diversification, risk and rate of return in investment selection for all portfolios. Investments are made in securities with maturities corresponding to anticipated cash requirements. Investments are to take advantage of yield curves and earn additional returns. The Travis County Investment Officers must actively manage all Travis County Healthcare District portfolios to enhance total income in compliance with the "prudent investor rule" described by 23.013. The Travis County Investment Officers may use bond swaps to achieve these management goals.

23.082 Bond Swaps

If the demand for a bond from a particular agency creates a situation where the yields in that agency's bonds are the same or less than an equivalent treasury security, swapping the agency's bond for a treasury security can improve the quality of Travis County Healthcare District's portfolios. If bonds in a particular maturity range are limited in the market, swapping a bond in demand for a similar bond in a different maturity range may be advantageous.

- (1) The Travis County Investment Officers may swap a bond held in any Travis County Healthcare District portfolio for a comparable bond in the market to improve portfolio yield even if the transaction results in an accounting loss.
- (2) The Travis County Investment Officers may swap a bond held in any Travis County Healthcare District portfolio if the overall yield of the portfolio will not decrease after the swap and the date of maturity of the new security is less than 181 days after the maturity date of the old security.
- (3) The Travis County Investment Officers must solicit competitive bids for bond swaps. All bids received are documented and filed for auditing purposes.



(23.0083 - 23.090 Reserved for expansion)

Subchapter H. Investment Responsibilities By Office

23.091 Training

- (a) The Travis County Treasurer, the Travis County Investment Officers, the Chief Financial Officer and the Controller of the Travis County Healthcare District shall attend at least one training session from an independent source approved by Board of Managers and containing at least 10 hours of instruction relating to his/her responsibilities under the Public Funds Investment Act within twelve months after taking office. These persons shall also attend an investment training session not less than once in a two-year period that begins on the first day of Travis County Healthcare District's fiscal year and consists of two consecutive fiscal years after that date, and receive not less than 8 hours of instruction relating to investment responsibilities under the Public Funds Investment Act from an independent source approved by Board of Managers. Training must include education in investment controls, security risks, strategy risks, market risks, diversification of investment portfolio, and compliance with the Public Funds Investment Act.
- (b) The independent sources approved by Commissioners Court are:
- Government Finance Officers Association
 - Government Finance Officers Association of Texas
 - Government Treasurers Organization of Texas
 - Texas Association of Counties
 - Austin Treasury Management Association
 - Alliance of Texas Treasury Associations
 - Texas Municipal League
 - Texas Society of CPAs
 - Association of Government Accountants
 - University of North Texas
 - University of Texas
 - Texas A&M University
 - County Treasurers Association of Texas
 - Texas Association of County Auditors
 - Western CPE
 - First Southwest Company



23.092 Treasurer's Office

In the investment function, the Travis County Treasurer has the following responsibilities:

- (1) Notifying of Controlled Disbursement Requirements. The Treasurer notifies the Travis County Investment Officers if additional funds are required for the daily controlled disbursement to ensure that investments are liquidated in time to meet the controlled disbursement requirements.
- (2) Processing Investments. The Travis County Treasurer may transact wire transfers for investment purposes for Travis County Healthcare District. The Travis County Investment Officers notify the Travis County Treasurer of the amount to be transferred. The Travis County Treasurer transfers funds to the safekeeping account to purchase the investment. In addition, the Travis County Treasurer and the Travis County Investment Officers approve the wire transfer form.
- (3) Depositing Investment Principal and Interest. The Travis County Treasurer deposits principal and interest at maturity to the funds bank account indicated by the Travis County Investment Officers.
- (4) Ensuring Security of Investments. The Travis County Treasurer accesses the depository's files daily to verify Travis County Healthcare District's account balances. The Travis County Treasurer adds the certificates of deposit purchased by the Travis County Investment Officers, to the total District's cash balances to obtain the total district balance. The Travis County Treasurer compares the total district balance to the total collateral purchased by the depository banks.
 - (A) The collateral must be 105% of Travis County Healthcare District's total balances held with the depository.
 - (B) If the collateral is less than 105% of Travis County Healthcare District's total balances, the Travis County Treasurer -must contact the depository bank to verify that the depository bank has increased the collateral to the required level.

