



RFP 23MCO603

**In response refer to RFP NO. 23MCO603 Response to Questions
March 20, 2023**

Gentlemen/Ladies:

The following questions have been asked according to the instructions of the bid and are hereby answered:

1. Can you please send the bid in Word Format?
The RFP has been uploaded in Word Format on our website
<https://www.co.midland.tx.us/593/Midland-County-Request-for-Proposal>.
2. Can you please send over a copy of your Investment Policy?
See pages 2-12 of this document.

MIDLAND COUNTY INVESTMENT POLICY

EFFECTIVE OCTOBER 10, 2005

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MIDLAND COUNTY INVESTMENT POLICY

1. INVESTMENT AUTHORITY AND SCOPE OF POLICY

A. PURPOSE

This policy serves to satisfy the statutory requirement of the Texas Government Code, ann., Title 10, Section 2256, Public Funds Investment Act. The purpose of this document is to identify, define and adopt various policies and procedures that enhance opportunities for a prudent and systematic investment policy and to organize and formalize investment related activities. (See Attachment A: Resolution to Adopt Investment Policy.) This policy will be reviewed not less than annually according to Section 2256.005 (e) of the Act.

B. APPLICATION

This policy and the procedures implemented under its authority shall apply to the investment of all present cash funds and any funds to be created in the future under the direct control of the Midland County Commissioners Court acting on behalf of the citizens of Midland County. This policy does not apply to Midland County's deferred compensation plan. (H.B. 2799)

C. RESPONSIBILITY

The Midland County Commissioners Court shall be responsible for:

1. establishing an Investment Advisory Committee.
2. appointing County Investment Officer(s).
3. authorizing the types of investments in which public funds shall be invested.
4. approving all policies, strategies and procedures prepared by the Investment Officer(s) and/or Investment Advisory Committee.
5. employing the services of an investment advisor or contracting with a professional fund management firm, if deemed necessary by the Court.
6. monitoring the investments of the County as part of its ongoing fiscal duties.
7. reviewing investment policies and strategies not less than annually.
8. engaging the services on an independent auditing firm to conduct an annual financial audit of all County funds, as well as a compliance audit of management controls on investment and adherence to the county's established investment policies. (Sec. 2256.005 (m))

The Investment Officer(s) shall be responsible for:

1. developing and implementing procedures and controls in keeping with applicable laws and this policy, which shall assure accurate cash projections,

- expeditious collection of revenue, control of disbursements, and cost effective banking relations.
2. making investment in authorized instruments and/or with authorized vendors.
 3. accounting for county investments.
 4. reporting the status of investments to the Commissioners Court not less than quarterly.
 5. establishing a liaison with the Midland County Auditor in preparing investment forms to assist the County Auditor for accounting and auditing control.
 6. filing statements with the Midland County Commissioners Court and the Texas Ethics Commission disclosing all personal relationships with individuals seeking to sell instruments to the county. (Sec. 2256.005 (i))
 7. insuring that all county funds are fully collateralized or insured consistent with federal and state law and the current depository contract in one or more of the following manners:
 - a. FDIC insurance coverage
 - b. U.S. Government bonds, notes and bills
 - c. Securities of federally sponsored U.S. agencies

The Investment Officer(s) may delegate investment duties to any assistant employed within their office(s).

The Investment Advisory Committee shall be responsible for:

1. reviewing investment policies and strategies not less than annually
2. making recommendations on investment policies, strategies and instruments to the Investment Officer(s)
3. in the event that brokerage services are used, the Investment Advisory Committee must adopt and annually review a list of qualified brokers authorized to engage in investment transactions with the County.

D. INVESTMENT ADVISORY COMMITTEE COMPOSITION

The Investment Advisory Committee shall consist of the County Treasurer, the Chief Deputy Treasurer, the County Auditor, the County Investment Officer(s), the County Judge, and a Midland County Commissioner appointed by the County Judge. Members should have demonstrated knowledge in the area of finance, investments, or accounting. The Chairperson(s) will be the County Investment Officer(s) and meetings will be called as needed but not less than annually.

