

RESOLUTION ADOPTING INVESTMENT POLICIES, STRATEGIES,
GUIDELINES AND MANAGEMENT PRACTICES FOR
BURNET COUNTY EMERGENCY SERVICES DISTRICT NO. 6

THE STATE OF TEXAS §

COUNTY OF BURNET §

WHEREAS, Burnet County Emergency Services District No. 6 (the 'District') is a political subdivision of the State of Texas, created and operating under Chapter 775, Texas Health & Safety Code (the 'Code'); and

WHEREAS, Section 2256.005 of the Texas Government Code, the Public Funds Investment Act, requires the District to adopt an Investment Policy and investment strategies for each of the funds under its control;

NOW, THEREFORE, IT IS RESOLVED BY THE BOARD OF EMERGENCY SERVICES COMMISSIONERS OF BURNET COUNTY EMERGENCY SERVICES DISTRICT NO. 6, THAT THE FOLLOWING INVESTMENT POLICIES, STRATEGIES, GUIDELINES AND MANAGEMENT PRACTICES ARE ADOPTED:

ARTICLE I
DEFINITIONS

1.01 Board. 'Board' means the Board of Emergency Services Commissioners of the District.

1.02 Commissioner¹. 'Commissioner' means a person appointed to serve on the Board of the District.

1.03 District. 'District' means Burnet County Emergency Services District No. 6.

1.04 Investment Officer. 'Investment Officer' means a person designated by the Board to handle District investments.

ARTICLE II
INVESTMENT POLICY

2.01 Purpose. This Investment Policy is adopted in order to comply with the Public Funds Investment Act and to set forth: the general policies governing investment of District funds; the specific investment strategies applicable to each particular fund of the District; the guidelines for investment of District funds, including the types of investments authorized for District funds; and the investment management policies of the District.

2.02 Scope. This investment policy applies to all transactions involving the investment of assets of the District.

2.03 Policy. It is the policy of the District to invest all available funds in compliance with applicable legal requirement and the guidelines stated in this Policy and the District's Investment Strategy set forth in Article III. Investments will be made under the provisions of state and federal law and the restrictions in any District bond resolutions. Effective cash management is recognized as a foundation of this Policy. Notwithstanding the foregoing, investment of District funds is limited to the types of investments set forth in section 4.02.

2.04 Investment Objectives. The District's investment portfolio will be planned and managed to take advantage of investment interest as a source of income from all operating and capital funds. In addition, the portfolio will be managed in accordance with the covenants of District bond resolutions, including covenants with respect to the arbitrage regulations under the U.S. Internal Revenue Code, and will give consideration to the following objectives:

A. Safety of capital: The primary objective of the District is to ensure the preservation and safety of principal.

B. Liquidity: The District will maintain sufficient liquidity to ensure adequate and timely availability of funds necessary to pay obligations as they become due.

C. Return on investment: The District will seek to optimize return on investments within the constraints of safety and liquidity.

2.05 Standard of Care. The District will seek to ensure that all persons involved in the investment process act responsibly in the preservation of District capital. District investments will be made with the exercise of judgment and care, under circumstances then prevailing, which persons of prudence discretion, and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived.

2.06 Representatives and Authorized Instruments. Purchases and sales of District investments will be initiated by an Investment Officer only who is designated by resolution of the Board. The Board may, by resolution, authorize an Investment Officer to invest and re-invest funds of the District in accordance with this Policy and the Investment Strategy. District funds will be invested only in those types of investments authorized under District bond resolutions, The Texas Public Funds Investment Act, as amended, the Texas Health & Safety Code, and other applicable state law.

2.07 Collateralization. Funds held at a bank or trust company that are not invested will be collateralized by collateral securities set forth in the Texas Public Funds Collateral Act, as amended, to the extent not covered by the Federal Deposit Insurance Corporation (FDIC), the Federal Savings and Loan Insurance Corporation (FSLIC), or their successors.

2.08 Review. Compliance of the District investments with this Policy will be regularly monitored. This Policy and investment performance and security will be reviewed and evaluated at least annually by the Board, or more frequently upon the request of any Commissioner.

ARTICLE III
INVESTMENT STRATEGY

3.01 Purpose. The purpose of this Article is to describe the investment objectives for each separate fund of the District and to provide investment strategies to obtain the objectives in order to ensure that investments in a particular fund are suitable for and meet the objectives of the fund.

