

**INVESTMENT POLICY FOR
BRAZORIA COUNTY
EMERGENCY SERVICES DISTRICT NO. 3**

Adopted: July 9, 2019

I. INVESTMENT AUTHORITY AND SCOPE OF POLICY FOR BRAZORIA COUNTY EMERGENCY SERVICES DISTRICT NO. 3

General Statement

This Investment Policy ("Investment Policy") has been adopted by Brazoria County Emergency Services District No. 3 ("District") to satisfy and carry out the statutory requirements of Government Code Chapter 2256, the Local Government Code (as applicable) and Chapter 775 of the Health and Safety Code, to define and adopt a formal investment Policy. This Policy has been adopted by resolution of the District Board of ESD Commissioners ("ESD Commissioners"), and said Resolution is attached hereto as Attachment A. This Policy will be reviewed and adopted by resolution at least annually as provided under §2256.005(e).

Funds Included

This investment Policy applies to all financial assets and all funds of the District at the present time and any funds of the District held in the future and any other funds held by or in the custody of the District, unless expressly prohibited by law or unless it is in contravention of any depository contract between District and any depository bank.

District's Investment Officer

In accordance with the Local Government Code (as may be applicable), and/or Chapter 775 of the Health and Safety Code, and/or Chapter 2256, §2256.005 (f) and (g), the District Treasurer, under the direction of the District Commissioners, may invest District funds that are not immediately required to pay obligations of the District. The District Commissioners shall designate by resolution one or more officers or employees or investment consultants as the District Investment Officer, as such is described and defined under Chapter 2256 of the Local Government Code. A copy of the resolution that designates the investment officer is attached hereto as Attachment B.

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 to the District, the investment officer must file a statement disclosing that personal business interest - or relationship - with the Texas Ethics Commission, as may be required by law, and with the General Counsel and District Board of ESD Commissioners, in accordance with Government Code 2256.005 (i).

II. INVESTMENT OBJECTIVES

General Statement

Funds of the District will be invested in accordance with federal and state laws, this investment Policy and written District administrative procedures. The District will invest according to investment strategies for each fund that are adopted by District resolution in accordance with §2256.005(d).

Safety and Maintenance of Adequate Liquidity

The District is concerned and has a primary consideration about the return of its principal; therefore, safety of principal is a primary objective in any investment transaction.

The District's investment portfolio must be structured in conformance with an asset/liability management plan which provides for liquidity necessary to pay District obligations as they become due.

A. DIVERSIFICATION, YIELD, MATURITY AND QUALITY/CAPABILITY OF INVESTMENT MANAGEMENT.

Diversification

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

Yield

It will be an objective of the District 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 state and federal law governing investment of public funds.

Maturity

Portfolio maturities will be structured to meet the obligations of the District first and then to achieve the highest return of interest. When the District has funds that will not be needed to meet current-year obligations, maturity restraints will be imposed based upon the investment strategy for each fund. The maximum allowable stated maturity of any individual investment owned by the District is twenty-four (24) months or if for a longer maturity, must be cancellable without loss of principal at least one (1) time per twenty-four (24) month period.

Quality and Capability of Investment Management

It is the District's Policy to encourage training similar to that set out in the Public Funds Act, §2256.008 and periodic training in investments for the District Investment Officer through courses and seminars offered by professional organizations and associations in order to insure the quality, capability and currency of the District Investment Officer in making investment decisions. In this regard, the District Investment Officer and the District Treasurer may attend at least one training session regarding their investment responsibilities under the Public Funds Investment Act within twelve (12) months after initially taking office as the District Investment Officer and the District Treasurer. Further the District Investment Officer and the District Treasurer - and the District bookkeeper - may attend instruction so as to receive not less than ten (10) hours of instruction in every two-year period regarding their investment responsibilities under the Public Funds Investment Act. In such event, such instruction shall be offered by a source approved under the Public Funds Investment Act, independent of the District and approved by the Board of ESD Commissioners. However, if the District Investment Officer shall elect, with the consent of the District Board, to forgo such training as otherwise set out in the Public Funds Act, Sec.2256.008, then the District may invest funds only in the authorized investments set forth under Government Code §2256.009 (obligations of, or guaranteed by governmental entities), §2256.010 (certificates of deposit and share certificates), §2256.016

(investment pools), unless the treasurer, chief financial officer (if not the treasurer) and the investment officer of the district attend and successfully complete the training requirements under §2256.008, Government Code.

