

LEE COUNTY
SUB-DEPOSITORY BANK BID SPECIFICATIONS
JUNE 1, 2023 TO MAY 31, 2027

LEE COUNTY SUB-DEPOSITORY BANK CONTRACTS
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INVITATION TO BID
SUB-DEPOSITORY BANK CONTRACTS
GENERAL INSTRUCTIONS

Bid Title.....Sub-Depository Bank
Bid Opening Date.....March 27, 2023
Bid Opening Time.....10:00 A.M.
Bid Award Date.....April 10, 2023
Mark Envelope.....Sub-Depository Bank Bid
The *Lee County Commissioners Court* has authorized the letting of bids for a *Sub-Depository Bank Contract(s)* for *Lee County funds*. The contract specifications are attached. **Lee County Commissioners Court will award a bid to one bank (branch) in Dime Box and one bank (branch) in Lexington in order to facilitate convenience to the local Justice of the Peace offices located in each town.**

A. SCOPE OF BID

Bids are solicited for furnishing sub-depository services as outlined in the attached specifications. The contract period of four years shall be June 1, 2023 through May 31, 2027. Pursuant to Local Government Code (LGC) Section 116.021(b), the contract shall allow the Commissioners’ Court to negotiate new interest rates and financial terms of the contract that will take effect during the final two years of the contract. On expiration of the contract under LGC Section 116.021(c), the contract may be renewed for two years under terms negotiated by the Commissioners’ Court. The sub-depository will ensure each account is covered by the Federal Deposit Insurance Corporation under 12 U.S. Code Chapter 16 Section 1811-1832 as required by law for public funds to Lee County. No verbal agreements will be honored except those expressly noted in the *Contract*.

B. DEFINITIONS

In order to simplify the language throughout the bid, the following definitions shall apply:

A. Lee County - same as County.

B. Commissioners Court - The Governing Body of Lee County, Texas given the authority to exercise such powers and jurisdiction of all county business as conferred by the State Constitution and Laws.

C. Depository Contract - An agreement or agreements between Lee County and a Bank to furnish services and/or supplies over a designated period of time.

D. Bank - A bank, a savings and loan association, or savings bank organized under the laws of the state, another state, or federal law that has its main office or a branch office in this state.

E. Sub-Depository Bank – an authorized bank, other than a depository, that holds demand deposits, not exceeding the Federal Deposit Insurance Corporation’s limit, of a district, county, or precinct officer.

F. County - The government of Lee County, Texas and its authorized representatives.

G. Investment policy - The policy and procedures as adopted by Lee County Commissioners Court for the investment of Lee County funds as required in Chapter 116 of the Local Government Code.

H. Lee County funds - Funds and accounts belonging to Lee County that may be established by the County Treasurer or another official of Lee County.

I. Demand deposit – For purposes of this contract, a demand deposit means a deposit of funds that may be withdrawn on the demand of the depositor.

C. INSTRUCTIONS TO BANKS

Bids must be submitted in a sealed envelope clearly marked, “**Sub-Depository Bank Bid**”, and mailed to the Lee County Clerk’s Office, P.O. Box 419, Giddings, Texas 78942, or delivered to 843 East Industry, Giddings, Texas 78942. Bids must be received by Lee County Clerk’s Office by 4:00 pm on Friday, March 24, 2023. Bids will be opened at 10:00 A.M. on March 27, 2023 and awarded on April 10, 2023. Lee County Commissioners’ Court will award the contract(s) as soon as it can be determined which is the best bid.

Items that must be submitted with bid are:

1. Bank’s financial statements
2. Bid form (See pages 7-8)
3. Application (See page 9)

The *Commissioners’ Court* reserves the right to reject in part or in whole any or all bids, waive minor technicalities, and award the bid which best serves the interest of *Lee County*. Late bids will be returned to the bidder unopened. Facsimile bids will not be accepted.

Bids may be withdrawn at any time prior to the official opening. Alterations made before opening time must be initialed by bidder to guarantee authenticity.

The undersigned agrees if this bid is accepted, to furnish any and all services upon which fees or interest rates are offered and upon the terms and conditions contained in the specifications. The period for acceptance of this bid will be thirty (30) calendar days.

Bids must be submitted on the attached bid worksheet. By returning the bid worksheet, the bank certifies that:

1. All rates and fees bid are to be firm for thirty (30) days.
2. If *Bank* is awarded contract it will be executed by the *Commissioners Court* and must be approved by the governing board of the *Bank*.

3. Any deviations from these terms and conditions must be stated as such when returning the bid worksheet.

Submitting Financial Statements – All banks wishing to be designated as a sub-depository bank must state the amount of the bank’s paid-up capital stock and permanent surplus and must submit a statement showing the financial condition of the bank on the date of the application.

D. AWARDING CONTRACT

Lee County will award the bank contract(s) based on the following criteria:

- 1) Bank’s past and prospective financial condition
- 2) Net rate of return on County funds
- 2) Ability to meet service requirements

E. PLEDGE REQUIREMENTS

Pursuant to Local Government Code Section 116.060, a depository is not required to provide security for the deposit of county funds to the extent the deposits are insured under 12 U.S. Code Chapter 16 Section 1811-1832. The combined County funds of the sub-depository bank shall never exceed \$250,000.

Investments Made Outside Sub-Depository Banks – Lee County reserves the right to make external investments in accordance with the Laws of the State of Texas and the *Investment Policy of Lee County*. Bank has been presented a copy of the Investment Policy of Lee County, has read it and approves of its policies.

**SPECIFICATIONS FOR SUB-DEPOSITORY BANK CONTRACT
FOR LEE COUNTY, TEXAS**

Contact Persons.....Jared Albrecht, County Auditor
jared.albrecht@co.lee.tx.us
Phone: 979-542-3103

Melinda Krause, County Treasurer
treasurer@co.lee.tx.us
Phone: 979-542-2161
Fax: 979-540-2739

NOTE: Accounts of Lee County covered by this contract will only include checking accounts maintained by Lee County Justice of the Peace #3 and #4. Bidder may bid on one or both accounts provided that bidder must have a branch in the location in which it is bidding. Branch in Lexington must be located within city limits and branch in Dime Box must be located within one mile of Justice of the Peace #4 court building.

SERVICES TO BE PROVIDED AT NO COST INCLUDE THE FOLLOWING:

1. **STATEMENTS:** Bidder will provide monthly statements with a detailed listing of debits and credits, rate of interest earned, and balances in each separate account. Such statements shall be provided within five working days after calendar month end. Original checks or copies of checks and deposit tickets must be returned to *Lee County*.
2. **OVERDRAFTS:** All checks signed by the proper personnel should be paid upon presentation. No interest or other charge will be paid by *Lee County* to bidder on overdrafts, provided overdraft status is eliminated after proper notification by the sub-depository. Sub-depository reserves the right to charge simple interest at the short-term loan rate if arrangements are not made within (1) one banking day after notification.
3. **COLLECTION AND EXCHANGE SERVICES:** The bidder will provide, at no charge, for collection and exchange services. This will include the direct collection of checks drawn on any bank and deposited checks not honored when notified by the County Treasurer, and delivered to the sub-depository bank.
4. **STOP PAYMENTS:** *Lee County* should not be charged for any stop payment checks that may occur, and bank will be required to process stop payments on verbal instructions from the County Treasurer or her assignee with follow-up written confirmation.
5. **STALE DATED CHECKS:** The Bank will agree not to honor stale dated checks (those older than 90 days) on *Lee County* accounts after the county has delivered to the bank an approved canceled list.

