HARRIS COUNTY
INVESTMENT POLICY



PREPARED BY:
OFFICE OF MANAGEMENT AND BUDGET
FINANCIAL MANAGEMENT DIVISION
HARRIS COUNTY, TEXAS

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HARRIS COUNTY, TEXAS
INVESTMENT POLICY

This Investment Policy (the Policy) is adopted by the Harris County Commissioners Court as the governing body of Harris County pursuant to the Texas Government Code, Title 10, Chapter 2256 (Public Funds Investment Act) and Texas Local Government Code, Chapter 116.112. The Policy will be reviewed and adopted by court order at least annually in accordance with the Texas Government Code 2256.005(e).

ARTICLE I
PURPOSE

Section 1.01 Purpose

The purpose of this Policy is to provide guidance in the investment of County funds to help ensure safety of principal, liquidity for County operations, and return on investment.

ARTICLE II
SCOPE

Section 2.01 Scope

This Policy applies to financial assets of all County funds and certain trust and escrow funds held by the County. Such funds encompass those of Harris County, Harris County Toll Road Authority (a department of Harris County) and Harris County Flood Control District (collectively referred to here as the "County"), as well as those accounted for in the trust funds of the County Clerk and District Clerk registry fund accounts.

The County, through the Financial Management Division, acts as an Investment Agent for the following entities: 9-1-1 Emergency Network, Community Supervision & Corrections, Harris County Juvenile Board, Harris County Hospital District, Harris County Redevelopment Authority and TIRZ 24, Harris County-Houston Sports Authority, and Harris County Sports & Convention Corporation. Each of these entities is solely responsible for preparing and approving its own investment policy.

ARTICLE III
DEFINITIONS

Section 3.01 Definitions

Unless the context requires otherwise, the following terms and phrases used in this Policy shall mean the following:

(a) **"Barbell Approach"** means an investment strategy whereby investments are concentrated at both the short end and the long end of the policy permitted maturity range, instead of buying securities with maturity dates to correspond with specific expenditures.

(b) **"Collateral"** means any security or other obligation which the County authorizes to serve as security for the deposit of County funds in Article V hereof.

(c) **"Collateral Act"** means Chapter 2257, Texas Government Code, as amended from time to time.

(d) **"Commissioners Court"** means the elected governing body of Harris County consisting of the County Judge and four (4) Precinct Commissioners.

(e) **"County Designees"** means the officials and/or employees of the Harris County Financial Management Division authorized to process investments for the County or contracted entities.

(f) **"Custodian Bank"** means the banking institution that is contracted to safeguard and administer financial assets on behalf of the County.

(g) **"Delivery vs. Payment (DVP)"** means a method of settling trades in which cash is exchanged for securities simultaneously.

(h) **"Depository Bank"** means the banking institution that is contracted to process the County's receipts and disbursements.

(i) **"Depository Trust Co. (DTC)"** means the book-entry depository for municipal and corporate bonds, equities, commercial paper, and various other obligations. The corporation is owned by banks and brokerage firms and holds securities, arranges for securities receipt and delivery, and arranges for the payments in settlement of trades.

(j) **"Employee"** means any person employed by Harris County, but does not include independent contractors or professionals hired by the County as outside consultants.

(k) **"Financial Management Division"** means the Harris County office responsible for cash and banking management, debt management, investment management, and management of collateral for County funds as required.

(l) **"Investment Act"** means Chapter 2256, Texas Government Code, as amended from time to time, also referred to as the Texas Public Funds Investment Act.

(m) **"Investment Officer"** means the Employee appointed by Commissioners Court as County Investment Officer to administer all investment activity of County funds under the Investment Act standard of care "prudent person" and to monitor compliance and management-level controls.

(n) **"Laddered Approach"** means an investment strategy that positions maturities that occur in regular intervals, providing a known stream of cash.

(o) **"Matching Approach"** means an investment strategy that matches maturities of investments to coincide with known predictable cash needs. This approach requires a reasonably accurate forecast of cash flow and disbursement requirements.

(p) **"Pooled Fund Group"** means an internally created fund of an investing entity in which one or more accounts of the investing entity are invested.

(q) **"Reserve Investment Officer"** means those certified investment officers within the Financial Management Division who have been designated and trained as backup or relief County Designees.