B. MONITORING OF THE MARKET VALUE OF INVESTMENTS AND COLLATERAL AND INVESTMENT STRATEGIES.

Monitoring of the Market Value of Investments and Collateral

The District Investment Officer, with the help of such District Officials as needed, shall determine the market value of each investment and of all Collateral pledged to secure deposits of District funds at least quarterly and at a time as close as practicable to the closing of the reporting period for investments. Such values shall be included on the investment report. The following methods shall be used:

- (a) Certificates of Deposit shall be valued at their fair value plus any accrued but unpaid interest.
- (b) Shares in money market mutual funds and investment pools shall be valued at par plus any accrued but unpaid interest.
- (c) Other investment securities with a remaining maturity of one year or less may be valued in any of the following ways:
 - (1) the lower of two bids obtained from securities broker/dealers for such security;
 - (2) the average of the bid and asked prices for such investment security as published in The Wall Street Journal or The New York Times;
 - (3) the bid price published by any nationally recognized security pricing service: or
 - (4) the market value quoted by the seller of the security or the owner of such collateral.

Investment Strategies

In accordance with the Public Funds Investment Act, §2256.005(d), a separate written investment strategy will be developed for each of the funds under District's control. Each investment strategy must describe the investment objectives for the particular fund using the following priorities of importance:

- (1) understanding of the suitability of the investment to the financial requirements of the entity;
- (2) preservation and safety of principal;
- (3) liquidity [using a cash-flow analysis to show what District obligations must be met and utilizing and investment strategy for meeting those obligations];
- (4) marketability of the investment if the need arises to liquidate the investment before maturity,
- (5) diversification of the investment portfolio;

- (6) yield; and
- (7) maturity restrictions.

Attachment C includes investment strategies for all funds. In accordance with the Public Funds Investment Act, §2256.005(e), all investment strategies will be reviewed and adopted by resolution at least annually.

III. INVESTMENT TYPES

WHERE THE DISTRICT INVESTMENT OFFICER COMPLIES FULLY WITH ALL THE REQUIREMENTS UNDER THE PUBLIC FUNDS ACT, §2256.008, THE DISTRICT INVESTMENT OFFICER SHALL USE ANY OR ALL OF THE FOLLOWING AUTHORIZED INVESTMENT INSTRUMENTS CONSISTENT WITH GOVERNMENT CODE 2256:

- A. Except as provided by Government Code 2256.009(b), the following are authorized investments:
 - (1) obligations of the United States or its agencies and instrumentalities;
 - (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; and
 - (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; and
 - (7) interest-bearing banking deposits that are guaranteed or insured by the Federal Deposit Insurance Corporation or its successor; or the National Credit Union Share Insurance Fund or its successor.

- B. Certificates of Deposit if issued by a state or national bank domiciled in this state or a savings and loan association domiciled in this state and is:
 - (1) guaranteed or insured by the Federal Deposit Insurance Corporation or National Credit Union Share Insurance Fund (NCUSIF) or successor;
 - (2) secured by obligations that are described by §2256.009(a) of the Public Funds Investment Act, including mortgage backed securities directly issued by a federal agency or instrumentality that have a market value of not less than the principal amount of the certificates, but excluding those mortgage backed securities of the nature described by §2256.009(b) of the Public Funds Investment Act; or

- (3) secured in any other manner and amount provided by law for deposits of the District.

