POLICY NUMBER: 110

POLICY NAME: INVESTMENT OF PUBLIC FUNDS

It is the policy of Collin Central Appraisal District ("the District") to first and foremost, create guiding principles to insure conformance to all statutes, rules, and regulations governing the investment of public funds, in accordance with the Public Funds Investment Act (PFIA).

Additionally, this Investment Policy sets guidelines to invest public funds in a manner which will provide safety of principal, meet the liquidity demands of the District, and optimize investment return while conforming to all state statutes governing the investment of public funds. This policy details the standards of care to which the District commits; that of due care, caution, and good judgment in making all its investments.

1.0 Scope

This Investment Policy applies to all financial assets of the District.

2.0 Prudence

Investments shall be made with 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.

3.0 Objectives

The primary objectives, in priority order, of the District shall be:

- **Safety:** Safety of principal is the foremost objective of the investment program.
- **Liquidity:** The District's investment portfolio will remain sufficiently liquid to enable the District to meet all operating requirements, which might be reasonably anticipated.

- **Return:** The District's investment portfolio shall be designed with the objective of attaining a rate of return throughout budgetary and economic cycles, commensurate with the District's investment risk constraints and the cash flow characteristics of the portfolio.

4.0 Delegation of Authority

Investment Officers

Authority to manage the District's investment program is derived from the Public Funds Investment Act, Chapter 2256 Government Code. The duties of Investment Officers are hereby delegated to the Assistant Chief Appraiser and the Director of Finance. The Investment Officers shall establish written investment policies as approved by the Board. Policies should include reference to safekeeping, wire transfer agreements, banking service contracts and collateral/depository agreements. The Investment Officers shall be responsible for all transactions undertaken and shall establish a system of controls to regulate the activities of subordinate officials. The Investment Officers shall consult and report to the Chief Appraiser concerning all of the District's investments.

Training

The Investment Officers are required, under §2256.008 Government Code, to: (1) attend at least one, 10 hour, training session within 12 months of assuming duties and (2) attend a 10 hour investment training session not less than once in a two-year period that begins on the first day of the District's fiscal year and consists of the two consecutive fiscal years after that date.

The Chief Appraiser will approve and the District will provide periodic training in investments for the investment personnel through courses and seminars offered by professional organizations and associations in order to ensure the quality and capability of the District's investment personnel making investment decisions in compliance with the PFIA.

Approved independent training sources are:

- American Institute of Certified Public Accountants

250 Eldorado Pkwy
McKinney, Texas 75069
Metro 469-742-9200
Toll-Free 866-467-1110
Admin Fax 469-742-9209
Appraisal Fax 469-742-9205

- Council of Governments
- Government Finance Officers Association
- Government Finance Officers Association of Texas
- Government Treasurers' Organization of Texas
- International City/County Management Association
- Texas Association of Appraisal Districts (TAAD)
- Texas City Management Association
- Texas Municipal Clerks Association
- Texas Municipal League
- TEXPO
- University of North Texas Center for Public Management

Internal Controls

The Investment Officers are responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the District are protected from loss, theft or misuse. The internal control structure shall be designed to provide reasonable assurance that these objectives are met. The concept of reasonable assurance recognizes that (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management.

The internal controls shall address the following points:

- Avoidance of collusion,
- Separation of transactions authority from accounting and record keeping,
- Third-party safekeeping and custody,
- Clear delegation of authority of subordinate staff members, and
- Written confirmation for transactions for investments and wire transfers

5.0 Ethics and Conflicts of Interest

An Investment Officer of the District who has a personal business relationship with an entity seeking to sell an investment to 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 Local Government

250 Eldorado Pkwy
McKinney, Texas 75069

Metro 469-742-9200
Toll-Free 866-467-1110

Admin Fax 469-742-9209
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Code, to an individual seeking to sell an investment to the District shall file a statement disclosing that relationship. A statement required under this section must be filed with the Texas Ethics Commission and with the Board of Directors, Collin Central Appraisal District.

6.0 Authorized and Suitable Investments

District funds governed by this Investment Policy may be invested in the instruments described below, all of which are authorized by the PFIA. Investment of District funds in any instrument or security not authorized for investment under the PFIA is prohibited. The District will not be required to liquidate an investment that was authorized at the time of purchase.

- **Obligations of, or guaranteed by Government Entities,** as outlined in §2256.009 of the Government Code, including:
  a. Obligations, including letters of credit, of the United States or its agencies and instrumentalities, including the Federal Home Loan Banks;
  b. Direct obligations of the State of Texas or its agencies and instrumentalities;
  c. Other obligations, the principal and interest of which are unconditionally guaranteed or insured by, or backed by the full faith and credit of, the state of Texas or the United States or their respective agencies and instrumentalities, including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation (FDIC).
  d. Obligations of state, agencies, counties, cities, and other political subdivisions of this State rated as to investment quality by a nationally recognized investment rating firm not less than A or its equivalent.
- **Financial Institution Deposits** issued by a depository institution that has its main office or a branch office in Texas and is guaranteed or insured by the FDIC or its successor or the National Credit Union Share Insurance Fund (NCUSIF) or its successor, is secured by obligations that are eligible in the PFIA, or secured in any manner and amount provided by law for deposits of the investing entity.

