

# RESOLUTION

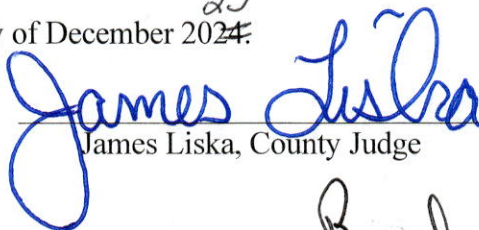
**WHEREAS**, the Live Oak County Commissioners Court has the foresight to create a Live Oak County Investment Committee in compliance of the Live Oak County Investment Policy; and

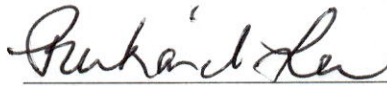
**WHEREAS**, the Treasurer Kitley Wasicek shall act as the Chairperson of said committee and be a voting member; and

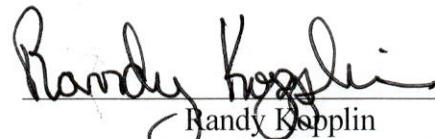
**WHEREAS**, the County Judge James Liska, Commissioner Mitchell Williams, County Auditor and Treasurer Kitley Wasicek are hereby appointed as a member of said committee and be voting members, and


**NOW THEREFORE BE IT RESOLVED**, the Investment Committee is charged with the taking reasonable measures to ensure compliance with the Public Funds Investment Act and the Live Oak County Investment Policy.

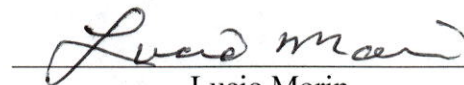
Approved this the 29<sup>th</sup> day of December 20<sup>23</sup>


  
James Liska, County Judge

  
Richard Lee  
Commissioner Precinct 1

  
Randy Kopplin  
Commissioner Precinct 2

  
Mitchell Williams  
Commissioner Precinct 3

  
Lucio Morin  
Commissioner Precinct 4

Attest:   
Donna VanWay, County Clerk

# 85<sup>th</sup> (R) and 85<sup>th</sup> (1) Texas Statutes

Excerpts as pertains to County Government and Live Oak County Investment Policy

Complete Statutes may be found at [www.statutes.legis.state.tx.us](http://www.statutes.legis.state.tx.us)

## LOCAL GOVERNMENT CODE

### TITLE 4. FINANCES

#### SUBTITLE B. COUNTY FINANCES

#### CHAPTER 113. MANAGEMENT OF COUNTY MONEY

##### SUBCHAPTER A. GENERAL PROVISIONS

Sec. 113.005. LIABILITY OF COUNTY TREASURER. (a) The county treasurer is not responsible for any loss of the county funds through the failure or negligence of a depository. This subsection does not release the treasurer from responsibility for a loss resulting from the official misconduct or negligence of the treasurer, including a misappropriation of the funds, or from responsibility for funds until a depository is selected and the funds are deposited.

(b) A treasurer who diverts money from an interest and sinking fund or who applies money in that fund for a purpose other than as permitted by Section 113.041(h) is:

- (1) subject to a penalty of not less than \$500 or more than \$1,000; and
- (2) liable for the amount of money that is diverted.

(c) The state is entitled to recover a penalty imposed under Subsection (b)(1). The amount of diverted money that is recovered under Subsection (b)(2) shall be paid into the county treasury to the credit of the fund from which it was diverted.

(d) The attorney general or the district attorney of the district in which the treasurer resides, or the county attorney in a county that is not served by a district attorney, may institute suit against the treasurer and the sureties on the treasurer's official bond to recover the amounts described by Subsection (b).

LOCAL GOVERNMENT CODE  
TITLE 4. FINANCES  
SUBTITLE B. COUNTY FINANCES  
CHAPTER 116. DEPOSITORIES FOR COUNTY PUBLIC FUNDS  
SUBCHAPTER A. GENERAL PROVISIONS

Sec. 116.112. INVESTMENT OF FUNDS. (a) The commissioners court may direct the county treasurer to withdraw any county funds deposited in a county depository that are not immediately required to pay obligations of the county and invest those funds as provided by this section unless such an investment or withdrawal is prohibited by law or the withdrawal is contrary to the terms of the depository contract.

(b) The funds may be invested in accordance with Subchapter A, Chapter 2256, Government Code. In addition to the obligations, certificates, and agreements described by that Act, the funds may be invested in certificates of deposit issued by a state or federal savings and loan association domiciled in this state, the payment of which is insured in full by the Federal Savings and Loan Insurance Corporation or its successor.

(c) If a county purchases a security repurchase agreement, the agreement must be purchased under a master contractual agreement that specifies the rights and obligations of both parties and that requires that securities involved in the transaction be held in a safekeeping account subject to the control and custody of the county.

GOVERNMENT CODE  
TITLE 10. GENERAL GOVERNMENT  
SUBTITLE F. STATE AND LOCAL CONTRACTS AND FUND MANAGEMENT  
CHAPTER 2256. PUBLIC FUNDS INVESTMENT  
SUBCHAPTER A. AUTHORIZED INVESTMENTS FOR GOVERNMENTAL ENTITIES

Sec. 2256.001. SHORT TITLE. This chapter may be cited as the Public Funds Investment Act.

Sec. 2256.002. DEFINITIONS. In this chapter:

(1) "Bond proceeds" means the proceeds from the sale of bonds, notes, and other obligations issued by an entity, and reserves and funds maintained by an entity for debt service purposes.

(2) "Book value" means the original acquisition cost of an investment plus or minus the accrued amortization or accretion.

(3) "Funds" means public funds in the custody of a state agency or local government that:

(A) are not required by law to be deposited in the state treasury; and

(B) the investing entity has authority to invest.

(4) "Institution of higher education" has the meaning assigned by Section 61.003, Education Code.

(5) "Investing entity" and "entity" mean an entity subject to this chapter and described by Section

2256.003.

(6) "Investment pool" means an entity created under this code to invest public funds jointly on behalf of the entities that participate in the pool and whose investment objectives in order of priority are:

(A) preservation and safety of principal;

(B) liquidity; and

(C) yield.

(7) "Local government" means a municipality, a county, a school district, a district or authority created under Section 52(b)(1) or (2), Article III, or Section 59, Article XVI, Texas Constitution, a fresh water supply district, a hospital district, and any political subdivision, authority, public corporation, body politic, or instrumentality of the State of Texas, and any nonprofit corporation acting on behalf of any of those entities.

(8) "Market value" means the current face or par value of an investment multiplied by the net selling price of the security as quoted by a recognized market pricing source quoted on the valuation date.

(9) "Pooled fund group" means an internally created fund of an investing entity in which one or more institutional accounts of the investing entity are invested.

(10) "Qualified representative" means a person who holds a position with a business organization, who is authorized to act on behalf of the business organization, and who is one of the following:

(A) for a business organization doing business that is regulated by or registered with a securities commission, a person who is registered under the rules of the National Association of Securities Dealers;

(B) for a state or federal bank, a savings bank, or a state or federal credit union, a member of the loan committee for the bank or branch of the bank or a person authorized by corporate resolution to act on behalf of and bind the banking institution;

(C) for an investment pool, the person authorized by the elected official or board with authority to administer the activities of the investment pool to sign the written instrument on behalf of the investment pool; or

(D) for an investment management firm registered under the Investment Advisers Act of 1940 (15 U.S.C. Section 80b-1 et seq.) or, if not subject to registration under that Act, registered with the State Securities Board, a person who is an officer or principal of the investment management firm.

(11) "School district" means a public school district.

(12) "Separately invested asset" means an account or fund of a state agency or local government that is not invested in a pooled fund group.

(13) "State agency" means an office, department, commission, board, or other agency that is part of any branch of state government, an institution of higher education, and any nonprofit corporation acting on behalf of any of those entities.

Sec. 2256.003. AUTHORITY TO INVEST FUNDS; ENTITIES SUBJECT TO THIS CHAPTER. (a) Each governing body of the following entities may purchase, sell, and invest its funds and funds under its control in investments authorized under this subchapter in compliance with investment policies approved by the governing body and according to the standard of care prescribed by Section 2256.006:

(1) a local government;

- (2) a state agency;
- (3) a nonprofit corporation acting on behalf of a local government or a state agency; or
- (4) an investment pool acting on behalf of two or more local governments, state agencies, or a combination

of those entities.