C. A fully collateralized repurchase agreement, as defined in the Public Funds Investment Act, if it:

- (1) has a defined termination date,
- (2) is secured by obligations described by §2256.009(a)(1) of the Public Funds Investment Act; and
- (3) requires the securities being purchased by the District to be pledged to the District, held in the District's name, and deposited at the time the investment is made with the District or with a third party selected. and approved by the District; 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.

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

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

D. A bankers' acceptance if it:

- (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.

E. 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.

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

- (a) A no-load money market mutual fund is authorized 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) A no-load mutual fund is authorized if it:
 - (1) is registered with the Securities and Exchange Commission;
 - (2) has an average weighted maturity of less than two (2) years;
 - (3) is continuously rated as to investment quality by at least one nationally recognized investment rating firm of not less than AAA or its equivalent; and
 - (4) meets one (1) of the following qualifications:
 - (A) has a duration of one (1) year or more and is invested exclusively in obligations approved by this subchapter; or
 - (B) has a duration of less than one (1) year and the investment portfolio is limited to investment grade securities, excluding asset-backed securities.

- (c) Relative to mutual funds and money market mutual funds, the District **may not**:
 - (1) invest in the aggregate more than fifteen percent (15%) of its monthly average fund balance, excluding bond proceeds and reserves and other funds held for debt service, in money market mutual funds or mutual funds, either separately or collectively;
 - (2) invest in the aggregate more than fifteen percent (15%) of its monthly average fund balance, excluding bond proceeds and reserves and other funds held for debt service, in mutual funds;
 - (3) invest any portion of bond proceeds, reserves and funds held for debt service, in mutual funds; or
 - (4) invest its funds or funds under its control, including bond proceeds and reserves and other funds held for debt service, in any one mutual fund or

money market mutual fund in an amount that exceeds ten percent (10%) of the total assets of the mutual fund or money market mutual fund.

- G. Eligible investment pools (as discussed in the Public Funds Investment Act, §2256.016 through §2256.019) if the District by resolution authorizes investment in the particular pool. An investment pool shall invest the funds it receives from entities in authorized investments permitted by the Public Funds Investment Act. A District by contract may delegate to an investment pool the authority to hold legal title as custodian of investments purchased with its local funds.
- H. As required by §2256.021, if the District holds any investments which require a minimum rating, then the Investment Officer shall monitor said ratings no less frequently than quarterly to ensure that the minimum rating is maintained. The Investment Officer shall maintain a log of the monitoring dates and ratings on those dates. If the investment loses the minimum required rating, then the Investment Officer shall take all prudent measures that are consistent with this Policy to liquidate said investment and provide immediate notice to the full Board of Commissioners.

WHERE THE DISTRICT INVESTMENT OFFICER ELECTS NOT TO COMPLY FULLY WITH ALL THE REQUIREMENTS UNDER THE PUBLIC FUNDS ACT, §2256.008:

Health and Safety Code §775.043 allows the District Investment Officer, if an officer or employee of a District, to exercise an exemption from the requirement to complete investment training as otherwise required by Government Code §2256.008. When the District Investment Officer exercises this exemption and elects not to comply fully with all the requirements of § 2256.008, then the District may invest funds only in the authorized investments set forth under:

- A. **Government Code §2256.009 for obligations of, or guaranteed by governmental entities;**
- B. **Government Code §2256.010 (certificates of deposit and share certificates); and**
- C. **Government Code §2256.016 (investment pools).**

Prohibited Investments

The District Investment Officer has no authority to use any of the following investment instruments which are strictly prohibited:

- (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;

- (4) collateralized mortgage obligations the interest rate of which is determined by an index that adjusts opposite to the changes in a market index;
- (5) Investments which are prohibited by Government Code Chapter 2270 PROHIBITION ON INVESTING PUBLIC MONEY IN CERTAIN INVESTMENTS and SB 253 (85th Legislature Regular Session). That chapter deals primarily with entities conducting business with Sudan, Iran or Foreign Terrorist Organizations. Such "Listed Companies" are prohibited investments. The Texas Comptroller will regularly update the list of Listed Companies. The Investment Officer will review the updated lists when made available by the Comptroller and will follow the requirements of SB 253 with respect to any existing investments in Listed Companies; and
- (6) Government Code CHAPTER 2270. PROHIBITION ON CONTRACTS WITH COMPANIES BOYCOTTING ISRAEL prohibits the District from entering into a contract with a company for goods or services, including any contracts dealing with investments, unless the contract contains a written verification from the company that it: (1) does not boycott Israel; and (2) will not boycott Israel during the term of the contract.