6. STANDARD DEPOSIT SERVICES: The bank will guarantee immediate credit on all wire transfers, ACH transactions and Government checks upon receipt and all other checks based on the bank's availability schedule. All deposits received before the bank's established deadline will be credited daily.

7. POSITIVE PAY: Bidder will provide, at no charge, Positive Pay services to *Lee County*.

8. CONTACT PERSON: Bank will specify an officer of the bank who will serve as contact person and be responsible for attending to inquiries, requests for services, and daily activities regarding the managing of *Lee County* accounts.

9. ACCOUNT ACCESS: The Lee County Auditor must be granted access to information on transactions (including copies of checks, deposits, debits and credits) on all Lee County accounts, (regardless of whether there is check signing authority, or not) upon request. It is understood that fees for this information will be paid by Lee County.

10. OTHER SERVICES: Describe on bid worksheet other services that you may offer and fees if any that are required for these services.

QUANTITY & LIST OF CURRENT BANK ACCOUNTS ARE:

Amt. Description

COUNTY TREASURER

1 Justice of the Peace #3 (located in Lexington) checking account (clearing type) which maintains a balance up to approximately \$15,000. Check volume is approximately 1 per month. The account balance may zero-out depending on timing of deposits and checks cleared.

1 Justice of the Peace #4 (located in Dime Box) checking account (clearing type) which maintains a balance up to approximately \$25,000. Check volume is approximately 1 per month. The account balance may zero-out depending on timing of deposits and checks cleared.

The above list of accounts may change, and there is no guarantee of fund balances, but are listed here only to give bidding bank an indication of the variety and type of accounts that will be required

Lee County will furnish all checks. Sub-depository bank will furnish all deposit tickets.

Please state the hourly rate that will be charged for any additional research, reports, account records, etc. that may be required.

Approved bank will be required to approve the contract in writing at a meeting of the financial institution's board of directors and document same in minutes of the meeting.

BID FORM
SUB-DEPOSITORY BANK CONTRACT FOR THE COUNTY OF LEE
-COUNTY FUNDS-

It is the intent of *Lee County* to execute a contract with a bank(s) desiring to be designated as the Lee County sub-depository bank. By returning the bid form, bank acknowledges that it understands the Revised Civil Statutes of Texas, as revised by Local Government Code, Chapter 116.001 through 116.155 that pertain to sub-depositories, the managing and safekeeping of county funds, and will comply with those statutes.

BID DATA

Bank may place a bid on one or both accounts. Please select following the account(s):

_____ Justice of the Peace #3 Checking Account – Located in Lexington
_____ Justice of the Peace #4 Checking Account – Located in Dime Box

1. Maximum amount of funds Bidder can accept: \$ _____

2. Demand deposit bid is for: Interest Bearing Checking: Y _____ N _____

Non-Interest Bearing Checking: Y _____ N _____

Interest Rate – County may select variable or fixed rate if offered in quote by bidder. Rate chosen shall remain in effect for 2 years. If variable rate is quoted, specify the percent of interest above the effective rate of 91 day Treasury Bills, as published by the Wall Street Journal’s latest auction, that will be paid on interest bearing accounts.

If interest bearing checking account is selected, bank has option either to bid on one or both of the interest rates

	Variable Interest Rate	Fixed Interest Rate
Interest Bearing Checking Accounts:	_____	_____

LEE COUNTY MAY CHOOSE THE RATE IT CONSIDERS BEST FOR THE TERM OF THIS CONTRACT.

3. Will you allow same day ledger credit on all deposits? Y _____ N _____

4. Hourly rate that will be charged for additional research, reports, account records, etc. that may be required. _____

5. Additional charges for the requested collection, disbursement, investment or miscellaneous services not previously covered. Please list and show the amount of the fee. Any additional information may be on a separate sheet attached to this bid form. _____

APPLICATION FOR SUB-DEPOSITORY BANK

The paid up capital stock of the Bank is \$ _____, and the permanent surplus of the Bank is \$ _____.

(Bidding Bank)

By: _____

Date: _____

EXHIBIT 2

**LOCAL GOVERNMENT CODE
CHAPTER 116**

LOCAL GOVERNMENT CODE

TITLE 4. FINANCES

SUBTITLE B. COUNTY FINANCES

CHAPTER 116. DEPOSITORIES FOR COUNTY PUBLIC FUNDS

SUBCHAPTER A. GENERAL PROVISIONS

Sec. 116.001. DEFINITIONS. In this chapter:

(1) "Bank" means a:

(A) bank organized under the laws of this state, another state, or federal law that has its main office or a branch office in this state; or

(B) savings and loan association or savings bank organized under the laws of this state, another state, or federal law that has its main office or a branch office in this state.

(2) "Demand deposit" means a deposit of funds that may be withdrawn on the demand of the depositor.

(3) "Time deposit" means a deposit of funds subject to a contract between the depositor and the depository under which the depositor may not withdraw any of the funds by check or by another manner until the expiration of a certain period following written notice of the depositor's intent to withdraw the funds.

(4) "Subdepository bank" means an authorized bank, other than a depository, that holds demand deposits, not exceeding the Federal Deposit Insurance Corporation's limit, of a district, county, or precinct officer.

Acts 1987, 70th Leg., ch. 149, Sec. 1, eff. Sept. 1, 1987. Amended by Acts 1991, 72nd Leg., ch. 527, Sec. 1, eff. Sept. 1, 1991; Acts 1993, 73rd Leg., ch. 234, Sec. 4, eff. Sept. 1, 1993; Acts 1999, 76th Leg., ch. 344, Sec. 5.009, eff. Sept. 1, 1999.

Sec. 116.002. MONEY AFFECTED. (a) This chapter applies to money collected or held by a district, county, or precinct officer in a county and by the officers of a defined district or subdivision in the county, including the funds of a municipal or quasi-municipal subdivision or corporation that has the power to select its own depository but has not done so. The money shall be deposited under this chapter, and the money shall be considered in fixing, and is protected by, a county depository's bond.

(b) Orders for payment, checks, and vouchers evidencing the money deposited in the county depository under Subsection (a) are subject to audit and countersignature as provided by law.

Acts 1987, 70th Leg., ch. 149, Sec. 1, eff. Sept. 1, 1987.

Amended by:

Acts 2011, 82nd Leg., R.S., Ch. 606 (S.B. 373), Sec. 21, eff. September 1, 2011.

SUBCHAPTER B. ESTABLISHMENT OF DEPOSITORY

Sec. 116.021. DEPOSITORY AND SUBDEPOSITORY CONTRACTS. (a) The commissioners court of a county shall select by the process provided by this subchapter or by Subchapter C, Chapter 262, one or more banks in the county and enter a contract with each selected bank for the deposit of the county's public funds. The county shall contract with a bank under this section for a two-year or four-year contract term. On expiration of a contract under this section, the contract may be renewed for two years under terms negotiated by the commissioners court.

(b) If the contract is for a four-year term, the contract shall allow the county to establish, on the basis of negotiations with the bank, new interest rates and financial terms of the contract that will take effect during the final two years of the four-year contract.

(c) On the renewal of a contract, the county may negotiate new interest rates and terms with the bank for the next two years in the same way and subject to the same conditions as provided by Subsection (b).

(d) If for any reason a county depository is not selected under Subsection (a), the commissioners court, at any subsequent time after 20 days' notice, may select, by the process described by Section 116.024 or by negotiated bid, one or more depositories in the same manner as at the regular time.

(e) If the commissioners court selects a depository by the process provided by Subchapter C, Chapter 262, the depository may be selected by:

- (1) competitive bidding; or
- (2) another method under that subchapter that the county is qualified to use.