(b) In the exercise of its powers under Subsection (a), the governing body of an investing entity may contract with an investment management firm registered under the Investment Advisers Act of 1940 (15 U.S.C. Section 80b-1 et seq.) or with the State Securities Board to provide for the investment and management of its public funds or other funds under its control. A contract made under authority of this subsection may not be for a term longer than two years. A renewal or extension of the contract must be made by the governing body of the investing entity by order, ordinance, or resolution.

(c) This chapter does not prohibit an investing entity or investment officer from using the entity's employees or the services of a contractor of the entity to aid the investment officer in the execution of the officer's duties under this chapter.

Sec. 2256.004. APPLICABILITY. (a) This subchapter does not apply to:

- (1) a public retirement system as defined by Section 802.001;
- (2) state funds invested as authorized by Section 404.024;
- (3) an institution of higher education having total endowments of at least \$150 million in book value on

September 1, 2017;

- (4) funds invested by the Veterans' Land Board as authorized by Chapter 161, 162, or 164, Natural

Resources Code;

- (5) registry funds deposited with the county or district clerk under Chapter 117, Local Government Code;

or

(6) a deferred compensation plan that qualifies under either Section 401(k) or 457 of the Internal Revenue Code of 1986 (26 U.S.C. Section 1 et seq.), as amended.

(b) This subchapter does not apply to an investment donated to an investing entity for a particular purpose or under terms of use specified by the donor.

Sec. 2256.005. INVESTMENT POLICIES; INVESTMENT STRATEGIES; INVESTMENT OFFICER. (a) The governing body of an investing entity shall adopt by rule, order, ordinance, or resolution, as appropriate, a written investment policy regarding the investment of its funds and funds under its control.

(b) The investment policies must:

- (1) be written;
- (2) primarily emphasize safety of principal and liquidity;
- (3) address investment diversification, yield, and maturity and the quality and capability of investment

management; and

(4) include:

(A) a list of the types of authorized investments in which the investing entity's funds may be

invested;

(B) the maximum allowable stated maturity of any individual investment owned by the entity;

(C) for pooled fund groups, the maximum dollar-weighted average maturity allowed based on the stated maturity date for the portfolio;

(D) methods to monitor the market price of investments acquired with public funds;

(E) a requirement for settlement of all transactions, except investment pool funds and mutual funds, on a delivery versus payment basis; and

(F) procedures to monitor rating changes in investments acquired with public funds and the liquidation of such investments consistent with the provisions of Section 2256.021.

(c) The investment policies may provide that bids for certificates of deposit be solicited:

- (1) orally;
- (2) in writing;
- (3) electronically; or
- (4) in any combination of those methods.

(d) As an integral part of an investment policy, the governing body shall adopt a separate written investment strategy for each of the funds or group of funds under its control. Each investment strategy must describe the investment objectives for the particular fund using the following priorities in order of importance:

- (1) understanding of the suitability of the investment to the financial requirements of the entity;
- (2) preservation and safety of principal;
- (3) liquidity;
- (4) marketability of the investment if the need arises to liquidate the investment before maturity;
- (5) diversification of the investment portfolio; and
- (6) yield.

(e) The governing body of an investing entity shall review its investment policy and investment strategies not less than annually. The governing body shall adopt a written instrument by rule, order, ordinance, or resolution stating that it has reviewed the investment policy and investment strategies and that the written instrument so adopted shall record any changes made to either the investment policy or investment strategies.

(f) Each investing entity shall designate, by rule, order, ordinance, or resolution, as appropriate, one or more officers or employees of the state agency, local government, or investment pool as investment officer to be responsible for the investment of its funds consistent with the investment policy adopted by the entity. If the governing body of an investing entity has contracted with another investing entity to invest its funds, the investment officer of the other investing entity is considered to be the investment officer of the first investing entity for purposes of this chapter. Authority granted to a person to invest an entity's funds is effective until rescinded by the investing entity, until the expiration of the officer's term or the termination of the person's employment by the investing entity, or if an investment management firm, until the expiration of the contract with the investing entity. In the administration of the duties of an investment officer, the person designated as investment officer shall exercise the judgment and care, under prevailing circumstances, that a prudent person would exercise in the management of the person's own affairs, but the governing body of the investing entity retains ultimate responsibility as fiduciaries of the assets of the entity. Unless authorized by law, a person may not deposit, withdraw, transfer, or manage in any other manner the funds of the investing entity.

(g) Subsection (f) does not apply to a state agency, local government, or investment pool for which an officer of the entity is assigned by law the function of investing its funds.

Text of subsec. (h) as amended by Acts 1997, 75th Leg., ch. 685, Sec. 1

(h) An officer or employee of a commission created under Chapter 391, Local Government Code, is ineligible to be an investment officer for the commission under Subsection (f) if the officer or employee is an investment officer designated under Subsection (f) for another local government.

Text of subsec. (h) as amended by Acts 1997, 75th Leg., ch. 1421, Sec. 3

(h) An officer or employee of a commission created under Chapter 391, Local Government Code, is ineligible to be designated as an investment officer under Subsection (f) for any investing entity other than for that commission.

(i) An investment officer of an entity who has a personal business relationship with a business organization offering to engage in an investment transaction with the entity shall file a statement disclosing that personal business interest. An investment officer who is related within the second degree by affinity or consanguinity, as determined under Chapter 573, to an individual seeking to sell an investment to the investment officer's entity shall file a statement disclosing that relationship. A statement required under this subsection must be filed with the Texas Ethics Commission and the governing body of the entity. For purposes of this subsection, an investment officer has a personal business relationship with a business organization if:

- (1) the investment officer owns 10 percent or more of the voting stock or shares of the business organization or owns \$5,000 or more of the fair market value of the business organization;
- (2) funds received by the investment officer from the business organization exceed 10 percent of the investment officer's gross income for the previous year; or
- (3) the investment officer has acquired from the business organization during the previous year investments with a book value of \$2,500 or more for the personal account of the investment officer.

(j) The governing body of an investing entity may specify in its investment policy that any investment authorized by this chapter is not suitable.

(k) A written copy of the investment policy shall be presented to any business organization offering to engage in an investment transaction with an investing entity. For purposes of this subsection and Subsection (l), "business organization" means an investment pool or investment management firm under contract with an investing entity to invest or manage the entity's investment portfolio that has accepted authority granted by the entity under the contract to exercise investment discretion in regard to the investing entity's funds. Nothing in this subsection relieves the investing entity of the responsibility for monitoring the investments made by the investing entity to determine that they are in compliance with the investment policy. The qualified representative of the business organization offering to engage in an investment transaction with an investing entity shall execute a written instrument in a form acceptable to the investing entity and the business organization substantially to the effect that the business organization has:

- (1) received and reviewed the investment policy of the entity; and
- (2) acknowledged that the business organization has implemented reasonable procedures and controls in an effort to preclude investment transactions conducted between the entity and the organization that are not authorized by the entity's investment policy, except to the extent that this authorization:
  - (A) is dependent on an analysis of the makeup of the entity's entire portfolio;
  - (B) requires an interpretation of subjective investment standards; or
  - (C) relates to investment transactions of the entity that are not made through accounts or other contractual arrangements over which the business organization has accepted discretionary investment authority.

(l) The investment officer of an entity may not acquire or otherwise obtain any authorized investment described in the investment policy of the investing entity from a business organization that has not delivered to the entity the instrument required by Subsection (k).

(m) An investing entity other than a state agency, in conjunction with its annual financial audit, shall perform a compliance audit of management controls on investments and adherence to the entity's established investment policies.

(n) Except as provided by Subsection (o), at least once every two years a state agency shall arrange for a compliance audit of management controls on investments and adherence to the agency's established investment policies. The compliance audit shall be performed by the agency's internal auditor or by a private auditor employed in the manner provided by Section 321.020. Not later than January 1 of each even-numbered year a state agency shall report the results of the most recent audit performed under this subsection to the state auditor. Subject to a risk assessment and to the legislative audit committee's approval of including a review by the state auditor in the audit plan under Section 321.013, the state auditor may review information provided under this section. If review by the state auditor is approved by the legislative audit committee, the state auditor may, based on its review, require a state agency to also report to the state auditor other information the state auditor determines necessary to assess compliance with laws and policies applicable to state agency investments. A report under this subsection shall be prepared in a manner the state auditor prescribes.