ARTICLE IV
INVESTMENT OFFICER

Section 4.01 Investment Officer

In accordance with the Local Government Code, Section 116.112(a) and the Government Code, Sections 2256.005(f) and (g), the Commissioners Court hereby appoints the Deputy Executive Director of the Office of Management and Budget to serve as the County Investment Officer to manage and oversee the investment of funds under the County's direct control and for the other entity funds stated in this Policy in Article II, Section 2.01. Scope. In the event the Investment Officer is unable to perform the functions of that office, the Investment Director is hereby authorized to perform such functions until the Investment Officer is able to perform them or another Investment Officer is appointed by Commissioners Court. The Investment Officer shall be responsible for investing County funds in accordance with this Policy and the Investment Policy for each contracted entity. The Investment Officer shall invest County funds using judgment and care under then prevailing circumstances that a person of prudence, discretion, and intelligence would exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of capital. The standard of care to be used by the Investment Officer and County Designees shall be the "prudent person" standard and shall be applied in the context of managing an overall portfolio. The Investment Officer and County Designees (1) acting in accordance with this Policy and any written procedures approved by Commissioners Court and (2) exercising due diligence, shall be relieved of personal responsibility for an individual security's credit risk or market price changes, provided that deviations from expectation are reported in a timely fashion and appropriate action is taken to control adverse developments. The Investment Officer and County Designees will also be required to adhere to financial procedures prescribed by the County Auditor for financial transaction processing. Reference Exhibit "A" for authorized personnel to invest County funds.

The County Commissioners Court further requires that all County Designees or persons responsible for investment duties of other entities must be Certified Investment Officers, or in the active process of attaining certification, and must fulfill the training and disclosure of relationship requirements presented in this Policy Sections 4.02 and 4.03, respectively.

Section 4.02 Training

The Investment Officer and County Designees shall be active members of the Texas Association of Counties Investment Academy or in the active process of attaining membership and attend investment training as required by the Investment Act. Under this Policy all individuals are required to submit a written confirmation of completion of such training to the Investment Officer.

Section 4.03 Disclosure of Relationships with Persons Selling Investments to the County

The Investment Officer or County Designee of the County or contracted entity who has a personal business relationship with a business organization offering to engage in an investment transaction with the entities 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. The Investment Act, Section 2256.005(i) should be referred to for more qualifying events and it is the responsibility of the Investment Officers, County Designees, and broker/dealers to be knowledgeable of and compliant with reportable events and relationships. Under this Policy an Investment Officer is prohibited from accepting any gifts, including meals, from a broker/dealer unless authorized by the Executive Director of the Office of Management and Budget.

Section 4.04 Reporting by the Investment Officer

Not less than quarterly and within a reasonable time after the end of the quarter being reported, the Investment Officer, assisted by the County Designees, shall prepare and submit to Commissioners Court a written report of the investment transactions for all funds of the County from the preceding reporting period. The reports must (1) describe in detail the investment position of the County as of the date of the reports, (2) be prepared jointly by the Investment Officer and/or County Designees, (3) be signed by the Investment Officer and/or County Designees, (4) contain a summary statement of each pooled fund group that states the beginning market value and fully accrued interest for the reporting period, (5) state the book value and the market value of each separately invested asset at the 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 County account or fund or pooled group fund for which each individual investment was acquired, (8) state the compliance of the County or entity investment portfolio as it relates to this Policy and the relevant provisions of the Investment Act, and (9) disclose any investments that no longer have the minimum rating required by law and the liquidation, or plan for liquidation, of such investments consistent with the provisions of Section 2256.021. All investments must comply with the Investment Act and all federal, state, and local statutes, rules and regulations.

Section 4.05 Selection of Bank and Securities Dealers

The County will seek to include qualified and registered minority, women, veteran, and disabled-owned financial institutions when selecting broker/dealers for investments and depository banks in the depository procurement process.

Depository banks shall be selected through the County's depository procurement process, which shall begin with a formal request for proposals every four years, or as otherwise determined by the County and allowed by law.

All financial institutions and broker/dealers desiring to become approved broker/dealers for Harris County for investment transactions must supply the Financial Management Division with the following: (1) the most recent audited financial statements for the financial institution or broker/dealer and (2) evidence of registration with the appropriate regulatory agency. Bank dealers must be registered with the appropriate regulatory authority as a government securities dealer, municipal securities dealer, or both. For a securities firm, this requires a statement that the firm is registered with the Financial Industry Regulatory Authority (FINRA), Municipal Securities Regulatory Board (MSRB), and/or the Securities and Exchange Commission (SEC). Securities dealers will be selected by the Financial Management Division and then submitted to Commissioners Court for approval. All transactions will be conducted on a Delivery vs. Payment basis per the Investment Act, Section 2256.005(b). Reference Exhibit "B" for approved banks and security dealers.