Acts 1987, 70th Leg., ch. 149, Sec. 1, eff. Sept. 1, 1987. Amended by Acts 1991, 72nd Leg., ch. 527, Sec. 2, eff. Sept. 1, 1991; Acts 1995, 74th Leg., ch. 65, Sec. 1, eff. Aug. 28, 1995.

Amended by:

Acts 2007, 80th Leg., R.S., Ch. 899 (H.B. 2641), Sec. 1, eff. June 15, 2007.

Sec. 116.022. NOTICE. (a) Once each week for at least 20 days before the date to submit an application under Section 116.023(a), the county judge shall place over the judge's name in a newspaper of general circulation in the county a notice that the commissioners court intends to receive applications from which to select a depository bank. A notice shall also be posted at the courthouse door of the county.

(b) If a newspaper is not published in the county, the newspaper notice shall be placed in a newspaper published in the nearest county.

Acts 1987, 70th Leg., ch. 149, Sec. 1, eff. Sept. 1, 1987. Amended by Acts 1995, 74th Leg., ch. 65, Sec. 2, eff. Aug. 28, 1995.

Amended by:

Acts 2007, 80th Leg., R.S., Ch. 899 (H.B. 2641), Sec. 2, eff. June 15, 2007.

Sec. 116.023. APPLICATIONS. (a) A bank in the county that wants to be a county depository must deliver its application to the county judge or a designated representative of the judge on or before a date set by the commissioners court that is no later than the 60th day before the date of the expiration of the existing depository contract.

(b) The application must state the amount of the bank's paid-up capital stock and permanent surplus, and the application must be accompanied by:

(1) a statement showing the financial condition of the bank on the date of the application; and

(2) a certified check or cashier's check for at least one-half percent of the county's revenue for the preceding year.

(c) The certified or cashier's check that accompanies an application is a good-faith guarantee on the part of the applicant that if accepted as a county depository it will execute the bond required under this chapter. If a bank is selected as a depository and does not provide the bond, the county shall retain the amount of the check as liquidated damages, and the county judge shall readvertise for applications, if necessary, to obtain a depository for the county.

(d) A bank in the county that wants to be a county subdepository must comply with Subsections (a) and (b)(1). The subdepository's application must include a proposal outlining its security for the county public funds to be held in addition to revenue offers.

Acts 1987, 70th Leg., ch. 149, Sec. 1, eff. Sept. 1, 1987. Amended by Acts 1989, 71st Leg., ch. 628, Sec. 4, eff. Aug. 28, 1989; Acts 1991, 72nd Leg., ch. 527, Sec. 3, eff. Sept. 1, 1991.

Amended by:

Acts 2007, 80th Leg., R.S., Ch. 899 (H.B. 2641), Sec. 3, eff. June 15, 2007.

Sec. 116.024. SELECTION OF DEPOSITORIES AND SUBDEPOSITORIES. (a) At the meeting at which banks are to be selected as county depositories, the commissioners court shall:

- (1) enter in the minutes of the court all applications filed with the county judge;
- (2) consider all applications; and
- (3) select the qualified applicants that offer the most favorable terms and conditions for the handling of the county funds.

(b) The commissioners court may reject those applicants whose management or condition, in the opinion of the commissioners court, does not warrant placing county funds in their possession.

(c) After selecting one or more county depositories, the commissioners court shall immediately return the certified checks of the rejected applicants. The commissioners court shall return the check of a successful applicant when the applicant executes and files a depository bond that is approved by the commissioners court.

(d) The conflict of interests provisions of Section 131.903 apply to the selection of the depositories.

(e) After selecting one or more subdepositories, the commissioners court shall immediately notify each selected applicant of its selection. Within 15 days, the selected applicant must file a bond or other security as approved by the commissioners court.

Acts 1987, 70th Leg., ch. 149, Sec. 1, eff. Sept. 1, 1987. Amended by Acts 1991, 72nd Leg., ch. 527, Sec. 4, 5, eff. Sept. 1, 1991; Acts 1993, 73rd Leg., ch. 268, Sec. 29, eff. Sept. 1, 1993.

Amended by:

Acts 2007, 80th Leg., R.S., Ch. 899 (H.B. 2641), Sec. 4, eff. June 15, 2007.

Sec. 116.025. DESIGNATION OF DEPOSITORY OR SUBDEPOSITORY. When security is provided in accordance with Subchapter C and is approved by the commissioners court, the commissioners court shall, by an order entered in

its minutes, designate the bank as a depository or subdepository for the funds of the county. The designation is effective until the end of the 60th day after the date fixed for the next selection of a depository or subdepository.

Acts 1987, 70th Leg., ch. 149, Sec. 1, eff. Sept. 1, 1987. Amended by Acts 1991, 72nd Leg., ch. 527, Sec. 6, eff. Sept. 1, 1991.

Sec. 116.026. APPLICANTS OUTSIDE COUNTY. If no bank located in the county applies to be designated as the county depository, the commissioners court may advertise, in the same manner provided by Section 116.022 for advertising for a depository within the county, for applications from banks in an adjoining county or any other county in this state.

Acts 1987, 70th Leg., ch. 149, Sec. 1, eff. Sept. 1, 1987.

Sec. 116.027. SELECTION OF NONAPPLICANT DEPOSITORY. (a) If no application to be a county depository is submitted, or if all of the applications are declined, the commissioners court shall deposit the funds of the county with any one or more banks in the county or in the adjoining counties in the amounts and for the periods as the commissioners court considers advisable.

(b) A bank that receives deposits under this section shall provide security in the manner and form, and subject to the same conditions, as is required for a depository of county funds. The penalty of the security must at least equal the total amount of county funds deposited with the bank.

Acts 1987, 70th Leg., ch. 149, Sec. 1, eff. Sept. 1, 1987.

SUBCHAPTER C. SECURITY FOR FUNDS HELD BY DEPOSITORY

Sec. 116.051. QUALIFICATION AS DEPOSITORY OR SUBDEPOSITORY. Within 15 days after the date a bank is selected as a county depository or subdepository, the bank must qualify as the depository or subdepository by providing security for the funds to be deposited by the county with the bank. The depository or subdepository may secure these funds, at the option of the commissioners court, by:

(1) personal bond; surety bond; bonds, notes, and other securities; first mortgages on real property; real property; certificates of deposit; or a combination of these methods, as provided by this subchapter; or

(2) investment securities or interests in them as provided by Chapter 726, Acts of the 67th Legislature, Regular Session, 1981 (Article 2529b-1, Vernon's Texas Civil Statutes).

Acts 1987, 70th Leg., ch. 149, Sec. 1, eff. Sept. 1, 1987. Amended by Acts 1989, 71st Leg., ch. 1, Sec. 15(b), eff. Aug. 28, 1989; Acts 1991, 72nd Leg., ch. 527, Sec. 7, eff. Sept. 1, 1991.

Sec. 116.052. PERSONAL BOND. (a) One or more personal bonds executed and filed with the commissioners court, payable to the county judge and the judge's successors in office, qualify as security under this subchapter if:

(1) the bonds are signed by at least five solvent sureties who own unencumbered real property in the state that is not exempt from execution under the constitution and other laws of this state;

(2) the unencumbered and nonexempt real property owned by the sureties has a value at least equal to the amount of the bonds; and

(3) the bonds are approved by the commissioners court.

(b) When a bond is filed for approval with the commissioners court under Subsection (a), the sureties shall also file a statement containing:

(1) a description of the unencumbered and nonexempt real property sufficient to identify it on the ground; and

(2) the value of each tract of real property listed, including the value of the improvements on the property.

(c) After the commissioners court approves a personal bond, it shall be filed in the county clerk's office with the statement of the sureties attached to the bond.