(o) The audit requirements of Subsection (n) do not apply to assets of a state agency that are invested by the comptroller under Section 404.024.

Sec. 2256.006. STANDARD OF CARE. (a) 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:

- (1) preservation and safety of principal;
- (2) liquidity; and
- (3) yield.

(b) In determining whether an investment officer has exercised prudence with respect to an investment decision, the determination shall be made taking into consideration:

- (1) the investment of all funds, or funds under the entity's control, over which the officer had responsibility rather than a consideration as to the prudence of a single investment; and
- (2) whether the investment decision was consistent with the written investment policy of the entity.

Sec. 2256.008. INVESTMENT TRAINING; LOCAL GOVERNMENTS.

(a) Except as provided by Subsections (a-1), (b), (b-1), (e), and (f), the treasurer, the chief financial officer if the treasurer is not the chief financial officer, and the investment officer of a local government shall:

- (1) attend at least one training session from an independent source approved by the governing body of the local government or a designated investment committee advising the investment officer as provided for in the investment policy of the local government and containing at least 10 hours of instruction relating to the treasurer's or officer's responsibilities under this subchapter within 12 months after taking office or assuming duties; and
- (2) attend an investment training session not less than once in a two-year period that begins on the first day of that local government's fiscal year and consists of the two consecutive fiscal years after that date, and receive not less than 10 hours of instruction relating to investment responsibilities under this subchapter from an independent source approved by the governing body of the local government or a designated investment committee advising the investment officer as provided for in the investment policy of the local government.

Sec. 2256.009. AUTHORIZED INVESTMENTS: OBLIGATIONS OF, OR GUARANTEED BY GOVERNMENTAL ENTITIES. (a) Except as provided by Subsection (b), the following are authorized investments under this subchapter:

- (1) obligations, including letters of credit, of the United States or its agencies and instrumentalities, including the Federal Home Loan Banks;
- (2) direct obligations of this state or its agencies and instrumentalities;
- (3) collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States;
- (4) other obligations, the principal and interest 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;
- (5) obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than A or its equivalent;
- (6) bonds issued, assumed, or guaranteed by the State of Israel;

- (7) interest-bearing banking deposits that are guaranteed or insured by:
  - (A) the Federal Deposit Insurance Corporation or its successor; or
  - (B) the National Credit Union Share Insurance Fund or its successor; and
- (8) interest-bearing banking deposits other than those described by Subdivision (7) if:
  - (A) the funds invested in the banking deposits are invested through:
    - (i) 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

(ii) a depository institution with a main office or branch office in this state that the investing entity selects;

(B) the broker or depository institution selected as described by Paragraph (A) 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;

(C) 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

(D) the investing entity appoints as the entity's custodian of the banking deposits issued for the entity's account:

(i) the depository institution selected as described by Paragraph (A);

(ii) an entity described by Section 2257.041(d); or

(iii) a clearing broker dealer 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).

(b) The following are not authorized investments under this section:

(1) obligations whose payment represents the coupon payments on the outstanding principal balance of the underlying mortgage-backed security collateral and pays no principal;

(2) obligations whose payment represents the principal stream of cash flow from the underlying mortgage-backed security collateral and bears no interest;

(3) collateralized mortgage obligations that have a stated final maturity date of greater than 10 years; and

(4) collateralized mortgage obligations the interest rate of which is determined by an index that adjusts opposite to the changes in a market index.

Sec. 2256.010. AUTHORIZED INVESTMENTS: CERTIFICATES OF DEPOSIT AND SHARE CERTIFICATES. (a) A certificate of deposit or share certificate is an authorized investment under this subchapter if the certificate is issued by a depository institution that has its main office or a branch office in this state and is:

(1) guaranteed or insured by the Federal Deposit Insurance Corporation or its successor or the National Credit Union Share Insurance Fund or its successor;

(2) secured by obligations that are described by Section 2256.009(a), including mortgage backed securities directly issued by a federal agency or instrumentality that have a market value of not less than the principal amount of the certificates, but excluding those mortgage backed securities of the nature described by Section 2256.009(b); or

(3) secured in accordance with Chapter 2257 or in any other manner and amount provided by law for deposits of the investing entity.

(b) In addition to the authority to invest funds in certificates of deposit under Subsection (a), an investment in certificates of deposit made in accordance with the following conditions is an authorized investment under this subchapter:

(1) the funds are invested by an investing entity through:

(A) a broker that has its main office or a branch office in this state and is selected from a list adopted by the investing entity as required by Section 2256.025; or

(B) a depository institution that has its main office or a branch office in this state and that is selected by the investing entity;

(2) the broker or the depository institution selected by the investing entity under Subdivision (1) arranges for the deposit of the funds in certificates of deposit in one or more federally insured depository institutions, wherever located, for the account of the investing entity;

(3) the full amount of the principal and accrued interest of each of the certificates of deposit is insured by the United States or an instrumentality of the United States; and

(4) the investing entity appoints the depository institution selected by the investing entity under Subdivision (1), an entity described by Section 2257.041(d), or a clearing broker-dealer registered with the Securities and Exchange Commission and operating pursuant to Securities and Exchange Commission Rule 15c3-3 (17 C.F.R. Section 240.15c3-3) as custodian for the investing entity with respect to the certificates of deposit issued for the account of the investing entity.

Sec. 2256.011. AUTHORIZED INVESTMENTS: REPURCHASE AGREEMENTS. (a) A fully collateralized repurchase agreement is an authorized investment under this subchapter if the repurchase agreement:



(1) has a defined termination date;  
(2) is secured by a combination of cash and obligations described by Section 2256.009(a)(1); and  
(3) requires the securities being purchased by the entity or cash held by the entity to be pledged to the entity, held in the entity's name, and deposited at the time the investment is made with the entity or with a third party selected and approved by the entity; and

(4) is placed through a primary government securities dealer, as defined by the Federal Reserve, or a financial institution doing business in this state.

(b) In this section, "repurchase agreement" means a simultaneous agreement to buy, hold for a specified time, and sell back at a future date obligations described by Section 2256.009(a)(1), at a market value at the time the funds are disbursed of not less than the principal amount of the funds disbursed. The term includes a direct security repurchase agreement and a reverse security repurchase agreement.

(c) Notwithstanding any other law, the term of any reverse security repurchase agreement may not exceed 90 days after the date the reverse security repurchase agreement is delivered.

(d) Money received by an entity under the terms of a reverse security repurchase agreement shall be used to acquire additional authorized investments, but the term of the authorized investments acquired must mature not later than the expiration date stated in the reverse security repurchase agreement.

(e) Section 1371.059(c) applies to the execution of a repurchase agreement by an investing entity.

Sec. 2256.0115. AUTHORIZED INVESTMENTS: SECURITIES LENDING PROGRAM. (a) A securities lending program is an authorized investment under this subchapter if it meets the conditions provided by this section.

(b) To qualify as an authorized investment under this subchapter:

(1) the value of securities loaned under the program must be not less than 100 percent collateralized, including accrued income;

(2) a loan made under the program must allow for termination at any time;

(3) a loan made under the program must be secured by:

(A) pledged securities described by Section 2256.009;

(B) pledged irrevocable letters of credit issued by a bank that is:

(i) organized and existing under the laws of the United States or any other state; and

(ii) continuously rated by at least one nationally recognized investment rating firm at not

less than A or its equivalent; or

(C) cash invested in accordance with Section:

(i) 2256.009;

(ii) 2256.013;

(iii) 2256.014; or

(iv) 2256.016;

(4) the terms of a loan made under the program must require that the securities being held as collateral be:

(A) pledged to the investing entity;

(B) held in the investing entity's name; and

(C) deposited at the time the investment is made with the entity or with a third party selected by or approved by the investing entity;

(5) a loan made under the program must be placed through:

(A) a primary government securities dealer, as defined by 5 C.F.R. Section 6801.102(f), as that regulation existed on September 1, 2003; or

(B) a financial institution doing business in this state; and

(6) an agreement to lend securities that is executed under this section must have a term of one year or less.