Section 4.06 Certifications from Approved Broker/Dealers

A written copy of the investment policy shall be presented to a qualified representative of any business offering to engage in an investment transaction with the County. A business organization includes banks, broker/dealers, and investment pools. Nothing in this subsection relieves the investment officer of the responsibility for monitoring the investments made by the County for compliance with the investment policy. The qualified representative of the business organization offering to engage in an investment transaction shall execute a written instrument in a form acceptable to the County substantially to the effect 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 not authorized within the investment policy, except to the extent that this authorization is dependent on an analysis of the makeup of the entire portfolio or requires an interpretation of subjective investment standards. The investment officer may not acquire or otherwise obtain any authorized investment described in the investment policy from a person who has not delivered the required document.

ARTICLE V
INVESTMENT OBJECTIVES

Section 5.01 General Objectives

County funds will be invested in accordance with federal and state laws and this investment policy. The County will invest according to investment or fund policies and strategies for each fund as they have been adopted by Commissioners Court.

1. The County emphasizes these primary general objectives in investing its funds, listed in the order of importance:

   (a) preservation and safety of original investment principal;
   (b) maintenance of sufficient liquidity to meet the County's operating needs as they are planned or become due;
   (c) marketability of the investment if the need arises to liquidate the investment before final maturity;
   (d) diversification of the investment portfolio;
   (e) maximization of return (yield).

2. Safety of principal is the foremost objective of the County. In each investment transaction the County Designees shall seek first to ensure that capital losses are avoided, whether they are from securities defaults or erosion of market value.

3. Investment decisions shall favor preservation of principal over income or yield.

4. The County's investment portfolio shall be structured to be sufficiently liquid to enable the County to meet all operating requirements which might be reasonably anticipated. This need for investment liquidity may be tempered to the extent that the County is allowed to borrow on a short-term basis to meet its operating requirements, if needed, taking into consideration the net cost to the County.

5. The investment portfolio shall be designed with the objective of attaining a fair market yield throughout budgetary and economic cycles, taking into account investment risk constraints and liquidity needs. A fair market yield rate shall equal or exceed the available yield at the time of purchase on a U.S. Treasury security having a comparable maturity date.

6. Investments shall be made to avoid incurring unreasonable and avoidable risks.

7. No investments shall be made for the purpose of speculation, such as anticipating an appreciation of capital through changes in market interest rates.

8. All County Designees shall seek in the investment process to act responsibly as custodians of the public trust. County Designees shall avoid any transaction, including personal transactions that might impair public confidence in the County's ability to operate effectively. Nevertheless, Commissioners Court recognizes that in a diversified portfolio, occasionally losses may occur due to fluctuating market conditions and must be considered within the context of the overall portfolio's investment return, provided that adequate diversification has been implemented.

9. The County, as a general objective, plans to hold investments to final maturity which protects principal and liquidity while obtaining the most prudent competitive yield possible at the date of the investment trade. Investments will be purchased for their interest yield expectations over their remaining life to final maturity rather than for speculative purposes. Although the County's intent upon purchase is to hold securities until maturity, the County may, whenever appropriate, exchange securities with similar maturity and risk characteristics in order to enhance total returns, provided that safety of principal is given first consideration.

10. Pooling of fund groups for the purposes of investment is approved and allowed and must be done in accordance with any applicable bond indentures.

Section 5.02 Monitoring and Pricing the Portfolio

The County uses a combination of resources, such as Bloomberg Investment Service, the Federal Reserve Board's economic research and data, broker/dealer matrices, and third party pricing services to monitor the market and to value the portfolio. The financial advisor, Investment Officer, and the Finance Committee may also assist in monitoring the portfolio periodically.

Section 5.03 Authorized Investment Instruments

Authorized Investments - County funds governed by this Policy may be invested in the instruments described below, all of which are authorized in the Public Funds Investment Act.

1. Direct obligations of the United States, its agencies, and instrumentalities.

2. Other obligations, the principal, and interest of which are unconditionally guaranteed, insured, or backed by the full faith and credit of the State of Texas, the United States, or any obligation fully guaranteed or fully insured by the Federal Deposit Insurance Corporation (FDIC).

3. Direct obligations of the State of Texas or its agencies provided the agency has the same debt rating as the State of Texas.