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McKinney, Texas 75069
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Toll-Free 866-467-1110
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- **Investment Pools** if they comply with the requirements of §2256.016 Government Code and have been specifically authorized by the Board of Directors of the District.
- **Money Market Mutual Funds** if they (1) are registered and regulated by the Securities and Exchange Commission, (2) seek to maintain a net asset value of $1.0000 per share, and (3) are rated AAA by at least one nationally recognized rating service.

7.0 Safekeeping and Custody

Safekeeping and Custodial Agreements

The District shall contract with a bank or banks for the holding of securities either owned by the District as part of its investment portfolio or held as collateral to secure depository institution deposits. Securities owned by the District shall be held in the District's account as evidenced by safekeeping receipts of the third-party institution holding the securities. The District shall approve all third-party custodians for the holding of securities pledged to the District as collateral to secure financial institution deposits.

Collateral Policy

The District has established a collateral policy in compliance with the Public Funds Collateral Act. Deposits secured with irrevocable letters of credit shall have 100% of principal plus anticipated interest of the deposit, less any amount insured by the FDIC or NCUSIF. Deposits secured with pledged marketable securities shall have a market value equal to or greater than 103% of the principal plus accrued interest of the deposit, less any amount insured by the FDIC or NCUSIF. All deposits shall be insured or collateralized in compliance with applicable State law. The District reserves the right, in its sole discretion, to accept or reject any form of insurance or collateralization. All collateral will be subject to inspection and audit by the District or the District's independent auditors.

Financial institutions serving as District Depositories will be required to sign a depository agreement with the District. The collateralized deposit portion of the agreement shall define the District's rights to the collateral in case of default, bankruptcy, or closing, and shall establish a perfected security interest in compliance with Federal and State regulations, including:

- The agreement must be in writing;
- The agreement must be executed by the Depository and the District contemporaneously with the acquisition of the asset;
- The agreement must be approved by the Board of Directors or designated committee of the Depository and a copy of the meeting minutes must be delivered to the District; and
- The agreement must be part of the Depository's "official record" continuously since its execution.

8.0 Investment Parameters

Diversification

The District recognizes that investment risks can result from issuer defaults, market price changes, or various technical complications leading to temporary illiquidity. Risk is managed through portfolio diversification that shall be achieved by the following general guidelines:

- Limiting investments to avoid overconcentration in investments from a specific issuer or business sector, when appropriate,
- Limiting investment in higher credit risk issuers,
- Investing in investments with varying maturities, and
- Continuously investing a portion of the portfolio in readily available funds such as financial institution deposits, local government investment pools, or money market funds to ensure that appropriate liquidity is maintained in order to meet ongoing obligations.

Maximum Maturities

To the extent possible, the District will attempt to match its investments with anticipated cash flow requirements. Unless matched to a specific cash flow, the District will not directly invest in securities maturing more than two years from the date of purchase.

Competitive Environment

The District requires a competitive environment for all individual security purchases and sales, financial institution time deposit and transaction accounts, and money market mutual fund and local government investment pool selections. The Investment Officers shall develop and maintain procedures for ensuring a competitive environment in the investment of the District's funds.

Delivery versus Payment

All security transactions entered into by the District shall be conducted on a delivery-versus-payment (DVP) basis.

General Fund Investment Strategies

This pooled investment group includes the total of cash and investments available for current operations.

- **Suitability** - Any investment eligible in the Investment Policy is suitable for General Funds.
- **Safety of Principal** - All investments shall be of high quality with no perceived default risk. Market price fluctuations may occur. However, by managing the weighted average days to maturity for the General Fund's portfolio to less than 270 days and restricting the maximum allowable maturity to two years, the price volatility of the overall portfolio will be managed.
- **Liquidity** - General Funds require the greatest short-term liquidity of any of the Fund types. Cash equivalent investments will provide daily liquidity and may be utilized as a competitive yield alternative to fixed maturity investments.
- **Marketability** - Securities with active and efficient secondary markets are necessary in the event of an unanticipated cash flow requirement.
- **Diversification** - Investment maturities should be staggered throughout the budget cycle to provide cash flow based on the anticipated operating needs of the District. Market cycle risk will be reduced by diversifying the appropriate maturity structure out through two years.
- **Yield** - Attaining a competitive market yield for comparable investment-types and portfolio restrictions is the desired objective. The yield of an equally weighted, rolling three-month Treasury bill portfolio will be the minimum yield objective.