Sec. 2256.012. AUTHORIZED INVESTMENTS: BANKER'S ACCEPTANCES. A bankers' acceptance is an authorized investment under this subchapter if the bankers' acceptance:

(1) has a stated maturity of 270 days or fewer from the date of its issuance;

(2) will be, in accordance with its terms, liquidated in full at maturity;

(3) is eligible for collateral for borrowing from a Federal Reserve Bank; and

(4) is accepted by a bank organized and existing under the laws of the United States or any state, if the short-term obligations of the bank, or of a bank holding company of which the bank is the largest subsidiary, are rated not less than A-1 or P-1 or an equivalent rating by at least one nationally recognized credit rating agency.

Sec. 2256.013. AUTHORIZED INVESTMENTS: COMMERCIAL PAPER. Commercial paper is an authorized investment under this subchapter if the commercial paper:

(1) has a stated maturity of 270 days or fewer from the date of its issuance; and

(2) is rated not less than A-1 or P-1 or an equivalent rating by at least:

(A) two nationally recognized credit rating agencies; or

(B) one nationally recognized credit rating agency and is fully secured by an irrevocable letter of credit issued by a bank organized and existing under the laws of the United States or any state.

Sec. 2256.014. AUTHORIZED INVESTMENTS: MUTUAL FUNDS.

(a) A no-load money market mutual fund is an authorized investment under this subchapter if the mutual fund:

(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.).

(b) In addition to a no-load money market mutual fund permitted as an authorized investment in Subsection (a), a no-load mutual fund is an authorized investment under this subchapter if the mutual fund:

(1) is registered with the Securities and Exchange Commission;

(2) has an average weighted maturity of less than two years; and

(3) either:

(A) has a duration of one year or more and is invested exclusively in obligations approved by this subchapter; or

(B) has a duration of less than one year and the investment portfolio is limited to investment grade securities, excluding asset-backed securities.

(c) An entity is not authorized by this section to:

(1) invest in the aggregate more than 15 percent of its monthly average fund balance, excluding bond proceeds and reserves and other funds held for debt service, in mutual funds described in Subsection (b);

(2) invest any portion of bond proceeds, reserves and funds held for debt service, in mutual funds described in Subsection (b); or

(3) invest its funds or funds under its control, including bond proceeds and reserves and other funds held for debt service, in any one mutual fund described in Subsection (a) or (b) in an amount that exceeds 10 percent of the total assets of the mutual fund.

Sec. 2256.015. AUTHORIZED INVESTMENTS: GUARANTEED INVESTMENT CONTRACTS. (a) A guaranteed investment contract is an authorized investment for bond proceeds under this subchapter if the guaranteed investment contract:

(1) has a defined termination date;

(2) is secured by obligations described by Section 2256.009(a)(1), excluding those obligations described by Section 2256.009(b), in an amount at least equal to the amount of bond proceeds invested under the contract; and

(3) is pledged to the entity and deposited with the entity or with a third party selected and approved by the entity.

(b) Bond proceeds, other than bond proceeds representing reserves and funds maintained for debt service purposes, may not be invested under this subchapter in a guaranteed investment contract with a term of longer than five years from the date of issuance of the bonds.

(c) To be eligible as an authorized investment:

(1) the governing body of the entity must specifically authorize guaranteed investment contracts as an eligible investment in the order, ordinance, or resolution authorizing the issuance of bonds;

(2) the entity must receive bids from at least three separate providers with no material financial interest in the bonds from which proceeds were received;

(3) the entity must purchase the highest yielding guaranteed investment contract for which a qualifying bid is received;

(4) the price of the guaranteed investment contract must take into account the reasonably expected drawdown schedule for the bond proceeds to be invested; and

(5) the provider must certify the administrative costs reasonably expected to be paid to third parties in connection with the guaranteed investment contract.

(d) Section 1371.059(c) applies to the execution of a guaranteed investment contract by an investing entity.

Sec. 2256.016. AUTHORIZED INVESTMENTS: INVESTMENT POOLS. (a) An entity may invest its funds and funds under its control through an eligible investment pool if the governing body of the entity by rule, order, ordinance, or resolution, as appropriate, authorizes investment in the particular pool. An investment pool shall invest the funds it receives from entities in authorized investments permitted by this subchapter. An investment pool may invest its funds in money market mutual funds to the extent permitted by and consistent with this subchapter and the investment policies and objectives adopted by the investment pool.

(b) To be eligible to receive funds from and invest funds on behalf of an entity under this chapter, an investment pool must furnish to the investment officer or other authorized representative of the entity an offering circular or other similar disclosure instrument that contains, at a minimum, the following information:

- (1) the types of investments in which money is allowed to be invested;
- (2) the maximum average dollar-weighted maturity allowed, based on the stated maturity date, of the pool;
- (3) the maximum stated maturity date any investment security within the portfolio has;
- (4) the objectives of the pool;
- (5) the size of the pool;
- (6) the names of the members of the advisory board of the pool and the dates their terms expire;
- (7) the custodian bank that will safekeep the pool's assets;
- (8) whether the intent of the pool is to maintain a net asset value of one dollar and the risk of market price fluctuation;
- (9) whether the only source of payment is the assets of the pool at market value or whether there is a secondary source of payment, such as insurance or guarantees, and a description of the secondary source of payment;
- (10) the name and address of the independent auditor of the pool;
- (11) the requirements to be satisfied for an entity to deposit funds in and withdraw funds from the pool and any deadlines or other operating policies required for the entity to invest funds in and withdraw funds from the pool;
- (12) the performance history of the pool, including yield, average dollar-weighted maturities, and expense ratios; and
- (13) the pool's policy regarding holding deposits in cash.

(c) To maintain eligibility to receive funds from and invest funds on behalf of an entity under this chapter, an investment pool must furnish to the investment officer or other authorized representative of the entity:

- (1) investment transaction confirmations; and
- (2) a monthly report that contains, at a minimum, the following information:
  - (A) the types and percentage breakdown of securities in which the pool is invested;
  - (B) the current average dollar-weighted maturity, based on the stated maturity date, of the pool;
  - (C) the current percentage of the pool's portfolio in investments that have stated maturities of more than one year;
  - (D) the book value versus the market value of the pool's portfolio, using amortized cost valuation;
  - (E) the size of the pool;
  - (F) the number of participants in the pool;
  - (G) the custodian bank that is safekeeping the assets of the pool;
  - (H) a listing of daily transaction activity of the entity participating in the pool;
  - (I) the yield and expense ratio of the pool, including a statement regarding how yield is calculated;
  - (J) the portfolio managers of the pool; and
  - (K) any changes or addenda to the offering circular.

(d) An entity by contract may delegate to an investment pool the authority to hold legal title as custodian of investments purchased with its local funds.

(e) In this section, "yield" shall be calculated in accordance with regulations governing the registration of open-end management investment companies under the Investment Company Act of 1940, as promulgated from time to time by the federal Securities and Exchange Commission.

(f) To be eligible to receive funds from and invest funds on behalf of an entity under this chapter, a public funds investment pool that uses amortized cost or fair value accounting must mark its portfolio to market daily, and, to the extent reasonably possible, stabilize at a \$1.00 net asset value, when rounded and expressed to two decimal places. If the ratio of the market value of the portfolio divided by the book value of the portfolio is less than 0.995 or greater than 1.005, the governing body of the public funds investment pool shall take action as the body determines necessary to eliminate or reduce to the extent reasonably practicable any dilution or unfair result to existing participants, including a sale of portfolio holdings to attempt to maintain the ratio between 0.995 and 1.005. In addition to the requirements of its investment policy and any other forms of reporting, a public funds investment pool that uses amortized cost shall report yield to its investors in accordance with regulations of the federal Securities and Exchange Commission applicable to reporting by money market funds.

(g) To be eligible to receive funds from and invest funds on behalf of an entity under this chapter, a public funds investment pool must have an advisory board composed:

- (1) equally of participants in the pool and other persons who do not have a business relationship with the pool and are qualified to advise the pool, for a public funds investment pool created under Chapter 791 and managed by a state agency; or
- (2) of participants in the pool and other persons who do not have a business relationship with the pool and are qualified to advise the pool, for other investment pools.

(h) To maintain eligibility to receive funds from and invest funds on behalf of an entity under this chapter, an investment pool must be continuously rated no lower than AAA or AAA-m or at an equivalent rating by at least one nationally recognized rating service.