IV. INVESTMENT RESPONSIBILITY AND CONTROL

Investment Institutions Defined

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

- (1) Depository bank;
- (2) Other state or national banks domiciled in Texas that are insured by FDIC
- (3) Credit unions domiciled in Texas that are insured by NCUSIF;
- (4) Public funds investment pools (such as TexPool and Texas Class); or
- (5) 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 District an authorized investment. The registered principal of the business organization seeking to sell an authorized investment shall execute a written instrument substantially to the effect that the registered principal has:

- (1) received and thoroughly reviewed the investment Policy of the District; and
- (2) 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 District and the organization.

The investment officer may not buy any securities from a person who has not delivered to the District an instrument in substantially the form provided above according to §2256.005(l).

Standards of Operation

The District Investment Officer shall develop and maintain written administrative procedures for the operation of the investment program, consistent with this Investment Policy.

Delivery vs. Payment

It will be the Policy of the District that all Treasury Bills, Notes and Bonds and Government Agencies' securities shall be purchased using the "Delivery vs. Payment" (DVP) method through the Federal Reserve System. By so doing, District funds are not released until the District has received, through the Federal Reserve wire, the securities purchased.

Audit Control

The District Investment Officer will establish liaison with the District Auditor in preparing investment forms to assist the District Auditor for accounting and auditing control. The Investment Officer is subject to audit by the District Auditor. In addition, the District, at a minimum, will have an annual financial audit of all District funds by an independent auditing firm, as well as an annual compliance audit of management controls on investments and adherence to the entity's established investment policies in accordance with Gov. Code §2256.005(m).

Standard of Care

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: preservation and safety of principal, liquidity, and yield.

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

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

V. INVESTMENT REPORTING AND PERFORMANCE EVALUATION

Quarterly Report

In accordance with Government Code 2256.023, not less than quarterly, the investment officer shall prepare and submit to the Board of ESD Commissioners a written report of investment transactions for all funds for the preceding reporting period within a reasonable time after the end of the period. The report must:

- (1) describe in detail the investment position of the District on the date of the report;
- (2) be prepared jointly by all investment officers of the District;

- (3) be signed by each investment officer of the District;
- (4) contain a summary statement of each pooled fund group that states the:
 - (A) beginning market value for the reporting period;
 - (B) additions and changes to the market value during the period, and
 - (C) ending market value for the period;
- (5) state the book value and market value of each separately invested asset at the beginning and 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 District for which each individual investment was acquired;
- (8) state the compliance of the investment portfolio of the District as it relates to:
 - (A) the investment strategy expressed in the District's investment Policy; and
 - (B) relevant provisions of this chapter; and
- (9) state the total rate of return.

Notification of Investment Changes

It shall be the duty of the District Investment Officer of the District to notify the District Board of ESD Commissioners of any significant changes in investment methods and procedures prior to their implementation, regardless of whether they are authorized by this Policy or not.

VI. INVESTMENT COLLATERAL AND SAFEKEEPING

Policy of Securing Deposits of District Funds -Applicable to All Deposited District Funds

A. The District recognizes that FDIC (or its successor) insurance is available for District funds deposited at any one Texas Financial Institution (including branch banks) only up to a maximum (including accrued interest) of \$250,000, as the case may be, for each of the following: (i) demand deposits, (ii) time and savings deposits, and (iii) deposits made pursuant to an indenture or pursuant to law in order to pay bondholders or noteholders. It is the policy of the District that all deposited funds in each of the Districts accounts shall be insured by the FDIC, or its successor, and to the extent not insured, shall be secured by Collateral pledged to the extent of the fair market value of the principal amount deposited plus accrued interest as required by the Collateral Act.