Acts 1987, 70th Leg., ch. 149, Sec. 1, eff. Sept. 1, 1987.

Sec. 116.053. SURETY BOND. (a) One or more bonds issued and executed by one or more solvent surety companies authorized to do business in this state, payable to the county judge and the judge's successors in office and filed with the commissioners court, qualifies as security under this subchapter if the bond is approved by the commissioners court.

(b) After the commissioners court approves a surety bond, it shall be filed in the county clerk's office.

Acts 1987, 70th Leg., ch. 149, Sec. 1, eff. Sept. 1, 1987.

Sec. 116.054. BONDS, NOTES, AND OTHER SECURITIES. (a) A county depository may pledge with the commissioners court as security under this subchapter:

(1) a bond, note, security of indebtedness, or other evidence of indebtedness of the United States if the evidence of indebtedness is supported by the full faith and credit of the United States or is guaranteed as to principal and interest by the United States;

(2) a bond of this state or of a county, municipality, independent school district, or common school district;

(3) a bond issued under the federal farm loan acts;

(4) a road district bond;

(5) a bond, pledge, or other security issued by the board of regents of The University of Texas System;

(6) bank acceptances of banks having a capital stock of at least \$500,000;

(7) a note or bond secured by mortgages insured and debentures issued by the Federal Housing Administration;

(8) shares or share accounts of a savings and loan association organized under the laws of this state or of a federal savings and loan association domiciled in this state if the payment of the share or share accounts is insured by the Federal Savings and Loan Insurance Corporation; or

(9) a bond issued by a municipal corporation in this state.

(b) Securities provided under this section must have a total market value equal to the amount of the depository bond.

Acts 1987, 70th Leg., ch. 149, Sec. 1, eff. Sept. 1, 1987.

Sec. 116.055. FIRST MORTGAGES ON IMPROVED REAL PROPERTY. (a) If approved by the commissioners court, closed first mortgages on improved and unencumbered real property located in this state that are assigned to the county judge in a duly acknowledged instrument qualify as security under this subchapter.

(b) Before approving a mortgage as security, the commissioners court shall require:

(1) a written opinion by an attorney selected by the commissioners court showing that the lien is superior to any other claim to or right in the real property; and

(2) insurance approved by the county judge covering the improvements on each tract of pledged real property and providing that a loss is payable to the county judge.

(c) An insurance policy required under Subsection (b) must be issued by a stock fire insurance company or mutual fire insurance company that has a \$100,000 surplus in excess of all legal reserves and other liabilities.

(d) A mortgage accepted as security under this section shall immediately be recorded in each county in which part of the real property is located.

Acts 1987, 70th Leg., ch. 149, Sec. 1, eff. Sept. 1, 1987.

Sec. 116.056. REAL PROPERTY. (a) If approved by the commissioners court, improved and unencumbered real property, pledged directly by deed of trust to a trustee selected by the commissioners court, with the county judge as beneficiary, qualifies as security under this subchapter.

(b) Before approving real property offered as security, the commissioners court shall require:

(1) a written opinion by an attorney selected by the commissioners court showing that the lien is superior to any other claim to or right in the real property; and

(2) insurance approved by the county judge covering the improvements on the pledged real property and providing that a loss is payable to the county judge.

(c) An insurance policy required under Subsection (b) must be issued by a stock fire insurance company or mutual fire insurance company that has a \$100,000 surplus in excess of all legal reserves and other liabilities.

Acts 1987, 70th Leg., ch. 149, Sec. 1, eff. Sept. 1, 1987.

Sec. 116.0565. CERTIFICATE OF DEPOSIT. (a) A certificate of deposit qualifies as security under this subchapter if the certificate is:

(1) held in the custody of a Federal Reserve Bank for safekeeping and made the subject of a valid pledge agreement designating the county as the beneficiary of the pledge agreement;

(2) insured in full by the Federal Savings and Loan Insurance Corporation or the Federal Deposit Insurance Corporation;

(3) described in detail by a safekeeping receipt issued to the county by the Federal Reserve Bank having custody of the certificates; and

(4) issued with the county as registered owner.

(b) A person to whom presentment of a certificate of deposit pledged to secure county funds is made may not pay or otherwise accept the certificate unless the certificate or the safekeeping receipt required by this section has been endorsed by the county and the depository.

Added by Acts 1989, 71st Leg., ch. 1, Sec. 15(b), eff. Aug. 28, 1989.

Sec. 116.057. CONDITION OF PERSONAL BOND OR CONTRACT FOR SECURITIES.

(a) A personal bond provided or a contract for the pledge of securities under this subchapter must be conditioned that the depository will:

- (1) faithfully keep the county funds and faithfully perform all duties and obligations imposed by law on the depository;
- (2) pay all checks drawn on a demand deposit account in a depository on presentation by the county treasurer;
- (3) pay all checks drawn on a time deposit account on presentation after the expiration of the required period of notice; and
- (4) account for the county funds as required by law.

(b) A suit on a personal bond or a contract for securities provided or pledged under this subchapter must be tried in the county for which the depository is selected.

Acts 1987, 70th Leg., ch. 149, Sec. 1, eff. Sept. 1, 1987.

Sec. 116.058. AMOUNT OF SECURITY REQUIRED. (a) Personal or surety bonds that secure county deposits must be in an amount equal to the estimated highest daily balance of the county, as determined by the commissioners court. However, the commissioners court may not estimate the highest daily balance at an amount that is less than 75 percent of the highest daily balance of the county for the preceding year, less the amount of bond funds received and expended.

(b) Securities pledged to secure county funds on deposit in a depository must be in an amount equal to the amount of those funds. However, real property securities may not be required in an amount greater than 25 percent of the assessed value of the property in the county, as shown by the certified tax roll for the preceding year.

Acts 1987, 70th Leg., ch. 149, Sec. 1, eff. Sept. 1, 1987.

Sec. 116.059. VALUATION OF REAL PROPERTY PROVIDED AS SECURITY. The commissioners court shall investigate all real property security and determine the value at which the property will be accepted. The commissioners court may not accept real property as security at a value greater than 50 percent of the reasonable market value of the property covered by a mortgage unless the mortgage is insured or guaranteed by the Federal Housing Administration.

Acts 1987, 70th Leg., ch. 149, Sec. 1, eff. Sept. 1, 1987.

Sec. 116.060. SECURITY NOT REQUIRED FOR FEDERALLY INSURED DEPOSITS. A depository is not required to provide security for the deposit of county funds to the extent the deposits are insured under 12 U.S.C.A. Sections 1811-1832.

Acts 1987, 70th Leg., ch. 149, Sec. 1, eff. Sept. 1, 1987.

SUBCHAPTER D. MAINTENANCE AND MODIFICATION OF SECURITY

Sec. 116.081. NEW BOND. (a) The commissioners court may by written order require a depository to execute a new bond whenever the commissioners court considers it advisable or considers it necessary for the protection of the county.

(b) Except for an additional bond required under Section 116.087, if a depository fails for any reason to file the required new bond within five days after the date the depository is served with a copy of the order, the commissioners court may select a new depository in the same manner as it would select a depository at the regular time.

Acts 1987, 70th Leg., ch. 149, Sec. 1, eff. Sept. 1, 1987.

Sec. 116.082. SUBSTITUTION OF SECURITIES. (a) After reasonable notice to the commissioners court, a depository is entitled to substitute one type of security for another or replace particular securities with others of the same type if the substituting or replacing security meets the requirements of law and is approved by the commissioners court. Instead of approval of each substitute or replacement security by the commissioners court, the commissioners court may:

(1) adopt a procedure for approving a substitute or replacement security under this section; and

(2) designate a county employee or official, including a county judge, to approve the substitute or replacement security under the procedure adopted under Subdivision (1).