(i) If the investment pool operates an Internet website, the information in a disclosure instrument or report described in Subsections (b), (c)(2), and (f) must be posted on the website.

(j) To maintain eligibility to receive funds from and invest funds on behalf of an entity under this chapter, an investment pool must make available to the entity an annual audited financial statement of the investment pool in which the entity has funds invested.

(k) If an investment pool offers fee breakpoints based on fund balances invested, the investment pool in advertising investment rates must include either all levels of return based on the breakpoints provided or state the lowest possible level of return based on the smallest level of funds invested.

Sec. 2256.017. EXISTING INVESTMENTS. Except as provided by Chapter 2270, an entity is not required to liquidate investments that were authorized investments at the time of purchase.

Sec. 2256.019. RATING OF CERTAIN INVESTMENT POOLS. A public funds investment pool must be continuously rated no lower than AAA or AAA-m or at an equivalent rating by at least one nationally recognized rating service.

Sec. 2256.020. AUTHORIZED INVESTMENTS: INSTITUTIONS OF HIGHER EDUCATION. In addition to the authorized investments permitted by this subchapter, an institution of higher education may purchase, sell, and invest its funds and funds under its control in the following:

- (1) cash management and fixed income funds sponsored by organizations exempt from federal income taxation under Section 501(f), Internal Revenue Code of 1986 (26 U.S.C. Section 501(f));
- (2) negotiable certificates of deposit issued by a bank that has a certificate of deposit rating of at least 1 or the equivalent by a nationally recognized credit rating agency or that is associated with a holding company having a commercial paper rating of at least A-1, P-1, or the equivalent by a nationally recognized credit rating agency; and
- (3) corporate bonds, debentures, or similar debt obligations rated by a nationally recognized investment rating firm in one of the two highest long-term rating categories, without regard to gradations within those categories.

Sec. 2256.021. EFFECT OF LOSS OF REQUIRED RATING. An investment that requires a minimum rating under this subchapter does not qualify as an authorized investment during the period the investment does not have the minimum rating. An entity shall take all prudent measures that are consistent with its investment policy to liquidate an investment that does not have the minimum rating.

Sec. 2256.023. INTERNAL MANAGEMENT REPORTS. (a) Not less than quarterly, the investment officer shall prepare and submit to the governing body of the entity a written report of investment transactions for all funds covered by this chapter for the preceding reporting period.

- (b) The report must:
- (1) describe in detail the investment position of the entity on the date of the report;
  - (2) be prepared jointly by all investment officers of the entity;
  - (3) be signed by each investment officer of the entity;
  - (4) contain a summary statement of each pooled fund group that states the:
    - (A) beginning market value for the reporting period;
    - (B) ending market value for the period; and
    - (C) fully accrued interest for the reporting period;
  - (5) state the book value and market value of each separately invested asset at the end of the reporting period by the type of asset and fund type invested;
  - (6) state the maturity date of each separately invested asset that has a maturity date;
  - (7) state the account or fund or pooled group fund in the state agency or local government for which each individual investment was acquired; and
  - (8) state the compliance of the investment portfolio of the state agency or local government as it relates to:
    - (A) the investment strategy expressed in the agency's or local government's investment policy;
    - (B) relevant provisions of this chapter.
- and

(c) The report shall be presented not less than quarterly to the governing body and the chief executive officer of the entity within a reasonable time after the end of the period.

(d) If an entity invests in other than money market mutual funds, investment pools or accounts offered by its depository bank in the form of certificates of deposit, or money market accounts or similar accounts, the reports prepared by the investment officers under this section shall be formally reviewed at least annually by an independent auditor, and the result of the review shall be reported to the governing body by that auditor.

Sec. 2256.024. SUBCHAPTER CUMULATIVE. (a) The authority granted by this subchapter is in addition to that granted by other law. Except as provided by Subsection (b) and Section 2256.017, this subchapter does not:

- (1) prohibit an investment specifically authorized by other law; or
- (2) authorize an investment specifically prohibited by other law.

(b) Except with respect to those investing entities described in Subsection (c), a security described in Section 2256.009(b) is not an authorized investment for a state agency, a local government, or another investing entity, notwithstanding any other provision of this chapter or other law to the contrary.

(c) Mortgage pass-through certificates and individual mortgage loans that may constitute an investment described in Section 2256.009(b) are authorized investments with respect to the housing bond programs operated by:

- (1) the Texas Department of Housing and Community Affairs or a nonprofit corporation created to act on its behalf;
- (2) an entity created under Chapter 392, Local Government Code; or
- (3) an entity created under Chapter 394, Local Government Code.

Sec. 2256.025. SELECTION OF AUTHORIZED BROKERS. The governing body of an entity subject to this subchapter or the designated investment committee of the entity shall, at least annually, review, revise, and adopt a list of qualified brokers that are authorized to engage in investment transactions with the entity.

Sec. 2256.026. STATUTORY COMPLIANCE. All investments made by entities must comply with this subchapter and all federal, state, and local statutes, rules, or regulations.

#### SUBCHAPTER B. MISCELLANEOUS PROVISIONS

Sec. 2256.051. ELECTRONIC FUNDS TRANSFER. Any local government may use electronic means to transfer or invest all funds collected or controlled by the local government.

GOVERNMENT CODE  
TITLE 10. GENERAL GOVERNMENT  
SUBTITLE F. STATE AND LOCAL CONTRACTS AND FUND MANAGEMENT  
CHAPTER 2257. COLLATERAL FOR PUBLIC FUNDS  
SUBCHAPTER A. GENERAL PROVISIONS

Sec. 2257.001. SHORT TITLE. This chapter may be cited as the Public Funds Collateral Act.

Sec. 2257.002. DEFINITIONS. In this chapter:

- (1) "Bank holding company" has the meaning assigned by Section 31.002(a), Finance Code.
- (2) "Control" has the meaning assigned by Section 31.002(a), Finance Code.
- (3) "Deposit of public funds" means public funds of a public entity that:
  - (A) the comptroller does not manage under Chapter 404; and
  - (B) are held as a demand or time deposit by a depository institution expressly authorized by law to accept a public entity's demand or time deposit.
- (4) "Eligible security" means:
  - (A) a surety bond;
  - (B) an investment security;
  - (C) an ownership or beneficial interest in an investment security, other than an option contract to purchase or sell an investment security;
  - (D) a fixed-rate collateralized mortgage obligation that has an expected weighted average life of 10 years or less and does not constitute a high-risk mortgage security;
  - (E) a floating-rate collateralized mortgage obligation that does not constitute a high-risk mortgage security; or
  - (F) a letter of credit issued by a federal home loan bank.
- (5) "Investment security" means:
  - (A) an obligation that in the opinion of the attorney general of the United States is a general obligation of the United States and backed by its full faith and credit;
  - (B) a general or special obligation issued by a public agency that is payable from taxes, revenues, or a combination of taxes and revenues; or
  - (C) a security in which a public entity may invest under Subchapter A, Chapter 2256.
- (6) "Permitted institution" means:
  - (A) a Federal Reserve Bank;
  - (B) a clearing corporation, as defined by Section 8.102, Business & Commerce Code;
  - (C) a bank eligible to be a custodian under Section 2257.041; or
  - (D) a state or nationally chartered bank that is controlled by a bank holding company that controls a bank eligible to be a custodian under Section 2257.041.
- (7) "Public agency" means a state or a political or governmental entity, agency, instrumentality, or subdivision of a state, including a municipality, an institution of higher education, as defined by Section 61.003, Education Code, a junior college, a district created under Article XVI, Section 59, of the Texas Constitution, and a public hospital.
- (8) "Public entity" means a public agency in this state, but does not include an institution of higher education, as defined by Section 61.003, Education Code.
- (9) "State agency" means a public entity that:
  - (A) has authority that is not limited to a geographic portion of the state; and
  - (B) was created by the constitution or a statute.
- (10) "Trust receipt" means evidence of receipt, identification, and recording, including:
  - (A) a physical controlled trust receipt; or
  - (B) a written or electronically transmitted advice of transaction.