23.093 Investment Management Office

- (a) The Travis County Chief Investment Officer is the primary manager of District's investment portfolios.



- (b) The Travis County Chief Investment Officer and the Travis County Investment Manager makes investment decisions, and keep proper records of District investments. In the investment function, the Travis County Investment Officers have the following responsibilities:
- (1) Developing Investment Strategies. The Travis County Investment Officers develop an investment strategy to administer investments of Travis County Healthcare District. The Travis County Investment Officers use the following procedures in the investment strategy:
 - (A) summarize the economic and market analysis;
 - (B) forecast available cash for investment;
 - (C) formulate strategies for asset mix, investment instruments, maturities, and target yields;
 - (D) monitor performance against the current investment strategy and evaluating reasons for variances;
 - (E) report portfolio performance for the previous quarter to the Board of Managers; and
 - (2) Selecting and Processing Investments
 - (A) The Travis County Investment Officers review the composition of the current portfolio and determine whether the securities under consideration maintain the portfolio within policy guidelines.
 - (B) The Travis County Investment Officers and the Travis County Treasurer approve the wire transfer form authorizing the transfer of funds for a specific investment transaction.
 - (3) Documenting Investments and Providing Details. The Travis County Investment Officers retain documentation of all investment transactions, including bond swaps. The Travis County Investment Officers provide information and supporting documentation for all investment transactions to the President and CEO or Chief Financial Officer for appropriate accounting and recording. The Travis County Investment Officers provide information and back-up documentation of all investment transactions to the Treasurer to ensure accurate calculation of cash position and accurate posting to appropriate fund bank accounts.
 - (4) Developing Cash Flow Projections for All Portfolios. The Travis County Investment Officers analyze prior period data and meet with the President and CEO or Chief Financial Officer of the



Travis County Healthcare District to develop and amend cash flow projections of Travis County Healthcare District cash requirements. The Travis County Investment Officers use cash flow projections to match assets and liabilities in addition to maximizing the return on investments.

- (5) Determining Cash Available for Investment. The Travis County Investment Officers determine the amount of district funds available for investment each business day. All funds that can be legally invested and that are not required for that day's controlled disbursement are considered funds available for investment.
- (6) Monitoring Investment Performance
 - (A) The Travis County Chief Investment Officer must routinely perform market and economic analysis to forecast probable market conditions for the investment period by assembling and analyzing current and trend data to develop and plan investment strategy. This analysis uses information obtained from investment advisors, brokers, investment industry publications, and investment industry information systems.
 - (B) The Travis County Chief Investment Officer monitors the current and expected yield curves for interest rate movements. When interest rates are expected to decline, maturity ranges are extended within portfolio and policy constraints. When interest rates are expected to increase, maturity ranges are shortened. The Travis County Chief Investment Officer monitors yield spreads between various government agency issues and United States notes and bonds to determine the best value. The Travis County Chief Investment Officer summarizes economic and market trend information. The Travis County Chief Investment Officer also presents recommendations for investment strategy based on economic and market conditions.
- (7) Reconciling Investment Records and General Ledger. The Travis County Investment Officers provide the President and CEO with a monthly report that states investments at par value, the identifying cusip number, the premium or discount and the interest purchased. The report includes monthly and year-to-date interest accruals and amortization/accretion of



premium/discount. The Chief Financial Officer reconciles this report to the investment accounts in the general ledger.

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

23.094 Auditor's Office

The Auditor, in conjunction with its annual financial audit, shall perform a compliance audit of management controls on investments and adherence to Travis County Healthcare District Investment and Collateral Policies and Procedures and Texas Government Code Annotated Chapter 2256, known as the Texas Public Funds Investment Act.