3.02 Operating Funds. The investment objectives for the operating fund are: preserving the safety of the principal; ensuring the funds are available as needed to pay the District's monthly operating expenses, as estimated by the annual operating budget adopted by the Board; and, ensuring that the investments can be readily liquidated in the event there are unexpected additional costs. A fund balance equal to 3 months of expenses must be kept extremely liquid for normal uses. Any balance in excess of 3 months of expenses will be kept in investments that may be liquidated easily if the need arises, but in no case may any investment mature later than 60 days after the day of purchase, unless the Board authorizes an investment with a longer maturity.

3.03 Debt Service Fund. The investment objectives for the debt service fund are: the safety of the principal; ensuring that funds are available as necessary to meet the debt service needs of the District; ensuring compliance with the District's bond resolutions and, subject to compliance with the objectives of 2.04 and the satisfaction of the requirements of all bond resolutions, obtaining a maximum yield. Since the District knows the amount of its debt service and when it becomes due, investments for this account will be structured to meet debt service needs. When safety of principal and liquidity to match debt service are assured, yield may be considered. For funds needed for the District's next debt service payment, the investment must mature no later than the date the debt service payment is due. For funds in reserve, the investment must mature no later than 12 months after the date of purchase. Because of the large amount of District funds that may exist in this account, diversification of investment will be considered.

3.04 Capital Projects and Purchases Fund. The investment objective of the capital projects and purchases fund are: preserving the safety of the principal; ensuring that funds are available as needed to meet the construction needs of the District; when principal is protected and there is adequate liquidity, obtaining the maximum yield on investments. Investments of funds needed for planned capital projects or purchases with a known commence or purchase date must mature no later than the date the funds will be needed to pay for the project or purchase, as determined by the Board. Investments of funds that are not designated for specific projects or purchases must mature no later than 12 months after the date of purchase, unless the Board authorizes an investment with a longer maturity.

ARTICLE IV
INVESTMENT GUIDELINES

4.01 Purpose. The purpose of this article is to set forth the types of Authorized Investments in which the District's funds may be invested and the manner in which certain investments may be made.

4.02 Authorized Investments.

A. The District may invest its funds in the following types of investments, which are authorized for the investment of funds of local government under the Public Funds Investment Act.

1. Obligations of, or Guaranteed by, the United States. The District is authorized to invest funds in obligations of, or guaranteed by, the United States or one of its agencies or instrumentalities.

2. Certificates of Deposit. The District is authorized to invest in funds in certificates of deposit in accordance with Section 2256.010 of the Texas Government Code. Principal and accrued interest may not exceed FDIC limits or the collateral pledged as security for the District's investments as set forth in Section 4.03.² This includes obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation or by the explicit full faith and credit of the United States.³

3. TexPool Investment Pools. The District is authorized to invest its funds in the TexPool and TexPool Prime investment pools operated by the State of Texas. The maximum dollar-weighted maturity for either pool based on the stated maturity date for the portfolio may not exceed 90 days.

B. The District is authorized to invest in the following types of investments to the extent authorized by Chapter 2256, Government Code, only upon the Board's adoption of a separate resolution authorizing an investment: obligations of, or guaranteed by, government entities other than the United States or one of its agencies or instrumentalities, repurchase agreements, bankers' acceptances, commercial paper, and mutual funds.

4.03 Security of Funds/Collateral Policy.

A. It is the policy of the District that all funds must be insured by the FDIC or FSLIC or by collateral pledged to the extent of the fair market value of any amount not insured. The District recognizes that FDIC insurance is available up to a maximum of \$250,000 only (including accrued interest) for Time or Savings deposit, \$250,000 for Demand deposits, and \$250,000 for Interest and Sinking Fund deposits, and that the amount of funds on deposit at any one financial institution⁴ (including branch banks located within the same county) will be totaled to determine the maximum amount of insurance coverage.

B. To the extent District funds are not insured by the FDIC or FSLIC, they must be secured in the manner provided by law for the security of funds by Chapter 2257 of the Government Code (the Public Funds Collateral Act). There must be pledged as collateral for such funds, to the extent of the market value of the funds, any of the following securities: (1) government securities or obligations issued by the State of Texas, its agencies or political subdivisions, and approved by the Attorney General of Texas payable from taxes or revenues, approved by the Investment Committee; or (2) direct obligations of the United States backed by

² Section 2256.010 amended by the 79th Legislature in 2005.

³ Section 2256.009 amended by HB 2226, 82nd Legislature 2011

⁴ Need not be a Texas domiciled bank, per same amendment footnote 2

the full faith and credit of the government; or (3) any other obligations or securities authorized to be collateral securing the funds of municipal utility districts under the laws of the State of Texas that are approved by the Investment committee.

C. A bank or trust company holding un-invested District funds must provide a summary of the funds held and the collateral securities pledged against the funds to the District on a monthly basis.