4. Obligations of states, agencies, counties, cities, and other political subdivisions located in the United States and rated not less than A, or its equivalent, by a nationally recognized investment rating firm.

5. Fully insured or collateralized certificates of deposit/share certificates issued by state and national banks, or a savings bank, a state or federal credit union (having its main or branch office in Texas) guaranteed or insured by the Federal Deposit Insurance Corporation or its successor; and secured by obligations as stated on Item 1. of this section. In addition to the County's authority to invest funds in certificates of deposit and share certificates as stated above, an investment in certificates of deposit made in accordance with the following conditions is an authorized investment under the Texas Gov't. Code, Section 2256.010 (b): (1) the funds are invested by the County through a clearing broker registered with the Securities and Exchange Commission (SEC) and operating pursuant to SEC, Rule 15c3-3 (17 C.F.R., Section 240.15c3-3) with its main office or branch office in Texas and selected from a list adopted by the County as required by Section 2256.025; or a depository institution that has its main office or a branch office in this state and that is selected by the County; (2) the broker or the depository institution selected by the County arranges for the deposit of the funds in certificates of deposit in one or more federally insured depository institutions, wherever located, for the account of the County; (3) the full amount of the principal and accrued interest of each of the certificates of deposit is insured by the United States or an instrumentality of the United States; (4) the broker or depository institution selected by the County acts as custodian for the County with respect to the certificates of deposit issued for the account of the County.

6. Fully collateralized repurchase agreements, provided the County has on file, a signed Master Repurchase Agreement detailing eligible collateral, collateralization ratios, standards for collateral custody and control, collateral valuation, and conditions for agreement termination. The repurchase agreement must have a defined termination date and be secured by obligations as stated on Item 1. of this section. It is required that the securities purchased as part of the repurchase agreement must be assigned to the County, held in the County's name, and deposited at the time the investment is made with the County's custodian or with a third-party approved by the County. Securities purchased as part of a repurchase agreement shall be marked-to-market no less than weekly. All repurchase agreements must be conducted through a primary government securities dealer as defined by the Federal Reserve or a financial institution doing business in Texas. Maturities shall be limited to 90 days. The 90-day limit may be exceeded in the case of flexible repurchase agreements ("flex repos") provided the investment type is specifically authorized within individual bond ordinances and final maturity does not exceed the anticipated spending schedule of bond proceeds.

7. Securities lending programs if the loan is fully collateralized, including accrued income, by securities described in Texas Gov't. Code, Section 2256.009, by irrevocable bank letters of credit issued by a bank under the laws of the United States or any other state, continuously rated not less than A by at least one nationally recognized investment rating firm, or by cash invested in accordance with the Investment Act. Securities held as collateral must be pledged to the investing entity, held in the investing entity's name, and deposited at the time the investment is made. A loan must be placed through a primary government securities dealer or a financial institution doing business in Texas. A loan must allow for termination at any time and must have a term of one year or less.

8. Commercial paper with a stated maturity of 270 days or less from the date of issuance, rated A-1 or P-1 or an equivalent rating by at least two nationally recognized rating agencies, and not under review for possible downgrade at time of purchase. Regardless of whether commercial paper is purchased directly from the issuer or from a broker/dealer in the secondary market, a competitive bid process is required, in which the investment yield is compared to other available commercial paper having a comparable maturity and credit rating. An exception may be made to the competitive offer process when seeking to purchase municipal commercial paper securities due to very limited quantity.

9. Local government investment pools with a dollar weighted average maturity of 60 days or less, approved through resolution of Commissioners Court to provide services to the County, continuously rated no lower than AAA or equivalent by at least one nationally recognized rating service. The County may not invest an amount that exceeds 10 percent of the total assets of any one local government investment pool. On a monthly basis, the Investment Officer shall review a list of securities held in the portfolio of any pool in which County funds are being held. To be eligible to receive funds from and invest funds on behalf of the County an investment pool must furnish to the Investment Officer or other authorized representative an offering circular or other similar disclosure instrument that contains information required by the Tex. Gov't. Code, Sec. 2256.016. Investments will be made in a local government investment pool only after a thorough investigation of the pool and review by the Finance Committee.

10. A Securities and Exchange Commission (SEC) registered, no load money market mutual fund which has a dollar weighted average stated maturity of 60 days or less. Furthermore, it must be rated not less than AAA or equivalent by at least one nationally recognized rating service and the County must be provided with a prospectus and other information required by the SEC Act of 1934 or the Investment Company Act of 1940. The County may not invest an amount that exceeds 10 percent of the total assets of any one fund. Investments will be made in a money market mutual fund only after a thorough investigation of the fund and review by the Finance Committee.