II. INVESTMENT OBJECTIVES (Sec 2256.005)

A. SAFETY OF PRINCIPAL

Public funds should be invested in quality instruments and/or with reputable vendors to assure the **SECURITY** and **SAFETY** of principal balances. Singular or diversified investment instruments and/or financial intermediaries may be selected pursuant to this objective.

B. LIQUIDITY

Public funds should be invested in instruments with **TIMELY MATURITIES** so as to assure the **LIQUID AVAILABILITY** of funds to meet the county's cash requirements for timely payment of its obligations and debts. No investment shall have a legal stated maturity of more than 60 months without the specific recommendation of the Midland County Investment Advisory Committee and the specific approval of the Midland County Commissioners Court.

C. YIELD

Public funds should be invested in instruments that will **YIELD** the **maximum rate of return** within the parameters imposed by the preceding safety and liquidity objectives stated in this policy.

D. DIVERSIFICATION

Public funds should be invested in a **DIVERSIFIED** portfolio to eliminate the risk of loss resulting from over concentration of assets in a specific maturity, a specific instrument, a specific issuer of a specific class of investments.

E. QUALITY AND CAPABILITY OF INVESTMENT MANAGEMENT

Public funds should be invested by individuals that are adequately trained and are capable of making sound investment decisions. Therefore, it is the policy of the County to provide training for the Investment Officer(s) through courses and seminars offered by professional organizations and association in order to insure the **QUALITY** and **CAPABILITY** of the Investment Officer(s) in making decisions.

F. INVESTMENT STRATEGIES

Midland County maintains portfolios which utilize four specific strategy considerations designed to address the unique characteristic of the fund groups represented in the portfolios and to maintain the **safety** of the principal invested in each group.

Investment strategies of operating funds and commingled pools containing operating funds have their primary objective to assure that anticipated cash flows are matched with adequate investment liquidity. The secondary objective is to create a portfolio structure which will experience minimal volatility during economic cycles. This may be accomplished by purchasing high quality, short to medium securities which will complement each other in a laddered or barbell maturity structure. The dollar weighted average maturity of 365 days or less will be calculated using the stated final maturity dates of each security. Investments are made with the intention of holding to maturity, but with the ability to liquidate should funds be needed at any time.

Investment strategies for debt service funds shall have as the primary objective that assurance of investment liquidity adequate to cover the debt service obligation on the required payment date. Securities purchased shall not have a stated final maturity date which exceeds the debt service payment date.

Investment strategies for reserve funds shall have as the primary objective the ability to generate a dependable revenue stream of the appropriate funds from securities with a low degree of volatility. Securities should be of high quality with varying maturity dates. Volatility shall be further controlled through the purchase of securities carrying the highest coupon available within the desired maturity and quality range, without paying a premium if at all possible. Such securities will tend to hold their value during economic cycles.

Investment strategies for special project of special fund portfolios will have as their primary objective to assure that anticipated cash flow are matched with adequate investment liquidity. These portfolios should include at least 10% of highly liquid securities to allow for flexibility and unanticipated project outlays. The stated final maturity date of securities held should not exceed the estimated project completion date.

2. INVESTMENT TYPES (Sec. 2256.009 - 2256.016)

A. AUTHORIZED

Instruments authorized by the Midland County Commissioners Court for the investment of public funds shall have a maximum weighted maturity of 365 days with the maximum maturity for any individual in the portfolio not exceeding 60 months unless specifically recommended by the Investment Advisory Committee and specifically authorized by the Commissioners Court. Instruments authorized for investments shall be limited to:

1. U.S. Treasury Bill
2. U.S. Treasury Notes
3. Instruments by Agencies and Instrumentality's of the U.S. Government that is backed by the full faith and credit of the U.S. Government.
4. Government National Mortgage Association (GNMA)-GNMA-Guaranteed mortgage-backed securities and GNMA-guaranteed participation certificates, General Services Administration participation certificates, U.S. Department of housing & Urban Development-local authority bonds, and U.S. Export-Import Bank Obligations.
5. Certificate of deposit or share certificate if issued by a depository institution that has its main office or a branch office in this state and is guaranteed or insured by the Federal Deposit Insurance Corporation (FDIC) or its successor or the National Credit Union

Share Insurance Fund (NCUSIF) or its successor and secured by obligations described in the Public Funds Investment Act, Sec. 2256.009.