9.0 Reporting

Internal Management Reports

Not less than quarterly, the Investment Officers shall prepare and submit to the Board of Directors a written report of investment transactions for the current year. The report must describe in detail the investment position of the District on the date of the report, be prepared jointly by the Investment Officers and be signed by each Investment Officer. Additionally, it must contain a summary statement of each pooled fund group that indicates the beginning and ending market value and fully accrued interest for the period. The report is to 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. Additionally, it must state the maturity date of each separately invested asset that has a maturity date, state the account or fund or pooled fund from which the asset was acquired and state the compliance of the investment as it relates to the investment strategy expressed in this policy. Weighted average yield to maturity shall be the portfolio's performance measurement standard.

Compliance Audits

The District, in conjunction with its annual financial audit, will require the audit firm to conduct a compliance audit of the management controls on investments and adherence to investment policies.

Also, in conjunction with the annual audit, the quarterly reports shall be formally reviewed by the District's independent auditor, and the result of the review shall be reported to the Board by that auditor. Said results may be included in the annual audit report.

10.0 Monitoring Rating Changes

The Investment Officers or investment advisor shall monitor, no less than quarterly, the credit rating on all authorized investments in the portfolio that require a minimum rating, based upon independent information from a nationally recognized rating agency. All prudent measures will be taken to liquidate an investment that is downgraded to less than the required minimum rating.

11.0 Primary Depository and Broker/Dealers

Primary Depository

At least every four years, a Primary Depository shall be selected through the District's banking services procurement process, which shall include a formal request for proposals (RFP). The selection of a primary depository will be determined by evaluation of the "most advantageous" criteria during the RFP process, and may include the following selection criteria:

- The ability to qualify as a depository for public funds in accordance with state law,
- The ability to provide requested information or financial statements for the periods specified,
- The ability to meet the minimum required items in the banking RFP,
- Complete response to all required items on the RFP form, and
- Competitive net banking service cost, consistent with the ability to provide an appropriate level of service.

At the discretion of the District, a Secondary Depository may be selected to assist in meeting the full financial needs of the District.

Authorized Broker/Dealers

The District shall, at least annually, review, revise and adopt a list of authorized broker/dealers authorized to engage in securities transactions with the District. Those firms that become qualified may be required to provide information regarding creditworthiness, experience and reputation. Authorized firms may include primary dealers or regional dealers that qualify under Securities & Exchange Commission Rule 15C3-1 (Uniform Net Capital Rule). Authorized broker/dealers include FHN Financial, Hilltop Securities, Stifel, and Wells Fargo Securities.

Investment Policy Certification

250 Eldorado Pkwy
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All local government investment pools and discretionary investment management firms must sign a certification acknowledging that the organization has received and reviewed the District's Investment Policy and that reasonable procedures and controls have been implemented to preclude investment transactions that are not authorized by the District's Policy and in accordance with the PFIA.

12.0 Annual Review and Adoption of Investment Policy

The Board of Directors of the District will review the Investment Policy and Investment Strategies not less than annually. The District's Investment Policy shall be subject to revisions consistent with changing laws, regulations, and the needs of the District. The Board shall adopt a written resolution stating that it has reviewed the Investment Policy and Strategies and shall record any changes made to either the Investment Policy or Strategies.

Government Code: Chapter 2256, Public Funds Investment Act

Date Adopted: September 24, 2009
Resolution #: 2009-11

Date Amended: October 27, 2011
Resolution #: 2011-23

Date Adopted, with no changes: October 31, 2012
Resolution #: 2012-28

Date Adopted, with no changes: October 24, 2013
Resolution #: 2013-29

Date Amended: September 25, 2014
Resolution #: 2014-33

Date Adopted, with no changes: September 24, 2015
Resolution #: 2015-36

Date Adopted, with no changes: September 22, 2016

250 Eldorado Pkwy
McKinney, Texas 75069
Metro 469-742-9200
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Admin Fax 469-742-9209
Appraisal Fax 469-742-9205

Resolution #: 2016-39

Date Adopted, with no changes: September 28, 2017
Resolution #: 2017-44

Date Adopted, with no changes: November 29, 2018
Resolution #: 2018-51

Date Adopted, with no changes: November 26, 2019
Resolution #: 2019-54

Date Adopted, with no changes: October 8, 2020
Resolution #: 2020-58

Date Adopted, with changes: November 18, 2021
Resolution #: 2021-65

Date Adopted, with changes: September 22, 2022
Resolution #: 2022-75

Date Adopted, with changes: September 28, 2023
Resolution #: 2023-80

Date Adopted, with changes: September 26, 2024
Resolution #: 2024-89

Date Adopted, with changes: April 23, 2026
Resolution #: 2026-97