Sec. 2257.0025. HIGH-RISK MORTGAGE SECURITY. (a) For purposes of this chapter, a fixed-rate collateralized mortgage obligation is a high-risk mortgage security if the security:

- (1) has an average life sensitivity with a weighted average life that:
  - (A) extends by more than four years, assuming an immediate and sustained parallel shift in the yield curve of plus 300 basis points; or
  - (B) shortens by more than six years, assuming an immediate and sustained parallel shift in the yield curve of minus 300 basis points; and
- (2) is price sensitive; that is, the estimated change in the price of the mortgage derivative product is more than 17 percent, because of an immediate and sustained parallel shift in the yield curve of plus or minus 300 basis points.

(b) For purposes of this chapter, a floating-rate collateralized mortgage obligation is a high-risk mortgage security if the security:

- (1) bears an interest rate that is equal to the contractual cap on the instrument; or
- (2) is price sensitive; that is, the estimated change in the price of the mortgage derivative product is more than 17 percent, because of an immediate and sustained parallel shift in the yield curve of plus or minus 300 basis points.

Sec. 2257.004. CONFLICT WITH OTHER LAW. This chapter prevails over any other law relating to security for a deposit of public funds to the extent of any conflict.

Added by Acts 1993, 73rd Leg., ch. 268, Sec. 1, eff. Sept. 1, 1993.

Sec. 2257.005. CONTRACT GOVERNS LEGAL ACTION. A legal action brought by or against a public entity that arises out of or in connection with the duties of a depository, custodian, or permitted institution under this chapter must be brought and maintained as provided by the contract with the public entity.

#### SUBCHAPTER B. DEPOSITORY; SECURITY FOR DEPOSIT OF PUBLIC FUNDS

Sec. 2257.021. COLLATERAL REQUIRED. A deposit of public funds shall be secured by eligible security to the extent and in the manner required by this chapter.

Sec. 2257.022. AMOUNT OF COLLATERAL. (a) Except as provided by Subsection (b), the total value of eligible security to secure a deposit of public funds must be in an amount not less than the amount of the deposit of public funds:

- (1) increased by the amount of any accrued interest; and
- (2) reduced to the extent that the United States or an instrumentality of the United States insures the deposit.

(b) The total value of eligible security described by Section 45.201(4)(D), Education Code, to secure a deposit of public funds of a school district must be in an amount not less than 110 percent of the amount of the deposit as determined under Subsection (a). The total market value of the eligible security must be reported at least once each month to the school district.

- (c) The value of a surety bond is its face value.
- (d) The value of an investment security is its market value.

Sec. 2257.023. COLLATERAL POLICY. (a) In accordance with a written policy approved by the governing body of the public entity, a public entity shall determine if an investment security is eligible to secure deposits of public funds.

- (b) The written policy may include:
- (1) the security of the institution that obtains or holds an investment security;
  - (2) the substitution or release of an investment security; and
  - (3) the method by which an investment security used to secure a deposit of public funds is valued.

ASec. 2257.024. CONTRACT FOR SECURING DEPOSIT OF PUBLIC FUNDS. (a) A public entity may contract with a bank that has its main office or a branch office in this state to secure a deposit of public funds.

(b) The contract may contain a term or condition relating to an investment security used as security for a deposit of public funds, including a term or condition relating to the:

- (1) possession of the collateral;
- (2) substitution or release of an investment security;
- (3) ownership of the investment securities of the bank used to secure a deposit of public funds; and
- (4) method by which an investment security used to secure a deposit of public funds is valued.

Sec. 2257.025. RECORDS OF DEPOSITORY. (a) A public entity's depository shall maintain a separate, accurate, and complete record relating to a pledged investment security, a deposit of public funds, and a transaction related to a pledged investment security.

(b) The comptroller or the public entity may examine and verify at any reasonable time a pledged investment security or a record a depository maintains under this section.

Sec. 2257.026. CHANGE IN AMOUNT OR ACTIVITY OF DEPOSITS OF PUBLIC FUNDS. A public entity shall inform the depository for the public entity's deposit of public funds of a significant change in the amount or activity of those deposits within a reasonable time before the change occurs.

- (c) For any other deposit of public funds under this chapter, at the written direction of the appropriate public entity officer, the custodian shall:
- (1) issue and deliver to the appropriate public entity officer a trust receipt for the pledged security; or
  - (2) issue and deliver a trust receipt for the pledged security to the public entity's depository and instruct the depository to deliver the trust receipt to the public entity officer immediately.
- (d) The custodian shall issue and deliver the trust receipt as soon as practicable on the same business day on which the investment security is received.

#### SUBCHAPTER D. AUDITS AND EXAMINATIONS; PENALTIES

Sec. 2257.061. AUDITS AND EXAMINATIONS. As part of an audit or regulatory examination of a public entity's depository or custodian, the auditor or examiner shall:

- (1) examine and verify pledged investment securities and records maintained under Section 2257.025 or 2257.046; and
- (2) report any significant or material noncompliance with this chapter to the comptroller.



GOVERNMENT CODE  
TITLE 10. GENERAL GOVERNMENT  
SUBTITLE F. STATE AND LOCAL CONTRACTS AND FUND MANAGEMENT

Chapter 2270, consisting of Secs. 2270.0001 to 2270.0253, was transferred, redesignated, and amended by Acts 2017, 85th Leg., R.S., Ch. 96 (S.B. 253), Sec. 4.

For another Chapter 2270, consisting of Secs. 2270.001 to 2270.002, added by Acts 2017, 85th Leg., R.S., Ch. 1 (H.B. 89), Sec. 1, see Sec. 2001.001 et seq., post.

For expiration of this chapter, see Section 2270.0251.

CHAPTER 2270. PROHIBITION ON INVESTING PUBLIC MONEY IN CERTAIN INVESTMENTS  
SUBCHAPTER A. GENERAL PROVISIONS

Sec. 2270.0001. DEFINITIONS. In this chapter:

- (1) "Active business operations" means all business operations that are not inactive business operations.
  - (2) "Company" means a sole proprietorship, organization, association, corporation, partnership, joint venture, limited partnership, limited liability partnership, limited liability company, or other entity or business association whose securities are publicly traded, including a wholly owned subsidiary, majority-owned subsidiary, parent company, or affiliate of those entities or business associations, that exists to make a profit.
  - (3) "Designated foreign terrorist organization" means an organization designated as a foreign terrorist organization by the United States secretary of state as authorized by 8 U.S.C. Section 1189.
  - (4) "Direct holdings" in a company means all securities of that company held directly by an investing entity in an account or fund in which an investing entity owns all shares or interests.
  - (5) "Inactive business operations" means the mere continued holding or renewal of rights to property previously operated to generate revenue but not presently deployed to generate revenue.
  - (6) "Indirect holdings" in a company means all securities of that company held in an account or fund, such as a mutual fund, managed by one or more persons not employed by an investing entity, in which the investing entity owns shares or interests together with other investors not subject to this chapter. The term does not include money invested under a plan described by Section 401(k) or 457 of the Internal Revenue Code of 1986.
  - (7) "Investing entity" means:
    - (A) an entity subject to Chapter 2256;
    - (B) the Employees Retirement System of Texas;
    - (C) the Teacher Retirement System of Texas; and
    - (D) the comptroller with respect to the comptroller's investment of state funds.
  - (8) "Listed company" means a company listed by the comptroller under Section 2270.0201.
  - (9) "Scrutinized company" means:
    - (A) a company that:
      - (i) engages in scrutinized business operations described by Section 2270.0052; or
      - (ii) has been complicit in the Darfur genocide during any preceding 20-month period;
    - (B) a company that engages in scrutinized business operations described by Section 2270.0102;
- and
- (C) a company that engages in scrutinized business operations described by Section 2270.0152.

Added by Acts 2007, 80th Leg., R.S., Ch. 1375 (S.B. 247), Sec. 2, eff. January 1, 2008.

Transferred, redesignated and amended from Government Code, Chapter 806 by Acts 2017, 85th Leg., R.S., Ch. 96 (S.B. 253), Sec. 4, eff. May 23, 2017.

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Sec. 2270.0153. LIST OF DESIGNATED FOREIGN TERRORIST ORGANIZATIONS. (a) The comptroller shall prepare and maintain a list of designated foreign terrorist organizations.

(b) The comptroller shall maintain the list by updating the list as necessary to reflect changes in the list of foreign organizations designated as foreign terrorist organizations by the United States secretary of state as authorized by 8 U.S.C. Section 1189.