11. Interest-bearing banking deposits that are guaranteed or insured by: (A) the Federal Deposit Insurance Corporation or its successor; or (B) the National Credit Union Share Insurance Fund or its successor; and interest-bearing banking deposits other than described above if: (A) the funds invested in the banking deposits are invested through: (i) a broker with a main office or branch office in Texas that the County selects from a list of its governing body or designated investment committee adopts as required by Section 2256.025; or (ii) a depository institution with a main office or branch office in Texas that the County selects; (B) the broker or depository institution selected as described above arranges for the deposit of the funds in one or more federally insured depository institutions, regardless of where located, for the County's account; (C) the full amount of the principal and accrued interest of the deposits is insured by the United States or an instrumentality of the United States; and (D) the County appoints as the custodian of the bank deposits issued for the County's account: (i) the depository institution selected as described above; (ii) an entity described by Section 2257.041(d); or (iii) a clearing broker dealer registered with the Securities and Exchange Commission and operating under Securities and Exchange Commission Rule 15c3-3 (17 C.F.R. Section 240.15c3-3).

Section 5.04 Unauthorized Investment Instruments

The County's authorized investment options are more restrictive than those allowed by state law. Furthermore, this Policy specifically prohibits investment in the securities listed below:

1. Any obligation whose payment represents the coupon payments on the outstanding principal balance of an underlying mortgage-backed security, but pays no principal ("IO").

2. Any obligation whose payment represents the principal stream of cash flow from an underlying mortgage-backed security, but pays no interest ("PO").

3. Any obligation whose interest rate is determined by an index that adjusts opposite to the changes in a market index ("Inverse Floater").

4. Any Collateralized Mortgage Obligation (CMO).

5. An investment that requires a minimum credit rating does not qualify as an authorized investment during the period the investment does not have the minimum credit rating, even if the investment had the appropriate rating at the time of purchase. The Investment Officer shall take all prudent measures that are consistent with this Policy to liquidate an investment that does not have the minimum rating.

Section 5.05 Internal Controls

The Investment Officer, assisted by the County Designees, shall prepare a system of management-level and internal accounting controls which shall be documented in writing. The controls may be reviewed by the County Auditor during quarterly report audits or at any time. Controls deemed most important include controls to avoid or detect collusion, segregation of duties, segregation of transaction authority from accounting and record keeping, custodial safekeeping, clear delegation of authority, specific limitations regarding securities losses and remedial action, approved written confirmation of telephone transactions, minimizing the number of authorized investment personnel, documentation of transactions and strategies, and adherence to ethics standards.

Section 5.06 Maturity

Fund investment may not exceed the following maturities, or as restricted by specific bond indentures:

Fund Name	Maximum Maturity (in years)
Debt Service Funds	5
General Concentration Pool	5
Mobility & Infrastructure	5
Construction Funds/Capital Project Funds	5
Special Revenue	5
Flood Control	5
Proprietary & Enterprise	6
Public Improvement Contingency Fund	6

District Clerk Registry Funds	7
County Clerk Registry Funds	7
Bond Reserve Funds	*Final maturity of bonds*

In addition, the weighted average maturity of the overall portfolio shall not exceed three years.

Section 5.07 Diversification

It is the policy of the County to diversify its investment portfolio. All funds shall be diversified to eliminate the risk of loss resulting from over concentration of assets in a specific maturity, a specific issuer, or a specific class of securities. In establishing specific diversification strategies, the following general policies and constraints shall apply:

1. Portfolio investment maturities shall be staggered in a way that avoids undue concentration of assets in a specific maturity sector. Maturities shall be selected which provide for stability of income and reasonable liquidity.

2. Liquidity shall be maintained through practices that ensure that the liquidity needs of the next disbursement date and payroll date are covered through liquid deposits, maturing investments, or marketable securities.

3. Risks of market price volatility shall be limited through maturity diversification accomplished by various investment strategies including, but not limited to, the Matching, Barbell, Laddered or combination of the investment approaches.

4. The following diversification limitations shall be imposed on the portfolio:

   (a) **Maturity.** No more than 50% of the portfolio, excluding those investments held for construction/capital projects, special revenue, flood control, proprietary and enterprise, public improvement contingency, district clerk registry, county clerk registry, and bond reserves may be invested beyond three years, and the average maturity of the overall portfolio, with the previous exceptions, shall not exceed three years.