6. An investment in certificates of deposit made in accordance with the Public Funds Investment Act, Sec. 2256.010(b), such as the Certificate of Deposit Account Registry Service (C.D.A.R.S.) or other like programs.
7. Fully collateralized repurchase agreements as defined in the Public Funds Investment Act, if it:
 - a. has a defined termination date
 - b. is secured by U.S. obligations or its agencies and instrumentalities
 - c. secured in any other manner and amount provided by law for deposits of the County.
8. State of Texas sponsored “Texpool” fund
9. Eligible investment pools (as discussed in the Public Funds Investment Act, Sec. 2256.016-2256.019) if the Midland County Commissioners Court by resolution authorizes investment in a particular pool. An investment pool shall invest the funds it receives from entities in authorized investments permitted by the Act. A county by contract may delegate to an investment pool the authority to hold legal title as custodian of investments purchased with its local funds. The investment pools may be rated AAA or AAA-m as required by H.B. 2799.
10. A no load money market mutual fund is authorized if it is registered by the SEC; has a maximum weighted maturity of 90 days and includes in its investment objectives the maintenance of a stable net asset value of \$1 per share.

B. PROHIBITED

The Midland County Commissioners have the authority to deem any investment as unsuitable for public funds. However, in order to mitigate exposure to interest rate (market) risk and liquidity risk inherent in certain instruments, the following investments and investments practices are specifically prohibited:

1. Collateralized mortgage obligations (CMOs) and other hybrid mortgage-backed, pass-through securities.
2. Inverse floaters, leverage floaters, capped and range floaters, dual index floaters, and floating rate notes whose index is tied to a long term interest rate or lagging index, e.g. Cost of Funds (COFI) index.
3. Investment purchases on margin or short sales.
4. Leveraging the portfolio.

C. **PORTFOLIO COMPOSITION**

Specific portfolio composition will be guided by the following general parameters:

U.S. Government Securities, Agencies and Instrumentality's

The portfolio may be comprised of 100% direct government obligations, with at least 25% of the portfolio invested in U.S. securities, unless market conditions dictate otherwise.

Certificates of Deposit

A maximum of 35% of the portfolio may be invested in fully collateralized certificates of deposit.

Repurchase Agreement

A maximum of 15% of the portfolio may be invested in fully collateralized repurchase agreements.

Local Government Investment Pools

One hundred percent (100%) of the portfolio may be invested in Tex-Pool and other eligible pools. The ongoing need for liquidity and the relative short term profile of the portfolio dictates a high use of Tex-Pool and other eligible pools.

Money Market Mutual Funds

A maximum of 25% of the portfolio may be invested in approved money market funds.

3. **INVESTMENT RESPONSIBILITY AND CONTROL**

A. **INVESTMENT INSTITUTIONS DEFINED**

The Midland County Investment Officer(s) shall invest public 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 bank that has its main office or a branch office in Texas that are insured by the FDIC
3. public funds investment pools
4. registered government securities brokers and dealers

B. **INVESTMENT OFFICER TRAINING (Sec. 2256.008)**

The Midland County Investment Officer(s) shall attend at least 30 hours of training relating to the officer(s) responsibilities within 12 months after assigning duties. Each year thereafter, the officers shall attend at least 10 hours of training. The training is to include the following topics:

1. investment controls
2. security risks
3. strategy risks

4. market risks
5. compliance with the Public Funds Investment Act

The training must be provided by an independent source and be approved by the Midland Commissioners Court.