(c) Not later than the 30th day after the date the comptroller first prepares or updates the list of designated foreign terrorist organizations as required by this section, the comptroller shall:

- (1) file the list with the presiding officer of each house of the legislature and the attorney general; and
- (2) post the list on the comptroller's Internet website.

Added by Acts 2007, 80th Leg., R.S., Ch. 1375 (S.B. 247), Sec. 2, eff. January 1, 2008.

Transferred, redesignated and amended from Government Code, Chapter 806 by Acts 2017, 85th Leg., R.S., Ch. 96 (S.B. 253), Sec. 4, eff. May 23, 2017.

#### SUBCHAPTER E. DUTIES REGARDING INVESTMENTS

Sec. 2270.0201. LISTED COMPANIES. (a) The comptroller shall prepare and maintain a list of all scrutinized companies. The list must be categorized according to:

- (1) companies that are scrutinized companies under Section 2270.0001(9)(A);
- (2) companies that are scrutinized companies under Section 2270.0001(9)(B); and
- (3) companies that are scrutinized companies under Section 2270.0001(9)(C).

(b) In maintaining the list of scrutinized companies under Subsection (a), the comptroller may review and rely, as appropriate in the comptroller's judgment, on publicly available information regarding companies with business operations in Sudan, in Iran, or with designated foreign terrorist organizations, as applicable, including information provided by the state, nonprofit organizations, research firms, international organizations, and governmental entities.

(c) The comptroller shall update the list of scrutinized companies under Subsection (a) annually or more often as the comptroller considers necessary, but not more often than quarterly, based on information from, among other sources, those listed in Subsection (b).

(d) The comptroller shall:

- (1) provide each list prepared or updated under this section to each investing entity; and
- (2) post each list on the comptroller's Internet website.

(e) Not later than the 30th day after the date a list of scrutinized companies is provided, the comptroller shall file the list of scrutinized companies with the presiding officer of each house of the legislature and the attorney general.

(f) For purposes of the prohibitions and duties under this chapter, the date the comptroller posts on the comptroller's Internet website a list of scrutinized companies under this section is considered the date the comptroller receives notice of the list.

Transferred, redesignated and amended from Government Code, Chapter 806 by Acts 2017, 85th Leg., R.S., Ch. 96 (S.B. 253), Sec. 4, eff. May 23, 2017.

Sec. 2270.0207. INVESTMENTS EXEMPTED FROM DIVESTMENT. An investing entity is not required to divest from any indirect holdings in actively managed investment funds or private equity funds. The investing entity shall submit letters to the managers of investment funds containing listed companies requesting that they consider removing those companies from the fund or create a similar actively managed fund with indirect holdings devoid of listed companies. If the manager creates a similar fund with substantially the same management fees and same level of investment risk, the investing entity shall replace all applicable investments with investments in the similar fund in an expedited time frame consistent with prudent fiduciary standards.

Added by Acts 2007, 80th Leg., R.S., Ch. 1375 (S.B. 247), Sec. 2, eff. January 1, 2008.

Transferred, redesignated and amended from Government Code, Chapter 806 by Acts 2017, 85th Leg., R.S., Ch. 96 (S.B. 253), Sec. 4, eff. May 23, 2017.

Sec. 2270.0208. AUTHORIZED INVESTMENT IN LISTED COMPANIES. (a) An investing entity may cease divesting from or may reinvest in one or more listed companies if clear and convincing evidence shows that the value for all assets under management by the entity becomes equal to or less than 99.7 percent of the hypothetical value of all assets under management by the entity had the entity not divested from listed companies under this chapter.

(b) An investing entity may invest in a listed company as provided by this section only to the extent necessary to ensure that the value of the assets managed by the entity does not fall below the value described by Subsection (a).

(c) Before an investing entity may invest in a listed company under this section, the entity must provide a written report to the presiding officer of each house of the legislature and the attorney general setting forth the reason and justification, supported by clear and convincing evidence, for its decisions to cease divestment, to reinvest, or to remain invested in a listed company.

(d) The investing entity shall update the report required by Subsection (c) semiannually, as applicable.

(e) This section does not apply to reinvestment in a company that has ceased to be a listed company.

Added by Acts 2007, 80th Leg., R.S., Ch. 1375 (S.B. 247), Sec. 2, eff. January 1, 2008.

Transferred, redesignated and amended from Government Code, Chapter 806 by Acts 2017, 85th Leg., R.S., Ch. 96 (S.B. 253), Sec. 4, eff. May 23, 2017.

Sec. 2270.0209. PROHIBITED INVESTMENTS. Except as provided by Sections 2270.0002 and 2270.0208, an investing entity may not acquire securities of a listed company.

#### SUBCHAPTER F. EXPIRATION; REPORT; ENFORCEMENT

Sec. 2270.0251. EXPIRATION OF CHAPTER. This chapter expires September 1, 2037.

**INVESTMENT POLICY**  
**LIVE OAK COUNTY, TEXAS**  
**For the period January 1, 2024 -December 31, 2024**

**I. Investment Scope**

**General Statement**

This policy serves to satisfy the statutory requirements of Local Government Code 116.112; Government Code Chapter 2256 and Government Code Chapter 2270 to define and adopt a formal investment policy.

Attached as Appendix C, D, E as per the 85<sup>th</sup> Regular Session of the Texas Legislature.

**Funds Included**

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

**II. Investment Objectives**

**General Statement**

Funds of the County will be invested in accordance with federal and state laws, this investment policy and written administrative procedures. The County will invest according to investment strategies for each fund as they are adopted by Commissioners' Court resolution in accordance with 2256.005(d).

**Safety**

The County is concerned about the return of its principal; therefore, safety of principal is the primary objective in any investment transaction.

**Liquidity**

The County's investment portfolio must be structured in conformity with an asset/liability management plan (mmp) which provides for liquidity necessary to pay obligations as they become due, utilizing investment instruments, the final maturity of which, is one (1) year or less unless approved in advance by the Investment Advisory Committee.

**Diversification**

It will be the policy of the County to diversify its portfolio to eliminate the risk of loss resulting from over concentration of assets in specific maturities, a specific issuer or a specific class of investments. Investments of the County shall always be selected that provide for safety of principal, stability of income and reasonable liquidity prior to maturity.

## **Yield**

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

## **Maturity**

Portfolio maturities will be structured to meet the obligations of the County first and then to achieve the maximum rate of return consistent with liquidity requirements. When the County has funds that will not be needed to meet current-year obligations, maximum restraints will be imposed based upon the investment strategy for each fund.

## **Quality and Capability of Investment Management**

It is the County's policy to provide training required by the Public Funds Act, Sec. 2256.008 and periodic training in investments for the County Treasurer, who is also named County Investment Officer, and other members of the Investment Advisory Committee through courses and seminars offered by professional organizations and associations in order to insure the quality, capability, professional expertise and timeliness of the County Investment Officer and other members of the Investment Advisory Committee in making investment decisions. The County Judge, the County Auditor and the County Commissioner are required to receive 10 PFIA hours of education every two calendar years. The Investment Officer will be required to achieve the CIO credential and maintain the CIO credential.

# **III. Investment Responsibility and Control**

## **Investment Advisory Committee**

It is further the purpose of this policy to establish an Investment Advisory Committee comprised of four (4) members. Those members being the County Judge, the County Treasurer/Investment Officer, the County Auditor and one Commissioner.

Each member of the investment committee shall attend at least one training session relating to the person's responsibilities on the investment committee and covering the PFIA within one year after being named to the investment committee for the first time. Members shall submit a copy of their respective certificates to the Investment Officer and the Live Oak County Commissioners' Court as a matter of record. The Investment Advisory Committee derives its authority and responsibility from the Commissioners' Court. It will be the responsibility of the committee to oversee the investment of the County's funds and those proprietary and fiduciary funds that Live Oak County has the responsibility and authority to invest. The Investment Officer shall serve as Chair of the Investment Committee and the County Auditor shall serve as Secretary. Meetings may be called, as deemed necessary, by any Investment Advisory member. A quorum consists of three members present.

## **County's Investment Officer**

In accordance with sec.116.112 (a), Local Government Code and/or Government Code Chapter 2256, the County Investment Officer under the supervision of the Live Oak County Commissioners' Court, may invest County funds that are not immediately required to pay obligations of the County.