B. If it is necessary for the District's depositories to pledge Collateral to secure the District's deposits, (1) the Collateral pledge agreement must be in writing, (2) the Collateral pledge agreement must be approved by the depository's board of directors or loan committee, (3) the depository's approval of the Collateral pledge agreement must be reflected in the minutes of the meeting of the depository's board or loan committee approving same, and (4) the Collateral pledge agreement must be kept in the official records of the depository. The depository must provide to the District Investment Officer or District Officials with written proof of the depository's approval of the pledge agreement as required herein in a form acceptable to the

District a signed or certified copy of the minutes of the meeting of the depository's board or loan committee reflecting the approval of the Collateral pledge agreement or other written documentation of such approval acceptable to the District Investment Officer will be accepted. It is the preference of the Board that all requirements of this section be met prior to the deposit of any District funds in such financial institution when a pledge of Collateral is required; however, the Board recognizes that compliance with this preference might not be practicable due to time constraints for making a deposit. In such event, the Board directs the District Investment Officer and District Officials to proceed diligently to have such agreement approved and documented to assure protection of the District's funds. If the decision is made to forego the protection of a Collateral pledge agreement with any depository, the District bookkeeper shall be responsible for maintaining the balance of deposit(s) in such depository plus any accrued but unpaid interest at or below FDIC insurance levels.

C. Collateral pledged by a depository shall be held in safekeeping at an independent third party Institution, and the District bookkeeper shall obtain safe-keeping receipts from the Texas financial institution or the safekeeping institution that reflect that Collateral as allowed by this Investment Policy and in the amount required was pledged to the District. Principal and accrued interest on deposits in a financial institution shall not exceed the FDIC's, or its successors, insurance limits or the market value of the Collateral pledged as security for the District's deposits. It shall be acceptable for the bookkeeper to periodically receive interest on deposits to be deposited to the credit of the District if needed to keep the amount of the funds under the insurance or Collateral limits. It is the preference of this Board that there be no sharing, splitting or co-tenancy of Collateral with other secured parties' or entities; however, in the event that a depository cannot accommodate this preference due to the denominations of the securities to be pledged, the Board directs the District Investment Officer and District Officials to obtain appropriate protections in the pledge agreement with the depository to assure that the Collateral is liquidated and the funds distributed appropriately to all parties With a security interest in such Collateral. The District bookkeeper shall monitor the pledged Collateral to assure that it is pledged only to the District, review the fair market value of the Collateral to ensure that the District's funds are fully secured, and report periodically to the District Investment Officer and the Board regarding the Collateral.

D. The District's funds deposited in any Texas financial institution, to the extent that they are not insured, may be secured in any manner authorized by law for the District as such law is currently written or as amended in the future. **As of the date of this Policy, the following securities are authorized to serve as Collateral under the Collateral Act:**

- (1) Surety bonds;
- (2) 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;
- (3) A general or special Obligation that is (a) payable from taxes, revenues, or a combination of taxes and revenues and (b) issued by a state or political or governmental entity, agency, instrumentality or subdivision of the state, including a municipality, an institution of higher education as defined by §61.003, Education Code, a junior college, a district created under Article XVI, §59, of the Texas Constitution, and a public hospital;