C. QUALIFICATIONS FOR APPROVAL OF BROKERS/DEALERS (Sec. 2256.005(k))

This policy shall be presented to anyone seeking to sell investments to Midland County and the vendor will supply to the County the following information:

1. a completed Broker/Dealer questionnaire (Attachment C).
2. a written acknowledgment that the registered principal has received and has thoroughly reviewed the investment policy of the County (Attachment D).
3. a written acknowledgment that the vendor has implemented reasonable procedures and controls in an effort to preclude imprudent and speculative investments.
4. written proof of registration with the Texas State Securities Board.
5. written proof of National Association of Securities Dealers (NASD) certification.

The Investment Officer(s) may not purchase any securities from a vendor who has not delivered the above mentioned documents to the County.

D. STANDARDS OF OPERATION

The County Investment Officer(s) shall develop and maintain written administrative procedures for the operation of the investment program, consistent with the investment policy.

E. DELIVERY VS PAYMENT

It will be the policy of the County that all investment transactions will be settled on a delivery vs. payment (DVP) basis through the Federal Reserve System with the exception of investment pool and mutual funds. By doing so, county funds are not released until the County has received through the Federal Reserve wire the securities purchased.

F. ELECTRONIC TRANSFER (Sec. 2256.051)

Midland County may use electronic means to transfer or invest all funds collected or controlled by the County.

G. AUDIT CONTROL

The Midland County Investment Officer(s) is/are subject to audit by the County Auditor and any independent auditors engaged by the Commissioners Court. All investment transaction records shall be available upon request by the County Auditor and any independent auditors engaged by the Commissioners Court.

H. STANDARD OF CARE (Sec. 2256.006)

Investment 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.

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 County's control, over which the Officer(s) had responsibility rather than a consideration as to the prudence of a single investment.
2. whether the investment decision was consistent with the written investment policy of the County.

I. LIABILITY OF INVESTMENT OFFICER(S)

The County Investment Officer(s) is/are not responsible for any loss of public funds through the failure or negligence of a depository. This does not release the Investment Officer(s) from responsibility for a loss resulting from the official misconduct or negligence of the Investment Officer(s), including a misappropriation of the funds, or from responsibility for funds until a depository is selected and the funds are deposited.

4. INVESTMENT REPORTING AND PERFORMANCE EVALUATION

A. QUARTERLY REPORT

The County's Investment Officer(s) shall submit not less than quarterly to the Commissioners Court and all members of the Investment Advisory Committee a written report of the investment transactions for all invested funds for the preceding period. The report shall be prepared by the Investment Officer(s) of the county. This report shall include the following information:

1. describe in detail the investment position of the county on the date of the report.
2. contain a summary statement of each pooled fund group to include the following
 - a. beginning market value for the reporting period
 - b. additions and changes to the market value during the reporting period; in the case of an investment pool the changes in the pool's market value during the reporting period must be reported.
 - c. ending market value for the reporting period

- d. 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
- e. maturity date of each invested asset that has a maturity date
- f. account, fund or pooled group for each individual investment
- g. compliance of the portfolio as it relates to the County's investment strategy

B. NOTIFICATION OF INVESTMENT CHANGES

It shall be the duty of the Midland County Investment Officer(s) to notify the 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.

5. SAFEKEEPING

A. SAFEKEEPING

All purchased securities shall be held in safekeeping by Midland County, or a County account in a third party financial institution, or with a Federal Reserve Bank. All certificates of deposit, insured by the FDIC, purchased outside the Depository Bank shall be held in a third party financial institution. All securities pledged as collateral by the Depository Bank shall be held in safekeeping by the County or a County account in account in a third party financial institution, or with a Federal Reserve Bank. The amount of such securities shall be determined by their market value. The County Investment Officer shall report to the Commissioners Court his/her valuation of all collateral compared to all county deposits on a monthly basis. Collateral deficiencies should be identified and immediately corrected through additional collateral deposited or reductions in the volume of deposited funds.

6. AMENDMENTS

A. AMENDMENTS

This policy may be amended by the Midland County Commissioners Court by minute order.