23.095 District Finance Department

District Finance Chief Financial Officer is the primary monitor of District transactions. The Finance Department staff prepares the general ledger and makes all entries in it. In the investment function, the Finance staff has the following responsibilities:

- (1) Posting Investments and Reconciling to the General Ledger. The Finance staff posts investment transactions, investment interest revenue received, and accrued interest income to the general ledger.
 - (A) The Chief Financial Officer reviews and approves the monthly reconciliation of investments, investment interest revenue received, and accrued interest income to the general ledger.
 - (B) The Chief Financial Officer notifies the Travis County Investment Officers if there are any discrepancies between the monthly investment report described in § 042 (7) and the general ledger so that these two entities can work together to reconcile the differences.
- (2) Reconciling Safekeeping Reports with Investments. On a quarterly basis, the Finance staff reconciles the investment securities Safekeeping Report, provided to the Treasurer by the Depository Bank, to the report of currently owned investment securities as of that date, provided by the Travis County Investment Officers.
- (3) Monitoring Arbitrage. The Finance staff monitors Travis County Healthcare District's arbitrage responsibilities, if necessary, and



provides the bond fund transaction information required by Travis County Healthcare District's arbitrage advisors.

- (4) Allocating Budget from Interest Revenue. The Finance staff allocates the interest revenue earned from investments proportionately to all funds that participate in the investment function.

23.096 President and CEO

The President and CEO is the chief custodian of District funds. The President and CEO receives funds due to Travis County Healthcare District, makes disbursements authorized by the Board of Managers after the checks are co-signed by the President and CEO and one other authorized signatory for the District, and keeps proper records of District finances. The duties of the President and CEO under this section may be carried out on a daily basis by District Finance Department staff.

(23.097 - 23.100 Reserved for expansion)

Subchapter I. Investment Purchasing Procedures

23.101 Competitive Bidding

- (a) Travis County Healthcare District requires competitive bidding for all individual security purchases except for those transactions with MMMFs, LGIPs, treasuries purchased through the Federal Reserve Treasury Direct Accounts, and for government securities purchased at issue through an approved broker/dealer at the auction price. The Travis County Investment Officers may rely not only on yield in selecting MMMFs and LGIPs but also on adherence to applicable Securities and Exchange Commission (SEC) guidelines for MMMFs and other criteria determined by her.
- (b) At least three bids or offers must be solicited in all transactions involving individual securities. For those situations where it may be impractical or unreasonable to receive three bids for an agency transaction due to secondary market availability, bids may be considered comparable for agencies with comparable structures and having maturities within 15 calendar days before and after the requested security. Competitive bidding for security swaps is also required. Bids may be solicited in any manner provided by law. All bids received must be documented and filed for auditing purposes.



- (c) At least three bids or offers must be solicited in transactions involving domestic commercial paper. These bids shall be obtained from approved broker/dealers or from a financial information source, such as Bloomberg. When bids are obtained from a financial information source, the commercial paper selected may be purchased directly from the issuer. Different issuers may be compared to select the highest yielding, domestic commercial paper. The Travis County Investment Officers may rely not only on yield in selecting commercial paper but also on other criteria determined by her. The criteria to follow when soliciting bids are as follows:
- (1) The maturity dates must be the same, and
 - (2) The method of settlement must be the same whether regular settlement next day or cash settlement same day.

23.102 Preliminary Requirements for Repurchase Agreements

Before Travis County Healthcare District enters into a repurchase agreement with any issuer, that issuer must sign a Master Repurchase Agreement approved by Board of Managers and return it to the Travis County Investment Officers for filing. All Repurchase Agreements are recommended by the Travis County Investment Officers, reviewed by Travis County Attorney's Office, and approved by Board of Managers.

23.103 Wire Transfer Procedures

- (a) In executing investment transactions, the Travis County Treasurer must use pre-formatted repetitive wire transfers, whenever possible, to restrict transfers of funds to pre-authorized accounts.
- (b) For transfer of investment funds via wire to non-county accounts, the agreement with the depository bank must require the depository bank to call the Travis County Investment Officer for confirmation that this transfer is authorized prior to the transfer.