(b) The county judge shall execute the necessary instruments to transfer to the depository or its order a lien withdrawn from real property for which another security is substituted.

(c) The commissioners court may direct the manner in which securities pledged in place of personal or surety bonds are to be deposited.

Acts 1987, 70th Leg., ch. 149, Sec. 1, eff. Sept. 1, 1987. Amended by Acts 2003, 78th Leg., ch. 742, Sec. 1, eff. June 20, 2003.

Sec. 116.083. RELEASE OF EXCESS SECURITY. If the securities pledged by a depository to secure county funds exceed the amount required under this chapter, the commissioners court shall permit the release of the excess.

Acts 1987, 70th Leg., ch. 149, Sec. 1, eff. Sept. 1, 1987.

Sec. 116.084. INADEQUATE SECURITY. If for any reason the county funds on deposit with the county depository exceed the amount of security pledged, the depository shall immediately pledge additional security with the commissioners court.

Acts 1987, 70th Leg., ch. 149, Sec. 1, eff. Sept. 1, 1987.

Sec. 116.085. SOLVENCY OF PERSONAL SURETY. (a) At least twice each year while a personal bond securing the county's deposits is in effect, the commissioners court shall investigate the solvency of each surety on the bond. The commissioners court may require the surety to make an itemized and verified financial statement correctly showing the surety's financial position and, if the bond requires the surety to own real property, identifying each tract of real property owned by the surety and stating its value.

(b) The commissioners court shall require a depository to provide a new bond meeting the requirements of this chapter if a financial statement provided under Subsection (a) indicates that:

(1) a surety is insolvent;

(2) a surety's net worth is less than the amount required by this chapter;

(3) the assets listed on the statement are depreciated or their value is in any way impaired; or

(4) real property required by the bond has been disposed of or encumbered and the value of the surety's remaining unencumbered and nonexempt real property is inadequate to meet the requirements of this chapter.

Acts 1987, 70th Leg., ch. 149, Sec. 1, eff. Sept. 1, 1987.

Sec. 116.086. SOLVENCY OF SURETY COMPANY AND ADEQUACY OF SECURITIES. Whenever the commissioners court considers it necessary for the protection of the county, the commissioners court may investigate the solvency of a surety company that issues a bond on behalf of a depository of county funds or investigate the value of securities pledged by a depository to secure county funds.

Acts 1987, 70th Leg., ch. 149, Sec. 1, eff. Sept. 1, 1987.

Sec. 116.087. ADDITIONAL BOND. (a) If after a county establishes a depository the county or a subdivision of the county receives funds from the sale of bonds or otherwise, at the next meeting of the commissioners court, or as soon afterward as is practical, the commissioners court may make written demand on the depository to provide an additional bond in an amount equal to the amount of funds received. If county funds derived from the sale of county securities during the term of a depository bond are deposited with the depository, the commissioners court shall require an additional bond in an amount equal to the additional county funds. The depository shall continue the additional bond in effect as long as the additional funds remain in the depository.

(b) The depository may cancel this extra or special bond and concurrently substitute a new bond for it as the additional funds are reduced. However, the additional bond must always at least equal the amount of the additional funds.

(c) If a depository does not provide an additional bond under Subsection (a) within 30 days after the date the commissioners court demands the additional bond, the commissioners court may withdraw the additional funds from the depository by the draft of the county treasurer and deposit them in a solvent national or state bank that has a combined capital stock and surplus greater than the amount of the additional funds. The commissioners court may leave the additional funds on deposit with this alternative bank until the county depository files the required additional bond with the commissioners court, after which the commissioners court shall redeposit the balance of the additional funds with the county depository.

Acts 1987, 70th Leg., ch. 149, Sec. 1, eff. Sept. 1, 1987.

Sec. 116.088. RELEASE OF SURETY COMPANY. (a) A surety company may be relieved of its obligations under a surety bond executed on behalf of a county depository after the 30th day after the date it gives written notice to the commissioners court requesting to be released.

(b) A surety company is not relieved under Subsection (a) of liability for a loss sustained by the county before the expiration of the bond.

(c) If a depository's surety company requests to be relieved from its obligations under Subsection (a), the depository shall provide further security acceptable to the commissioners court to secure county funds under this chapter. The depository shall provide the further security before

termination of the surety's obligations under the bond. The new security shall be filed in the county clerk's office.

Acts 1987, 70th Leg., ch. 149, Sec. 1, eff. Sept. 1, 1987.

Sec. 116.089. SURRENDER OF INTEREST ON SECURITIES. On the request of a county depository, the commissioners court shall surrender, when due, interest coupons or other evidence of interest on securities deposited by the depository with the commissioners court if the securities remaining pledged by a depository are adequate to meet the requirements of the commissioners court.

Acts 1987, 70th Leg., ch. 149, Sec. 1, eff. Sept. 1, 1987.

SUBCHAPTER E. DEPOSITORY ACCOUNTS

Sec. 116.111. CHARACTER AND AMOUNT OF DEPOSITS. The commissioners court may determine and designate the character and amount of county funds that will be demand deposits and that will be time deposits. The commissioners court may contract with a depository for interest on time deposits at any legal rate under a federal law or under a rule adopted by the board of governors of the Federal Reserve System or by the board of directors of the Federal Deposit Insurance Corporation.

Acts 1987, 70th Leg., ch. 149, Sec. 1, eff. Sept. 1, 1987.

Sec. 116.112. INVESTMENT OF FUNDS. (a) The commissioners court may direct the county treasurer to withdraw any county funds deposited in a county depository that are not immediately required to pay obligations of the county and invest those funds as provided by this section unless such an investment or withdrawal is prohibited by law or the withdrawal is contrary to the terms of the depository contract.

(b) The funds may be invested in accordance with Subchapter [A](#), Chapter [2256](#), Government Code. In addition to the obligations, certificates, and agreements described by that Act, the funds may be invested in certificates of deposit issued by a state or federal savings and loan association domiciled in this state, the payment of which is insured in full by the Federal Savings and Loan Insurance Corporation or its successor.

(c) If a county purchases a security repurchase agreement, the agreement must be purchased under a master contractual agreement that specifies the rights and obligations of both parties and that requires that

securities involved in the transaction be held in a safekeeping account subject to the control and custody of the county.

(d) Repealed by Acts 1989, 71st Leg., ch. 754, Sec. 2, eff. June 15, 1989.

Acts 1987, 70th Leg., ch. 149, Sec. 1, eff. Sept. 1, 1987. Amended by Acts 1989, 71st Leg., ch. 1, Sec. 15(c), eff. Aug. 28, 1989; Acts 1989, 71st Leg., ch. 754, Sec. 1, 2, eff. June 15, 1989; Acts 1995, 74th Leg., ch. 76, Sec. 5.95(11), eff. Sept. 1, 1995.

Sec. 116.113. DEPOSIT OF FUNDS. (a) Immediately after the commissioners court designates a county depository, the county treasurer shall transfer to the depository all of the county's funds and the funds of any district or municipal subdivision of the county that does not select its own depository. The treasurer shall also immediately deposit with the depository to the credit of the county, district, or municipality any money received after the depository is designated.

(b) A county tax assessor-collector shall immediately deposit in the county depository taxes collected on behalf of the state, the county, or a district or municipal subdivision of the county. The taxes remain on deposit pending the preparation and settlement of the assessor-collector's report on the tax collections.

(c) If a commissioners court that controls school district funds elects to transfer the funds during a school year from a county depository to another bank, the school district may require the commissioners court to delay the transfer until the earlier of the end of the school district's current fiscal year or the next September 1.