- (4) 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" under the Collateral Act;
- (5) A floating-rate collateralized mortgage obligation that does not constitute a "high-risk mortgage security" under the Collateral Act; or
- (6) A security in which a public entity may invest under the Investment Act. As of the date of this Agreement, the following are the securities in which a public entity may invest under the Investment Act and, therefore, may be used as Collateral:
 - (7) Obligations of the United States or its agencies and instrumentalities;
 - (8) Direct obligations of the State of Texas or its agencies and instrumentalities;
 - (9) Collateralized mortgage obligations directly issued by a federal agency or instrumentality or the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States;
 - (10) other obligations, the principal and interest of which are unconditionally guaranteed or insured by or backed by the full faith and credit of the United States or the State of Texas or their respective agencies and instrumentalities;
 - (11) 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;
 - (12) Certificates of deposit issued by a state or national bank domiciled in this State or a savings bank domiciled in this State or a state or federal credit union domiciled in this State that are guaranteed by the Federal Deposit Insurance Corporation or the National Credit Union Share Insurance Fund or its successor that are secured by the obligations in which the District may invest under the Investment Act;
 - (13) Repurchase agreements that comply with the Investment Act;
 - (14) Bankers' acceptances that comply with the Investment Act;
 - (15) Commercial paper that complies with the investment Act;
 - (16) No-load money market mutual funds that comply with the Investment Act;
 - (17) No-load mutual funds that comply with the Investment Act; and
 - (18) A letter of credit issued by a federal home loan bank.

Notwithstanding anything to the contrary provided above, the following may not be used as collateral and are not authorized as investments for the District under the Investment Act:

- (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 final stated maturity date of greater than 10 years other than those listed in above; or
- (4) Collateralized mortgage obligations the interest rate of which is determined by an index that adjusts opposite to the changes in a market index.

ATTACHMENT "C"

**INVESTMENT STRATEGY
BRAZORIA COUNTY EMERGENCY
SERVICES DISTRICT NO. 3**

A. GENERAL FUND:

Investment Objective:

To purchase investments that will preserve the safety of capital, maximize liquidity, and maximize yield (in that order of priority), taking into account the District's monthly operating expenses, the timing of such expenses and the maintenance of any operating reserve that may be designated by the District's Board of ESD Commissioners.

However, if the District Investment Officer shall elect, with the consent of the District Board, to forgo investment training as otherwise set out in the Public Funds Act, §2256.008, then the District may invest funds only in the authorized investments set forth under Government Code §2256.009 (obligations of, or guaranteed by governmental entities), 2256.010 (certificates of deposit and share certificates), 2256.016 (investment pools), unless the treasurer, chief financial officer (if not the treasurer) and the investment officer of the district attend and successfully complete the training requirements under §2256.008, Government Code.

Investment Strategy:

To invest in any of the authorized investments listed in the District's Investment Policy, provided that:

- (1) **Operating Expense Liquidity** - A balance equal to Two (2) months average operating costs will be totally liquid at all times with an additional two (2) months maturing in not more than 60 days. Monthly average operating costs are calculated by taking the total annual budget excluding budgeted capital purchases and dividing by 12.
- (2) **Emergency Operating Reserves** - The district will maintain six (6) months of operating expense in reserve for emergency purposes. This amount is calculated by taking the annual operating budget excluding capital purchases. These funds will be invested between 12-24 months.
- (3) **Capital Asset Replacement Reserves** - Annually the district will set aside monies to replace all capital investments based on the expected life of the asset. This investment is serving as saving to replace capital assets when they have reached their useful life. These funds will be invested for terms not greater than twenty-four (24) months.
- (4) **Other funds** - These are funds which are not specifically dedicated to the above categories. These funds will be invested for periods of time not greater than twenty-four (24) months.

B. MAINTENANCE AND CAPITAL FUND

Investment Objective:

To purchase investments that will preserve the safety of capital, maximize liquidity, and maximize yield (in that order of priority), taking into account the timing of planned or potential capital projects that may require the expenditure of the funds in the account.

Investment Strategy:

To invest in any of the authorized investments listed in the District's Investment Policy, provided that:

- (1) For funds needed for planned capital projects or capital replacement purchases with a known commencement date, the investment will mature no later than the date the funds will be needed to pay for the project, such date to be determined by the District's Board of ESD Commissioners after consultation with the District's service provider.
- (2) For funds not designated for specific planned capital projects, the investment will mature no later than 12-18 months after the date of purchase, provided that the District's Board of ESD Commissioners may authorize an investment with a longer maturity, but no later than Twenty-four (24) months after the date of purchase.