(23.104 - 23.110 Reserved for expansion)

Subchapter J. Performance Evaluation and Reporting

23.111 Levels of Evaluation

Evaluation is conducted at several levels. The Travis County Investment Officers continually monitor and evaluate the investment performance. The Board of Managers evaluates the Travis County Investment Officers entire performance.



23.112 Performance Analysis and Reporting

The Travis County Chief Investment Officer determines the level and content of daily and weekly performance analysis and reporting. The Travis County Chief Investment Officer and the Board of Managers jointly decide the level and content of monthly performance analysis and reporting.

23.113 Quarterly Performance Analysis and Reporting

(a) The Travis County Investment Officers must prepare, provide, and sign a quarterly summary report, for each fund group, that describes in detail the investment position of Travis County Healthcare District and evaluates investment performance based on investment policy objectives. The quarterly report will identify the method and source used to monitor the market price of investments and also will indicate whether the method and source changed from the previous quarterly report. This report must be submitted to the Board of Managers. A comparison of the performance of Travis County Healthcare District's portfolio to appropriate benchmarks selected by the Travis County Chief Investment Officer is presented. The report addresses compliance with the investment policy in diversification by type and maturity. The report also includes the following information:

- (1) Cash availability,
- (2) Market review,
- (3) Investment strategy – next quarter,
- (4) Performance measurement: the standard used by Travis County Healthcare District to measure its investment return is based on the yield to maturity of all investments in the portfolio, using the stated final maturity date of each security,
- (5) Portfolio statistics,
- (6) Collateral adequacy for repurchase agreements,
- (7) Collateral adequacy for bank deposits and certificates of deposit,
- (8) Investment activity,
- (9) Market valuation:
 - (A) at beginning of quarter, and
 - (B) at end of the quarter, for each portfolio,
- (10) Distribution of investments by broker/dealer/financial institution,
- (11) Distribution of investments by type of investment,



- (12) Fully accrued interest for the reporting period,
 - (13) For each separately invested asset,
 - (A) state book value and market value at the beginning and end of the quarter by the type of asset and fund type,
 - (B) state maturity date, and
 - (C) state the fund for which it was acquired, and
 - (14) Signatures of the Travis County Chief Investment Officer and the Travis County Investment Manager certifying compliance of the Travis County Healthcare District investment portfolios with the Travis County Healthcare District investment strategy, policy and the Public Funds Investment Act.
- (b) The reference to Generally Accepted Accounting Principles in 23.113 (a) relates only to internal reporting of investments by the Travis County Chief Investment Officer as required under Texas Government Code 2256.023, and does not apply to annual financial statements and other external reports of Travis County Healthcare District as a whole.

23.115 Annual Performance Analysis and Reporting

- (a) The Travis County Chief Investment Officer compiles the quarterly reports into an annual report at the end of each fiscal year and submits it to the Investment Advisory Committee and the Commissioners Court by the end of the first quarter of the following fiscal year.
- (b) An independent auditor chosen to audit the Travis County Healthcare District's annual financial statements must formally review the quarterly investment reports that are prepared in compliance with the Public Funds Investment Act. In conjunction with this audit, Travis County Healthcare District shall perform a compliance audit of management controls on investments and adherence to this Investment Policy. This review should be performed at least annually and the results reported to Board of Managers.

(23.116 - 23.120 Reserved for expansion)

Subchapter K. Investment Policy Review And Amendment

23.121 Review Procedures

The Travis County Chief Investment Officer must review this Travis County Healthcare District Investment and Collateral Policies and Procedures annually



to make revisions due to legislative actions and changing market conditions. This review must be done by the third quarter of the calendar year after each legislative session. The Travis County Chief Investment Officer must present a summary report of the review with changes recommended to the Board of Managers. The Board of Managers must review the investment policy and strategies at least annually.

23.122 Changes to the Investment Policy

After adoption of this Travis County Healthcare District Investment and Collateral Policies and Procedures, the Board of Managers must approve any revisions to the policy manual before they become effective, by adopting a written instrument stating it has reviewed the Investment Policy and investment strategies. This written instrument must record any changes made to either the policy or strategies.

(23.123 - 23.130 Reserved for expansion)