Acts 1987, 70th Leg., ch. 149, Sec. 1, eff. Sept. 1, 1987.

Sec. 116.114. COLLECTIONS BY DEPOSITORY. A county depository shall collect all checks, drafts, and demands for money deposited with it by the county.

Acts 1987, 70th Leg., ch. 149, Sec. 1, eff. Sept. 1, 1987.

Sec. 116.115. CLEARINGHOUSE FOR MULTIPLE DEPOSITORIES. If the funds of a county are deposited with more than one depository, the commissioners court shall by order name one of the depositories to act as a clearinghouse for the others. All county orders for payment are finally payable at the depository named as the clearinghouse.

Acts 1987, 70th Leg., ch. 149, Sec. 1, eff. Sept. 1, 1987.

Amended by:

Acts 2011, 82nd Leg., R.S., Ch. 606 (S.B. 373), Sec. 22, eff. September 1, 2011.

Sec. 116.116. OBLIGATIONS PAYABLE AT COUNTY DEPOSITORY. (a) A county depository shall pay a check or order for payment drawn by the county treasurer against funds deposited with the depository on presentation of the check or order if the funds subject to the check or order are in the possession of the depository, and, in the case of a time deposit, if the agreed period of notice has expired.

(b) If the commissioners court selects a depository in another county under Section 116.026, the depository shall file a statement with the county treasurer designating the place in the county governed by the commissioners court where, and the person by whom, deposits by the treasurer may be received and checks will be paid, or the place in another county where deposits may be made and checks may be paid. The statement must be filed within five days after the date notice is given to the depository of its selection.

(c) An order for payment or check, including an order or check issued prior to September 1, 1993, issued by the county treasurer in settlement of a claim against a county that is not presented for payment before the 366th day following the date of issuance is overdue and nonnegotiable. The sum of the overdue order or check shall be credited as revenue to the county if delivery to the payees was attempted or occurred within a reasonable time following the issuance of the order or check. No right to full settlement of a proper unpaid claim is extinguished by this subsection.

Acts 1987, 70th Leg., ch. 149, Sec. 1, eff. Sept. 1, 1987. Amended by Acts 1991, 72nd Leg., ch. 326, Sec. 1, eff. June 5, 1991; Acts 1993, 73rd Leg., ch. 931, Sec. 1, eff. Aug. 30, 1993; Acts 1997, 75th Leg., ch. 329, Sec. 1, eff. May 26, 1997.

Amended by:

Acts 2011, 82nd Leg., R.S., Ch. 606 (S.B. 373), Sec. 23, eff. September 1, 2011.

Sec. 116.117. STATEMENTS OF ACCOUNT. A depository shall make a detailed monthly statement to the commissioners court at each regular term of the court. The statement must show the daily balance credited to each of the funds on deposit.

Acts 1987, 70th Leg., ch. 149, Sec. 1, eff. Sept. 1, 1987.

Sec. 116.118. DEBTS PAYABLE OTHER THAN AT COUNTY TREASURY. The commissioners court may instruct the county treasurer to deposit money adequate to pay a bond, coupon, or other indebtedness of the county at a place other than at the county treasury if by its terms the indebtedness is payable on maturity at the other location and if the payment is otherwise made in the manner required by law.

Acts 1987, 70th Leg., ch. 149, Sec. 1, eff. Sept. 1, 1987.

Sec. 116.119. REQUIREMENTS FOR AUDITING AND COUNTERSIGNING UNAFFECTED. This chapter does not affect the application of a law or regulation providing for auditing and countersigning.

Acts 1987, 70th Leg., ch. 149, Sec. 1, eff. Sept. 1, 1987.

Sec. 116.120. COLLECTION OF CERTAIN OVERDUE COUNTY ORDERS FOR PAYMENT OR CHECKS. (a) This section applies only to an order for payment or check issued by a county treasurer in settlement of a claim against a county that has not been presented for payment.

(b) A person attempting to recover funds from the county for a check or order for payment issued by the county treasurer may not charge the person to whom the check or order was issued and on whose behalf the attempted recovery is made, or that person's successors or assigns, a fee in an amount equal to more than 10 percent of the face value of the check or order.

(c) A county treasurer may collect a reasonable research fee to determine if a claim submitted under this section is valid. The treasurer may include the costs of inquiries to depository banks, research of accounting records, and other similar actions in setting the fee. A county treasurer may require the fee to be paid before a claim may be processed or researched under this section.

Added by Acts 1997, 75th Leg., ch. 142, Sec. 1, eff. Sept. 1, 1997.

Amended by:

Acts 2011, 82nd Leg., R.S., Ch. 606 (S.B. 373), Sec. 24, eff. September 1, 2011.

Acts 2011, 82nd Leg., R.S., Ch. 606 (S.B. 373), Sec. 25, eff. September 1, 2011.

SUBCHAPTER F. LIABILITIES

Sec. 116.151. LIABILITIES OF SURETIES ON SEPARATE BONDS. If a county depository provides separate bonds to secure county funds, each surety under a bond is liable only for that part of a loss resulting from the failure of the depository that bears to the total loss the same ratio as the amount of the bond bears to the total amount of all bonds and securities held by the county for the protection of the funds covered by the bond.

Acts 1987, 70th Leg., ch. 149, Sec. 1, eff. Sept. 1, 1987.

Sec. 116.152. SUBROGATION OF SURETIES. If a personal surety or a surety company pays for a loss to a county under a depository bond, the surety is subrogated to the rights of the county in an amount equal to the amount of the surety's payment. However, the amount of the subrogation may not exceed the amount of the deposit secured by the surety at the time of the depository's default.

Acts 1987, 70th Leg., ch. 149, Sec. 1, eff. Sept. 1, 1987.

Sec. 116.153. PRO RATA RECOVERY BY STATE AND COUNTY. If a county depository becomes insolvent and it becomes necessary to resort to the depository's bond or bonds to recover funds of the county and the state, the state and county are entitled to share pro rata in the recovery.

Acts 1987, 70th Leg., ch. 149, Sec. 1, eff. Sept. 1, 1987.

Sec. 116.154. LIABILITY OF DEPOSITORY PENDING COLLECTION OF DEPOSITS. A county depository that uses due diligence to collect a check, draft, or demand for money deposited by the county with the depository is not liable for the collection until the proceeds have been received by the depository. The depository shall charge the county and the county shall pay a collection expense that the depository may not pay or absorb because of a federal law or a regulation adopted by the board of governors of the Federal Reserve System or by the board of directors of the Federal Deposit Insurance Corporation.

Acts 1987, 70th Leg., ch. 149, Sec. 1, eff. Sept. 1, 1987.

Sec. 116.155. FAILURE OF DEPOSITORY TO PAY CHECK OR ORDER FOR PAYMENT. A depository that does not pay a check or order for payment as required by Section [116.116\(a\)](#) is liable for and shall pay to the holder 10 percent of

the amount of the check or order for payment, and the commissioners court shall revoke the order creating the depository.

Acts 1987, 70th Leg., ch. 149, Sec. 1, eff. Sept. 1, 1987.

Amended by:

Acts 2011, 82nd Leg., R.S., Ch. 606 (S.B. [373](#)), Sec. 26, eff. September 1, 2011.

EXHIBIT I

**LEE COUNTY
INVESTMENT POLICY**

LEE COUNTY, TEXAS
INVESTMENT POLICY

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I. INVESTMENT AUTHORITY AND SCOPE OF POLICY

General Statement

This policy serves to satisfy the statutory requirements of Local Government Code Section 116.112 and Government Code Chapter 2256 to define and adopt a formal investment policy. See attachment B: Resolution to Adopt Investment Policy. This policy will be reviewed and adopted by resolution at least annually according to Government Code Section 2256.005(e).