   (b) **Default Risk.** The restrictions on legally authorized investments and the legal requirements for full collateralization are intended to reduce the potential of default risk. Nonetheless, no more than 25% of the overall portfolio may be invested in time deposits, including certificates of deposit, of a single issuer.

   (c) **Marketability.** At least 15% of the portfolio, excluding those investments held for future major capital expenditures, debt service payments, bond fund reserve accounts, and capitalized interest funds, shall be invested in overnight instruments or in marketable securities which can be sold to raise cash within one day's notice.

Section 5.08 Risk Tolerance

The County recognizes that investment risks can result from issuer defaults, market price changes or various technical complications leading to temporary illiquidity. Portfolio diversification is employed as a way to control these risks. The Investment Officer and County Designees are expected to display prudence in the selection of securities and no individual investment transaction shall be undertaken which jeopardizes the total capital position of the overall portfolio.

In addition to these general policy considerations, the following specific policies will be strictly observed:

1. All investment transactions will be conducted with approved banks, broker/dealers, money market funds, and investment pools as listed in Exhibit B of this policy.

2. All transactions will be settled on Delivery vs. Payment basis.

3. A competitive bid/offer process will be used to place all security sales and purchases. The competitive bid/offer process shall also be utilized for newly issued securities to verify whether a comparable secondary market security is available with a better price and yield. All competitive bid information shall be documented and saved with the confirming email, offering communication, or verbal communique details maintained with the transaction. Any transactions not competitively bid must be explained in writing and approved by the: Executive Director of the Office of Management and Budget, Deputy Executive Director, or the Investment Director before the trade is accepted. An exception may be made to the competitive offer process when seeking to purchase municipal securities. Due to the very limited quantity of any specific municipal bond, government agency bonds with comparable maturity dates may be considered.

4. Commissioners Court will at least annually approve a recommended broker/dealer list, or sooner if circumstances require a change. The approved broker/dealer list will be posted in this Policy and on the Harris County website. Based on an evaluation performed at least biennially, banks and securities dealers will be removed from or continued on the eligibility list. The following criteria will be used in the evaluation:

   (a) number & value of transactions competitively won;
   (b) prompt and accurate confirmation of transactions;
   (c) efficient securities delivery;
   (d) account servicing;
   (e) moral character and public ethics of both broker and firm;
   (f) qualifications and experience of the broker.

Section 5.09 Safekeeping and Custody

Safekeeping and custody of County investment securities shall be in accordance with state law. All security transactions, except investment pool and money market fund transactions, shall be conducted on a Delivery vs. Payment basis. All investment securities will be held by a third-party custodian designated by the County, and this custodian shall be required to issue monthly statements

listing all securities held in account.

Section 5.10 Policy of Securing Deposits of County Funds - Applicable to all Deposited County Funds

1. The County recognizes that FDIC or its successor's insurance is available for County funds deposited at any one Texas based financial institution (including branch banks) only up to a maximum of $250,000 (including accrued interest) for each account 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 a bond or note holder. It is the policy of the County that all deposited funds in each of the County's accounts shall be insured by the FDIC, or its successor, or secured by Collateral pledged to the extent of the fair market value of the amount not insured in compliance with the Collateral Act, Government Code, Section 2257.2. If it is necessary for the County's depositories to pledge Collateral to secure the County's deposits the Collateral pledge agreement must be: (1) in writing, (2) approved by the depository's board of directors or loan committee and reflected in the minutes of the meeting, and (3) kept in the official records of the depository. The depository must approve the Collateral pledge agreement and provide to the Investment Officer a copy of the minutes of the meeting of the depository's board or loan committee at which the Collateral pledge agreement is approved prior to the deposit of any County funds requiring the pledge of Collateral in such financial institution.

2. Collateral pledged by a depository shall be held in safekeeping at the Federal Home Loan Bank and the Investment Officer, pursuant to this Policy, shall obtain safekeeping receipts from the Federal Reserve Bank. Collateral may also be pledged with the use of an Irrevocable Standby Letter of Credit issued by the Federal Home Loan Bank. Principal and accrued interest on deposits in accordance with this Policy, if authorized, shall not exceed the FDIC, or its successor's, insurance limits or the Collateral pledged as security for the County's investments. It shall be acceptable for the County to periodically receive interest on deposits to be deposited to the credit of the County if needed to keep the amount of the funds under the insurance or collateral limits. The Investment Officer, with the help of the County Designees, shall ensure that the Collateral pledged to the County is pledged only to the County, review the fair market value of the Collateral pledged to secure the County's funds, and ensure that the County's funds are fully secured.