If the District Investment Officer shall elect, with the consent of the District Board, to forgo investment training as otherwise set out in the Public Funds Act, §2256.008, then the District may invest funds only in the authorized investments set forth under Government Code §2256.009 (obligations of, or guaranteed by governmental entities), §2256.010 (certificates of deposit and share certificates), §2256.016 (investment pools), unless the treasurer, chief financial officer (if not the treasurer) and the investment officer of the district attend and successfully complete the training requirements under §2256.008, Government Code.

ATTACHMENT "A"

**RESOLUTION OF
BRAZORIA COUNTY
EMERGENCY SERVICES DISTRICT NO. 3**

On July, 8, 2019, the Board of ESD Commissioners of Brazoria County Emergency Services District No. 3 (the "District") met in open session and after consideration of the matters presented, made the following findings and passed the following Resolution:

WHEREAS, the Texas Legislature enacted Chapter 2256 of the Government Code, such being cited as the Public Funds Investment Act (herein "Investment Act"); and

WHEREAS, said Investment Act applies to all local governments and political subdivisions of the State of Texas (which definition includes Emergency Services Districts); and

WHEREAS, said Investment Act requires the District to adopt a public funds investment policy; and

WHEREAS, the Board of ESD Commissioners of the District has been presented with, reviewed and considered a written Investment Policy, a copy of which is attached hereto; and

WHEREAS, the Board of ESD Commissioners of the District finds that the referenced Investment Policy is in written form, places primary emphasis on safety of principal and liquidity, properly addresses investment diversification, yield and maturity and the quality and capability of investment management, includes a list of the types of authorized investments in which the District's funds may be invested, and provides for the maximum allowable state of maturity of any individual investment by the District.

NOW THEREFORE, BE IT RESOLVED that Brazoria County Emergency Services District No. 3, after Motion being made, seconded, and discussed, finds and does hereby resolve that it adopts as its Investment Policy pursuant to Chapter 2256 of the Government Code the written Investment Policy set forth in the Investment Policy document attached hereto.

This Resolution has been PASSED upon Motion made by Commissioner BEKEN seconded by Commissioner CLAVES by a vote of 4 to 0 and is effective this 8th day of July, 2019.


SECRETARY OF BOARD

ATTACHMENT "B"

**RESOLUTION OF
BRAZORIA COUNTY
EMERGENCY SERVICES DISTRICT NO. 3**

On July, 8, 2019, the Board of ESD Commissioners of Brazoria County Emergency Services District No. 3 (the "District") met in open session and after consideration of the matters presented, made the following findings and passed the following Resolution:

WHEREAS, under H.B. 2459, the 74th Texas Legislature enacted Chapter 2256 of the Government Code, such being cited as the Public Funds Investment Act (herein "Investment Act"); and

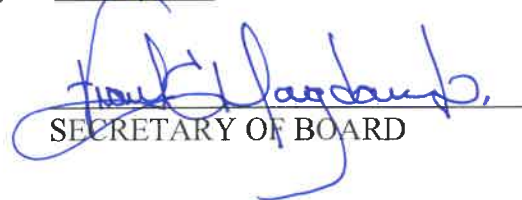
WHEREAS, said Investment Act applies to all local governments and political subdivisions of the State of Texas (which definition includes Emergency Services Districts); and

WHEREAS, said Investment Act requires the District to adopt a public funds investment policy and to provide for the appointment of an Investment Officer; and

WHEREAS, the Board of ESD Commissioners of the District has considered and approved a written Investment Policy, a copy of which is attached hereto.

NOW THEREFORE, BE IT RESOLVED that Brazoria County Emergency Services District No. 3, after Motion being made, seconded, and discussed, appoints Beth Stape as its Investment Officer pursuant to Chapter 2256 of the Government Code to act in accordance with the instructions and directions set forth in the Investment Policy document attached hereto and as otherwise required by law.

This Resolution has been PASSED upon Motion made by Commissioner BEKEN seconded by Commissioner GLAVES by a vote of 4 to 0 and is effective this 8th day of July, 2019.


SECRETARY OF BOARD