Funds Included

This investment policy applies to all financial assets of all funds of the County of Lee, at the present time and any funds to be created in the future and any other funds held in custody by the County Treasurer, unless expressly prohibited by law or unless it is in contravention of any depository contract between Lee County and the depository bank.

County's Investment Officer

In accordance with Section 116.112(a), Local Government Code and/or Government Code Chapter 2256, Section 2256.005(f) and (g), the County Investment Officer, under the direction of the Lee County Commissioners Court, may invest County funds that are not immediately required to pay obligations of Lee County. The Commissioners Court shall designate by resolution one or more officers or employees as investment officer(s). (See attachment B)

If the investment officer has a personal business relationship with an entity—or is related within the second degree by affinity or consanguinity to an individual—seeking to sell an investment to the county, the investment officer must file a statement disclosing that personal business interest—or relationship—with the Texas Ethics Commission and the Commissioners Court in accordance with Government Code Section 2256.005(i).

II. INVESTMENT OBJECTIVES

General Statement

Funds of Lee County will be invested in accordance with federal and state laws, this investment policy and written administrative procedures. Lee County will invest according to investment strategies for each fund as they are adopted by Commissioners Court resolution in accordance with Government Code Section 2256.005(d).

Safety and Maintenance of Adequate Liquidity

Lee County is concerned about the return of its principal; therefore, safety of principal is a primary objective in any investment transaction.

The County's investment portfolio must be structured in conformance with an asset/liability management plan which provides for liquidity necessary to pay obligations as they become due.

Diversification

It will be the policy of Lee County to diversify its portfolio to eliminate the risk of loss resulting from over concentration of assets in a specific maturity, a specific issuer or a specific class of investments. Investments of Lee County shall always be selected that provide for the protection of principal, stability of income and reasonable liquidity.

Yield

It will be the objective of Lee County to earn the maximum rate of return allowed on its investments within the policies imposed by its safety and liquidity objectives, investment strategies for each fund, and state and federal law governing investment of public funds.

Maturity

Portfolio maturities will be structured to meet the obligations of Lee County first and then to achieve the highest return of interest. When Lee County has funds that will not be needed to meet current-year obligations, maturity restraints will be imposed based upon the investment strategy of each fund. The maximum allowable stated maturity of any individual investment owned by Lee County is one year.

Quality and Capability of Investment Management

It is Lee County's policy to provide training required by the Public Funds Investment Act, Section 2256.008 and periodic training in investments for the County Investment Officer through courses and seminars offered by professional organizations and associations in order to ensure the quality, capability and competency of the County Investment Officer in making investment decisions.

Investment Strategies

In accordance with the Public Funds Investment Act, Section 2256.005(d), a separate written investment strategy will be developed for each of the funds under Lee County's control. Each investment strategy must describe the investment objectives for the particular fund using the following priorities of importance:

- (1) understanding of the suitability of the investment to the financial requirements of Lee County;
- (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

Attachment A includes investment strategies for all funds. In accordance with the Public Funds Investment Act, Section 2256.005(e), investment strategies will be reviewed and adopted by resolution at least annually.

III. INVESTMENT TYPES

Authorized

The Lee County Investment Officer shall use any or all of the following authorized investment instruments consistent with governing law (Government Code Chapter 2256):

A. Except as provided by Government Code 2256.009(b), the following are authorized investments:

- (1) obligations, including letters of credit, of the United States or its agencies and instrumentalities, including Federal Home Loan Banks;
- (2) direct obligations of this state or its agencies and instrumentalities;
- (3) collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States;
- (4) other obligations, the principal and interest of which are unconditionally guaranteed or insured by, or backed by the full faith and credit of, this state or the United States or their respective agencies and instrumentalities, including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation or by the explicit full faith and credit of the United States;
- (5) obligations of states, agencies, counties, cities and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than A or its equivalent. Note: Lee County may not directly invest in these obligations noted under subsection (5). However, these obligations are authorized as depository pledged securities; and
- (6) interest-bearing banking deposits that are guaranteed or insured by the Federal Deposit Insurance Corporation or the National Credit Union Share Insurance Fund or its successor; and interest-bearing banking deposits of a depository institution with a main office or branch office in this state and the depository institution arranges for the deposit of funds in the banking deposits in one or more federally insured depository institutions, regardless of where located.

B. Certificates of deposit if issued by a state or national bank domiciled in this state or a savings and loan association domiciled in this state and is:

- (1) guaranteed or insured by the Federal Deposit Insurance Corporation or its successor;
- (2) secured by obligations that are described by Government Code Section 2256.009(a) of the Public Funds Investment Act, including mortgage backed securities directly issued by a federal agency or instrumentality that have a market value of not less than the principal amount of the certificates, but excluding those mortgage backed securities of the nature described by Section 2256.009(b) of the Public Funds Investment Act; or
- (3) secured in any other manner and amount provided by law for deposits of the county.

C. Eligible investment pools (as discussed in the Public Funds Investment Act, Section 2256.016-2256.019) if the Commissioners Court authorizes investment in the particular pool. An investment pool shall invest the funds it receives from Lee County in authorized investments permitted by the Public Funds Investment Act. Lee County, by contract, may

delegate to an investment pool the authority to hold legal title as custodian of investments purchased with its local funds.

Authorized depository pledged securities

The institution chosen as Lee County's depository bank may use any securities that are authorized by the Public Funds Investment Act and this policy as a pledge against Lee County funds. In the event of a bank failure, the Lee County Investment Officer should use discretion in the sale of these securities in order to preserve the principal. The Investment Officer will not be in violation of the provisions of authorized securities (as noted in section III), if they are obtained in this manner.

Current authorized investment pools are:

TEXPOOL (Added Feb. 9, 1998)

FUNDS MANAGEMENT GROUP INC. (Added Jan. 24, 2000)

TEXAS CLASS formerly known as Municipal Investors Service (MBIA)(Added Jan 24, 2000)

TEXSTAR (Added May14, 2007)

Prohibited

The Lee County Investment Officer has no authority to use any of the following directly purchased investment instruments which are allowed by the Public Funds Investment Act but not deemed appropriate for Lee County as directly purchased investments.

1. obligations of other states, counties, cities, and other political subdivisions of any state regardless of its rating, but may be used as depository pledged securities;
2. repurchase agreements of any type
3. bankers' acceptance
4. commercial paper
5. no-load mutual funds

The Lee County Investment Officer has no authority to use any of the following investment instruments which are strictly prohibited by law:

1. obligations whose payment represents the coupon payments on the outstanding principal balance of the underlying mortgage-backed security collateral and pays no principal;
2. obligations whose payment represents the principal stream of cash flow from the underlying mortgage-backed security collateral and bears no interest;
3. collateralized mortgage obligations that have a stated final maturity date of greater than 10 years; and
4. collateralized mortgage obligations the interest rate of which is determined by an index that adjusts opposite to the changes in a market index.

IV. INVESTMENT RESPONSIBILITY AND CONTROL

Investment Institutions Defined

The Lee County Investment Officer shall invest County 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 banks domiciled in Texas that are insured by FDIC;
3. Public funds investment pools that have been approved by Commissioners Court;
4. Government securities primary brokers/dealers.

Qualifications for Approval of Broker/Dealers

In accordance with Government Code Section 2256.005(k), a written copy of this investment policy shall be presented to any person seeking to sell to the county an authorized investment. The registered principal of the business organization seeking to sell an authorized investment shall execute a written instrument substantially to the effect that the registered principal has:

- (1) received and thoroughly reviewed the investment policy of the county; and
- (2) acknowledged that the organization has implemented reasonable procedures and controls in an effort to preclude imprudent investment activities arising out of investment transactions conducted between the county and the organization.

