

HOUSTON RECOVERY CENTER LGC

INVESTMENT POLICY

The Board of Directors of the Houston Recovery Center LGC ("HRC") has established this investment policy to aid in the overall administration of the HRC's investment funds. All investments shall be made subject to and in accordance with the requirements of Chapter 2258, Texas Government Code (The Public Funds Investment Act) and Chapter 105, Texas Local Government Code (Depositories for Municipal Funds).

OBJECTIVES

- PRESERVATION AND SAFETY OF PRINCIPAL
- LIQUIDITY
- YIELD/GROWTH OF PRINCIPAL

Standard of Care

All investments shall be made with the judgment and care that a person of prudence, discretion and intelligence would exercise in the management of their affairs considering the probable safety of capital and the probable income to be derived. Funds available for investment shall be defined as any cash other than that which is necessary to ensure appropriate cash flow and working capital to sustain the ongoing operations of the HRC.

Authorized Investments

Authorized investments shall be money market mutual funds, money market accounts and accounts offered by the HRC's depository bank in the form of certificates of deposit. No investment funds shall be encumbered in any investment instrument with a rate of return less than that currently received by any interest bearing checking or savings account maintained by the HRC. No investment instrument shall have a stated maturity date of longer than twenty-four (24) months. At no time will the HRC's funds be invested or held in any name other than the HRC. Any payments or transfers from any investment account shall only be payable to HRC or another HRC account.

A written copy of this investment policy shall be presented to any person offering to engage in an investment transaction with the HRC or to any investment management firm under contract with the HRC to invest or manage the entity's investment portfolio. The qualified representative of the business organization offering to engage in an investment transaction with the HRC shall execute a written instrument in a form acceptable to the Board of Directors that indicates 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 HRC and the organization that are not authorized by the HRC's investment policy.

Investment Officer(s)

Selection of investment officer(s) is by recommendation of the Finance Committee and approval of the Board of Directors.

a. **Individual(s):** The Board of Directors shall designate one or more officers or as investment officer to be responsible for the investment of its funds consistent with this investment policy. Authority granted to a person to serve as investment officer is effective until rescinded by the Board of Directors, until the expiration of the officer's term or the termination of the person's employment by the HRC.

b. **Management Firm:** If an investment management firm is the designated investment officer, its authority to serve as investment officer is effective until the expiration of the contract with the HRC. In the administration of the duties of an investment officer, the person designated as investment officer shall exercise the judgment and care that a prudent person would exercise in the management of the person's own affairs, but the Board of Directors retains ultimate responsibility as fiduciaries of the assets of the entity.

The Board of Directors 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. Such contract may not be for a term longer than two years. A renewal or extension of the contract must be made by the Board of Directors.

Training Requirements: The treasurer, the chief financial officer if the treasurer is not the chief financial officer, and the investment officer shall:

(1) Attend at least one training session from an independent source containing at least 10 hours of instruction relating to the treasurer's or officer's responsibilities under the Public Funds Investment Act. This training must be completed 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 HRC'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 the Public Funds Investment Act.

Reporting Requirements: Not less than quarterly, the investment officer shall prepare and submit to the Board of Directors a written report of investment transactions for all investment funds. The report must:

- 1) Describe in detail the investment position of the HRC on the date of the report;
- 2) Be prepared jointly by all investment officers;
- 3) 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;
- 4) State the maturity date of each separately invested asset that has a maturity date; and
- 5) Be signed by each investment officer.

Board Oversight and Review

In conjunction with its annual financial audit, the HRC shall perform a compliance audit of management controls on investments and adherence to the established investment policies.

The Finance Committee shall review this investment policy annually to ensure that it continues to comply with applicable law and meets the objectives set forth in this policy. The Finance Committee shall present any policy revisions annually to the Board of Directors for approval.

The HRC Finance Committee is responsible for monitoring the investment officer(s), the investment performance, fees, and for insuring that appropriate information is provided to the Board for regular review by the Board of Directors.

The Finance Committee will meet annually with the investment manager to review and evaluate the investment officer's performance.

Vernon's Texas Statutes and Codes Annotated
Government Code (Refs & Annos)
Title 10. General Government (Refs & Annos)
Subtitle F. State and Local Contracts and Fund Management
Chapter 2256. Public Funds Investment (Refs & Annos)
Subchapter A. Authorized Investments for Governmental Entities

V.T.C.A., Government Code § 2256.005

§ 2256.005. Investment Policies; Investment Strategies; Investment Officer

Effective: June 17, 2011

Currentness

(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, § 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, § 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 person offering to engage in an investment transaction with an investing entity or to an investment management firm under contract with an investing entity to invest or manage the entity's investment portfolio. For purposes of this subsection, a business organization includes investment pools and an investment management firm under contract with an investing entity to invest or manage the entity's investment portfolio. 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:

(l) 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 is dependent on an analysis of the makeup of the entity's entire portfolio or requires an interpretation of subjective investment standards.

(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 person who 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 commissioner under Section 404.024.

Credits

Amended by Acts 1995, 74th Leg., ch. 402, § 1, eff. Sept. 1, 1995; Acts 1997, 75th Leg., ch. 685, § 1, eff. Sept. 1, 1997; Acts 1997, 75th Leg., ch. 1421, § 3, eff. Sept. 1, 1997; Acts 1999, 76th Leg., ch. 1434, § 4, eff. Sept. 1, 1999; Acts 2003, 78th Leg., ch. 785, § 41, eff. Sept. 1, 2003; Acts 2011, 82nd Leg., ch. 1004 (H.B. 2926), § 1, eff. June 17, 2011.

Notes of Decisions (1)

V. I. C. A., Government Code § 2256.005, TX GOVT § 2256.005

Current through the end of the 2013 Third Called Session of the 83rd Legislature

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