3. Certificates of deposit, to the extent that they are not insured, may be secured by any securities allowed under the Investment Act and depository contract.

4. Demand deposits (for example, checking accounts) and savings accounts, to the extent that they are not insured, may be secured by any securities allowed under the Collateral Act.

Section 5.11 Investment Policy Review

The Investment Policy shall be formally reviewed and approved by Commissioners Court at least annually or when amended.

Section 5.12 Finance Committee

Although not required by the Investment Act, the County has established a Finance Committee composed of the County Investment Officer as Chairman, a representative of each member of Commissioners Court, and a representative of the County's financial advisor. This committee will seek to meet at least once after the completion of each fiscal quarter and will include in its discussions a review of cash, investment and debt reports, projects, bond deals, policy compliance, recommendations, and other relevant finance related matters.

ARTICLE VI
INVESTMENT STRATEGIES FOR FUNDS

Section 6.01 Debt Service Funds

Debt service funds, including those reported in the County's financial reports within the general fund, are used to account for the accumulation of resources to fund periodic principal and interest payments on outstanding obligations. The revenue stream is predictable and the majority comes from ad valorem tax and special purpose revenues. The investment strategy for these funds is the Matching Approach. Most of these debt service funds are pooled for investment purposes.

Section 6.02 General Concentration Pool

The County's operating expenditures and the revenues to fund those expenditures are accounted for in the County's general fund group. The general fund reporting group is also used to account for revenues restricted by statute for certain debt service funds and to account for the accumulation of resources for public improvement contingencies. Most of the general fund group is pooled with other County funds for investment purposes. The amount set aside for contingency funds is not invested in the County's pooled investments. Some debt service funds included within the general fund group are pooled with other County funds for investment purposes. These funds are the Harris County and Flood Control debt service contract funds. Short term borrowing may be necessary during the fiscal year for the general fund operating expenditures to cover negative cash positions until ad valorem tax receipts are received. The investment strategy for the general fund group operating fund, as well as for the County's investment pool as a whole, is the Matching and Laddered Approaches.

Section 6.03 Capital Project Funds/Construction Funds

Capital project funds for the County are used to account for construction and other nonrecurring capital expenditure activity. A Matching, Barbell, and/or a Laddered Approach may be used for these funds depending on the liquidity needs and prevailing interest rate environment.

Section 6.04 Special Revenue & Flood Control Funds

Operations that are funded with restricted revenues are accounted for as Special Revenue funds, including assets received through Federal and State forfeiture programs. Most of the special revenue funds are included for investment purposes in the County's investment pool, except for asset forfeiture funds, and the Flood Control District's general operating fund. The federal and state asset forfeiture funds are not available for general operations and are invested separately. The Flood Control District's general operating fund is accounted for in a separate investment pool. The investment strategy used for all special revenue funds not included in the County's investment pool and State or Local grant funds, is the Matching Approach. State or Local grant funds are funded on a reimbursement basis or on an advance basis for immediate cash needs. These grant funds are not invested. All County grant funds are invested in the general concentration pool.

Section 6.05 Proprietary & Enterprise Funds

Proprietary and Enterprise funds are used to account for central county services, including the County's insurance programs, and private-enterprise type activities such as parking facilities or Toll Road accounts. Funds set aside for claim reserves in the insurance programs, such as workers compensation, are available for investing on a long-term basis and the Barbell Approach may be used. The operational activity for most of the proprietary funds is included with the County's investment pool, using the Matching and Laddered Approaches investment strategies. The County's Toll Road Authority Project is also accounted for as an enterprise fund with investments restricted by a trust indenture executed in connection with the financing of the project. The Matching, Laddered, and Barbell Approaches are used for the Toll Road Authority's investment strategy depending on the liquidity needs and prevailing interest rate environment.

Section 6.06 Public Improvement Contingency Funds

The Public Improvement Contingency funds are used to assist with capital projects and unforeseen catastrophic events on a pay-as-you go basis and to be a stabilizing component for the county's total combined tax rate. The Matching, Barbell, and/or Laddered Approaches are used for the Public Improvement Contingency funds investment strategy.

Section 6.07 District Clerk Registry Fund

The Registry Fund is held in trust by the Harris County District Clerk. The investment strategy used in this fund is a Laddered Approach.