If the investment officer has a personal business relationship with an entity or is related within the second degree by affinity or consanguinity to an individual seeking to sell an investment of the county, the Investment Officer must file a statement disclosing that personal business interest, or relationship, with the Texas Ethics Commission and the Commissioners' Court in accordance with Government Code 2256.005(i).

The Investment Officer shall maintain the required education hours pursuant to the PFIA 2256.008 Investment Training: Local Governments

## **Liability of Investment Officer**

In accordance with sec. 113.005, Local Government Code, the County Investment Officer is not responsible for any loss of the County funds through the failure or negligence of a depository. This section does not release the Investment Officer from responsibility for a loss resulting from the official misconduct or negligence of the Investment Officer, including a misappropriation of the funds, or from responsibility for funds until a depository is selected and the funds are deposited. If the Investment Officer is other than the County Treasurer, that person must be fully bonded.

## **IV. Investment Reporting**

### **Regular Reports**

In accordance with Government Code 2256.023, not less than quarterly, the investment officer shall prepare and submit to the Live Oak County Commissioners' Court a written report of investment transactions for all funds covered by this chapter for the preceding reporting period.

### **Annual report**

Annually, the County Investment Officer will prepare a written fiscal year report concerning the County's investment transactions for the preceding year and describing the investment position of all the funds for which the County has the investment authority and responsibility as of the date of the report.

### **Notification of investment changes**

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

## V. Investment Types

### Authorized

The County Investment Officer shall use any or all of the following authorized investment instruments consistent with Government Code, Chapter 2256 unless noted excluded:

- |    |                          |   |
|----|--------------------------|---|
| a) | Government Code 2256.009 | Authorized Investment: Obligations of, Guaranteed by Governmental Entities. |
| b) | Government Code 2256.010 | Authorized Investment: Certificates of Deposit and Share Certificates.      |
| c) | Government Code 2256.011 | Authorized Investment: Repurchase Agreements.                               |
| d) | Government Code 2256.012 | Authorized Investment: Banker's Acceptances                                 |
| e) | Government Code 2256.013 | Authorized Investment: Commercial Paper                                     |
| f) | Government Code 2256.014 | Authorized Investment: Mutual Funds   |
| g) | Government Code 2256.016 | Authorized Investment: Investment Pools                                     |

### Prohibited

The Live Oak County Investment Officer has no authority to purchase and is prohibited from purchasing any investment instruments pursuant to Government Code Chapter 2270.

Live Oak County further **prohibits** the following investments:

- |                           |  |
|---------------------------|--|
| Government Code 2256.0115 | Authorized Investments; Security Lending Program         |
| Government Code 2256.015  | Authorized Investments; Guaranteed Investments Contracts |

## VI. Investment Responsibility and Control

### Investment Institutions Defined

The Investment Officer shall invest County funds with any or all of the following institutions or groups consistent with federal and state law and the current depository bank contract:

- A. depository bank;
- B. other state or national banks domiciled in Texas that are insured by FDIC;
- C. public funds investment pool; or
- D. primary government securities brokers and dealers.

### Qualifications for Approval of Broker/Dealers

In accordance with 2256.005(k), a written copy of this investment policy shall be presented to any person seeking to sell to the County an authorized investment. The registered principal of the business organization seeking to sell an authorized investment shall execute a written instrument (Attachment "A") substantially to the effect that the registered principal has:

- A. received and thoroughly reviewed the investment policy of the County; and
- B. acknowledged that the organization has implemented reasonable procedures and controls in an effort to preclude imprudent investment activities arising out of investment transactions conducted between the County and the organization

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

The Investment Committee shall, at least annually, review, revise, and adopt a list of qualified brokers that are authorized to engage in investment transactions with Live Oak County.

## **Standards of Operation**

The County Investment officer shall develop and maintain written administrative procedures for the operation of the investment program, consistent with this investment policy.

### **Audit control**

The County Investment Officer will establish liaison with the Live Oak County Auditor in preparing investment forms to assist the County Auditor for accounting and auditing control.

The County Investment Officer is subject to audit by the Live Oak County Auditor. In addition, it is the policy of the Live Oak County Commissioners' Court, at a minimum to have an annual audit of all County funds, investments and investment procedures by an independent auditing firm. The County Investment Officer and the County's investment procedures shall be subject to an annual compliance audit of management controls on investments and adherence to the County's established investment policies in accordance with Government Code 2256.005(m).

### **Standard of Care**

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

- (1) preservation and safety of principal;
- (2) liquidity; and
- (3) yield.

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

- (1) the investment of all funds, or funds under the entity's control, over which the officer had responsibility rather than a consideration as to the prudence of a single investment; and
- (2) whether the investment decision was consistent with the written investment policy of the entity.

## **VII. Investment Collateral and Safekeeping**

### **Collateral or Insurance**

The Investment Officer shall insure that all County 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:

- A. FDIC insurance coverage;
- B. obligations of the United States or its agencies and instrumentalities;
- C. direct obligations of the state of Texas or its agencies;
- D. other obligations, the principal of and interest on which are unconditionally guaranteed or insured by the state of Texas or the United States or its agencies and instrumentalities;
- E. obligations of states, agencies, counties, cities, and other political subdivisions of any state having been rated as to investment quality by a nationally recognized investment rating firm and having received a rating of not less than "A" or its equivalent; or
- F. any other manner allowed by Government Code Chapter 2257 (Public Funds Collateral Act).



## **Safekeeping**

All purchased securities shall be held in safekeeping by the County, or a County account in a third-party financial institution, or with a Federal Reserve bank. All certificates of deposit, insured by FDIC, purchased outside the depository bank shall be held in safekeeping by either the County or a County account in a third-party financial institution. All pledged securities by the depository bank shall be held in safekeeping by the County, or a County account in a third-party financial institution, or with a Federal Reserve bank.

## **LIVE OAK COUNTY - FUND INVESTMENT STRATEGY**

**GENERAL FUNDS** - Accounts for all financial resources traditionally associated with governments which are not required legally to be accounted for in another fund. Shall be invested to ensure funds are available to meet operating demands.

**SPECIAL REVENUE FUNDS** - Accounts that are legally restricted to expenditure for a particular purpose. Usually grant funds under the direction of a certain department. Maturity no longer than twelve (12) months except on special projects for which the department can provide cash flow projections.

**DEBT SERVICE FUNDS** - Accumulated for payment of general obligation bond principal and interest from governmental resources and special assessment bond principal and interest from special assessment levies when the government is obligated in same manner for payment. Invested to meet obligation payments on 2/1 and 8/1 each year.

**CAPITAL PROJECT FUNDS** - Acquisition and construction of major capital facilities. Invested to meet needs over the length of the project. Based on cash flow projections provided by the appropriate entity.

**TRUST AND AGENCY FUNDS** - Assets held by the County in a fiduciary capacity for other governmental entities. If invested, such funds shall be invested to ensure funds are available when reports and funds are disbursed.

**SURPLUS FUNDS** - Funds not expended during a budget year. Shall be maintained and accounted for using generally accepted accounting principles. May be used to increase yields to defer taxes.

**TAX ASSESSOR/COLLECTOR** - Funds that are collected for the state and county. Live Oak County tax funds are collected and invested until the receipts are balanced or as soon as practical. Maturities range from over-night or until needed. Funds collected and invested for the state shall have a maturity of no longer than thirty-four days.

**COUNTY CLERK TRUST FUNDS** - Funds that are deposited in the registry of the County Courts and the Commissioners' Court. Usually invested in a pooled fund, no-load money market mutual fund, insured certificates of deposit, savings accounts and money market checking accounts. Shall provide for immediate liquidity except when ordered invested with a longer maturity by the Court.

**DISTRICT CLERK TRUST FUNDS** - Funds that are deposited in the registry of the Districts Courts. Usually invested in a pooled fund, no-load money market mutual fund, insured certificates of deposit, savings accounts and money market checking accounts. Need immediate liquidity except when ordered invested with a longer maturity by the Court.

## **Live Oak County Broker Dealer List**

Raymond James  
Prosperity Trust Services  
Ameriprise Financials Services LLC

## **Investment Pools List**

Texas Class Local Government Pool  
TexPool Local Government Pool  
TexPool Prime Local Government Pool  
Raymond James  
Prosperity Trust Services  
Ameriprise Financials Services LLC