4.04 Loss of Required Rating. An investment under Section 4.02 that requires a minimum rating does not qualify as an Authorized Investment during the period that the investment does not have the minimum rating. The Investment Officer must take all prudent measures that are consistent with this Resolution to liquidate an investment that does not have minimum rating.

ARTICLE V INVESTMENT MANAGEMENT PRACTICES

5.01 Designation of Investment Officer. The District's Treasurer will serve as an Investment Officer for the District. By the resolution governing this document, the Investment Officer is responsible for the investment of its funds in accordance with the investment policy of the board and applicable law, which shall include the authority to deposit, withdraw, invest, transfer, and manage the District's funds.

5.02 Investment Training. The District's Treasurer and any other persons serving as Investment Officers of the District at the time this Resolution is adopted may attend at least one training session relating to their responsibilities under Chapter 2256 of the Government Code within 12 months of adoption of the Resolution. Any Investment Officer or Treasurer assuming the duties or taking office after the adoption of this resolution may attend a training session within 12 months after assuming the duties or taking the office.

5.03 Internal Management Reports⁵. The Investment Officer must prepare a quarterly written report on the investment of funds for that quarter. The report must: describe in detail the investment position of the Board on the date of the report; 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; state the maturity date of each separately invested asset that has a maturity date; state the account or fund for which the individual investment was acquired; contain a summary statement of each pooled fund group, if any, that complies with Chapter 2256, Government Code; state the compliance of the investment portfolio as it related to the investment strategy expressed in this Investment Policy and Chapter 2256, Government Code; and be signed by the Investment Officer. The report should be presented to the board within a reasonable time after the end of each quarter.

5.04 Investment Committee. An Investment Committee composed of the District's Investment Officer, a member of the Board other than the Treasurer, and any staff member so chosen by the Board or Investment Officer may be established by the Board. If established, the Investment Committee must meet quarterly to review the Investment Officer's report. When the

Committee has approved the report, it should be presented to the Board at the next regular meeting.

5.05 Compliance Audit. The District, in conjunction with its annual financial audit, will perform a compliance audit of management controls on investments and adherence to this resolution.

5.06 Disclosure of Investment Policies.

A. An Investment Officer will provide a copy of this Resolution to any person seeking to sell the District an authorized investment. The registered principal of the business organization must execute a written acknowledgement in the form set forth in Exhibit 'A', to the effect that he has received and thoroughly reviewed the Investment Policy of the District and acknowledges that the organization has implemented reasonable procedures and controls in an effort to preclude imprudent investment activities arising out of the investment transactions conducted between the District and the organization. An Investment Officer may not buy any securities from a person who has not delivered to the District a written acknowledgement in the form set forth in Exhibit 'A'.

B. Each Investment Officer must execute a written statement in the form set forth in Exhibit 'B' to the effect that the Investment Officer has reviewed this Investment Policy and has implemented procedures and controls to comply with the Investment Policy.

PASSED AND APPROVED this ____ day of ____ 2013,

BURNET COUNTY EMERGENCY SERVICES DISTRICT NO.6

Dave Kithil, President
Board of Commissioners

ATTEST:

Secretary/Treasurer
Board of Commissioners

EXHIBIT 'A'

REGISTERED PRINCIPAL'S
CERTIFICATE OF RECEIPT
AND
REVIEW OF INVESTMENT POLICY

THE STATE OF TEXAS

COUNTY OF _____

I, the undersigned, _____, registered principal of _____ (entity); do hereby certify that I have been presented a copy of the Resolution Adopting Investment Policies, Strategies, Guidelines, and Management Practices for Burnet County Emergency Services District No. 6 (the 'Investment Policy'). I have thoroughly reviewed the Investment Policy and acknowledge that _____ (entity) has implemented procedures and controls in an effort to preclude imprudent investment activities arising out of investment transactions conducted between the District and _____ (entity).

WITNESS MY HAND THIS _____ day of _____, 20____

Printed Name: _____

Title: _____

EXHIBIT 'B'

INVESTMENT OFFICER'S
CERTIFICATE OF RECEIPT
AND
REVIEW OF INVESTMENT POLICY

THE STATE OF TEXAS

COUNTY OF BURNET

I, the undersigned, _____, Investment Officer of Burnet County Emergency Services District No. 6; do hereby certify that I have been presented a copy of the Resolution Adopting Investment Policies, Strategies, Guidelines, and Management Practices for Burnet County Emergency Services District No. 6 (the 'Investment Policy'). I have thoroughly reviewed the Investment Policy and acknowledge that I have implemented procedures and controls to comply with the Investment Policy.

WITNESS MY HAND THIS _____ day of _____, 20____

Printed Name: _____

Title: _____