Section 6.08 County Clerk Registry Fund

The Registry Fund is held in trust by the Harris County Clerk. The investment strategy used in this fund is a Laddered Approach.

Section 6.09 Bond Reserve Funds

Bond Reserve funds are used as required by bond covenants and may be invested for a period not to exceed the maturity of the bond. The Matching, Barbell, and/or Laddered Approaches are used for the Bond Reserve funds investment strategy.

ARTICLE VII
MISCELLANEOUS

Section 7.01 Socially Responsible Investing

The County will seek to invest, to the extent that a reasonable spread can be earned over comparable maturity Treasuries, in Fannie Mae and Freddie Mac debt obligations "providing a stable source of liquidity to support low- and moderate-income mortgage borrowers and renters by enabling greater access to affordable home and rental housing finance in all markets and at all times," as well as Federal Home Loan Bank obligations, which provide liquidity to member banks to finance housing and economic development activities. The County will also seek investment in debt obligations from the Federal Farm Credit Bank System which provides affordable credit to agricultural businesses in the U.S. In addition, the County shall consider investment in municipal bonds geared toward low-income or affordable housing, and/or serving a county listed on the Federal Financial Institutions Examination Council's (FFIEC) underserved or distressed areas, https://www.ffiec.gov/cra/pdf/2021distressedorunderservedtracts.pdf, or bonds of a school district issuer with 50% or more of students eligible for free or reduced lunch. It is understood that the County may not have continual or regular access to these municipal bonds, and at times such bonds may not meet credit ratings as outlined in state statutes. It is understood that the County may not have continual or regular access to these municipal bonds, and at times such bonds may not meet credit ratings as outlined in state statutes.

Section 7.02 Superseding Clause

This Policy supersedes any prior policies adopted by Commissioners Court regarding investment or securitization of County funds.

Section 7.03 Open Meeting

Commissioners Court officially finds, determines, and declares that this Investment Policy was reviewed, carefully considered, and adopted at a regular meeting of Commissioners Court, and that a sufficient written notice of the date, hour, place, and subject of this meeting was posted as required by the Open Meetings Act, Chapter 551, Texas Government Code, and that this meeting had been open to the public as required by law at all times during which this Policy was discussed, considered, and acted upon. Commissioners Court further ratifies, approves, and confirms such written notice and the contents and posting thereof.

AUTHORIZED DESIGNEES OF HARRIS COUNTY TO PURCHASE INVESTMENTS

Investment Officer:

Investment Director, Office of Management and Budget, Financial Management Division

County Designees:

Deputy Executive Director, Office of Management and Budget
Investment Manager, Financial Management Division
Reserve Investment Officer(s), Financial Management Division

LIST OF APPROVED BANKS, BROKER/DEALERS, MONEY MARKET FUNDS, AND INVESTMENT POOLS FOR INVESTMENT OF THE COUNTY'S FUNDS

Effective October 15, 2026

Approved Banks and Broker/Dealers:

Firm/Bank	Minority/ Women/ Disabled/Veteran Business Enterprise
Academy Securities	Service-Disabled Veteran Business Enterprise
BNY Mellon Capital Markets, LLC	
Cabrera Capital Markets, Inc.	Minority Business Enterprise
Cadence Bank	
Cantor Fitzgerald & Co.	
CastleOak Securities	Minority Business Enterprise
Daiwa Capital Markets	
FHN Financial Capital Markets	
Great Pacific Securities	Minority Business Enterprise
Hilltop Securities, Inc.	
J.P. Morgan Chase Bank, N.A.	
Jefferies, LLC	
Loop Capital Markets	Minority Business Enterprise
Multi Bank Securities	Service-Disabled Veteran Business Enterprise
Oppenheimer & Co., Inc.	
RBC Capital Markets	
Raymond James & Assoc.	
Samuel Ramirez & Company	Minority Business Enterprise
Siebert Williams Shank & Co., LLC	Minority & Women's Business Enterprise
Stifel Nicolaus & Co., Inc.	
StoneX Financial	
US Bancorp	
Unity National Bank	Minority Business Enterprise
Wells Fargo Securities, LLC	

Money Market Mutual Funds:

Dreyfus
Fidelity Investments
First American
Invesco Aim
J.P. Morgan
J.P. Morgan Empower Shares

Investment Pools:

TexPool/TexPool Prime
TexSTAR/LOGIC
First Public/Lone Star
Texas CLASS