The investment officer may not buy any securities from a person who has not delivered to the county an instrument in substantially the form provided above according to Section 2256.005(l).

Standards of Operation

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

Delivery Vs. Payment

It will be the policy of Lee County that all Treasury Bills, Notes, Bonds and Government Agencies' securities shall be purchased using the "Delivery vs. Payment" (DVP) method through the Federal Reserve System. By so doing, County funds are not released until the County has received, through the Federal Reserve wire, the securities purchased.

Audit Control

The Lee County Investment Officer will assist the Lee County Auditor in preparing investment forms to assist the County Auditor for accounting and auditing control. The Investment Officer is subject to audit by the Lee County Auditor. In addition, the Lee County Commissioners Court will have a periodic audit of all Lee County funds by an independent auditing firm, as well as a compliance audit of management controls on investments and adherence to Lee County's established investment policies in accordance with Government Code Section 2256.005(m).

Standard of Care

In accordance with Government Code Section 2256.006, investments 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. Investment of funds shall be governed by the following investment objectives, in order of priority: preservation and safety of principal; liquidity; and yield.

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 had responsibility rather than a consideration as to the prudence of a single investment; and
- (2) whether the investment decision was consistent with the written investment policy of Lee County.

V. INVESTMENT REPORTING AND PERFORMANCE EVALUATION

Monthly Report

The Investment Officer is required to report to the Lee County Commissioners Court monthly a summary of all balances being held in investments, the type of investment, and the interest rate if rates vary from month to month.

Quarterly Report

In accordance with Government Code Section 2256.023, not less than quarterly, the investment officer shall prepare and submit to the Commissioners Court a written report of investment transactions for all funds for the preceding reporting period within a reasonable time after the end of the period. The report must:

- (1) describe in detail the investment position of the county on the date of the report;
- (2) be prepared jointly by all investment officers of the county;
- (3) be signed by each investment officer of the county;
- (4) contain a summary statement of each pooled fund group that states the:
 - A) beginning market value for the reporting period;
 - B) additions and changes to the market value during the period; and
 - C) ending market value for the period;
- (5) state the book value and market value of each separately invested asset at the beginning and end of the reporting period by the type of asset and fund type invested;
- (6) state the maturity date of each separately invested asset that has a maturity date;
- (7) state the account or fund or pooled group fund in the county for which each individual investment was acquired; and
- (8) state the compliance of the investment portfolio of the county as it relates to:
 - A) the investment strategy expressed in the county's investment policy; and
 - B) relevant provisions of Government Code Chapter 2256.
- (9) although not required by statute, the report should state the interest rate at the end of the quarter for each investment so the performance of the counties portfolio can be easily evaluated by management.

Notification of Investment Changes

It shall be the duty of the County Investment Officer of Lee County, Texas to notify the Lee 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.

VI. INVESTMENT COLLATERAL AND SAFEKEEPING

Collateral or Insurance

The Lee County Investment Officer shall ensure that all county funds are fully collateralized or insured consistent with federal and state law and the current Bank Depository Contract in one or more of the following manners:

- (1) FDIC insurance coverage;
- (2) Obligations of the United States or its agencies and instrumentalities
- (3) Pledged securities

Safekeeping

All purchased securities shall be held in safekeeping by the County, or a County account in a third party financial institution, or with the Federal Reserve Bank.

All certificates of deposit, insured by the FDIC, purchased outside the Depository Bank shall be held in safekeeping by either the County or a County account in a third party financial institution.

All pledged securities by the Depository Bank shall be held in safekeeping by the County, or a County account in a third party financial institution, or with a Federal Reserve Bank.

Attachment A

LEE COUNTY
INVESTMENT STRATEGIES FOR FUNDS

The purpose of this attachment is to provide general and specific information regarding the applicability of investments to the various funds of Lee County. This is provided as a guideline for the County Investment Officer, the Commissioners Court, and others who would be doing investment business with Lee County. It should be understood that anyone reading this policy would have general understanding of investments and how they are handled. Because of the diversity of Lee County funds and their uses, the investment strategy for the various funds vary greatly. All Lee County funds not specified separately shall be considered *General Fund* for purposes of investments. The appropriate investment goal of all funds will be described by various common guidelines as listed below.

1. understanding of the suitability of the investment to the financial requirements of Lee County;
2. preservation and safety of principal;
3. liquidity;
4. marketability of the investment if the need arises to liquidate the investment before maturity;
5. yield; and
6. maturity restrictions.

GENERAL FUND

(1) This fund may invest in products that will mature in the current budget year. Investments with maturity dates should be staggered to allow enough funds to be available for immediate needs without early withdrawal.

(2) Lee County will use those investments authorized by this investment policy and covered by F.D.I.C. insurance or federal/state guarantees.

(3) A maximum of 50% of general fund money may be invested in short term (less than 9 months) investments. The balance should be held in account that would be available in 2 days or less.

(4) Marketable securities purchased may be only federal or state guaranteed investments as these are considered very marketable.

(5) In order to maximize return, only minimum amounts should be held in the local depository, unless authorized local depository rate of return is greater than eligible investment pools or securities. Otherwise, most funds should be in eligible investment pools or securities.

(6) Maturities should not have a maturity of over 9 months.

ROAD & BRIDGE FUNDS

(1) This fund must remain very liquid to cover major purchases on short notice. It is not generally suited for investments that should be held to maturity.

(2) Lee County will use those investments authorized by this policy and covered by F.D.I.C. insurance or federal/state guarantees.

(3) Liquidity should be of utmost consideration and these funds are not approved for investments in products that should be held to maturity.

(4) Marketability does not apply, since these types of funds are not approved.

(5) In order to maximize return, only minimum amounts should be held in the local depository, unless authorized local depository rate of return is greater than eligible investment pools or securities. Otherwise, most funds should be in eligible investment pools or securities.

(6) Securities should not have maturity longer than allowed in the County Investment Policy.

RIGHT OF WAY FUND

(1) It is anticipated that most of the funds in this account will not be used during the current budget year so it will be generally better suited for longer term investments.

(2) Lee County will use those investments authorized by this investment policy and covered by F.D.I.C. insurance or federal/state guarantees.

(3) Due to those funds not being budgeted to be spent this year, they may be invested in securities with the longest maturity allowed by the investment policy.

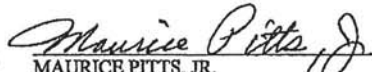
(4) Marketable securities purchased may be only federal or state guaranteed investments as these are considered very marketable.

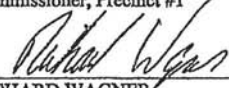
(5) In order to maximize return, only minimum amounts should be held in the local depository, unless authorized local depository rate of return is greater than eligible investment pools or securities. Otherwise, most funds should be in eligible investment pools or securities.

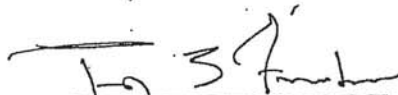
(6) Securities should not have maturity longer than allowed in the County Investment Policy.


Attachment B

PASSED AND APPROVED this the 28th day of May, A.D. 2019.

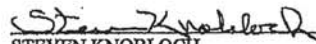

MAURICE PITTS, JR.
Commissioner, Precinct #1


RICHARD WAGNER
Commissioner, Precinct #2


PAUL E FISCHER
County Judge, Lee County, Texas


ALAN TURNER
Commissioner, Precinct #3


SHARON BLASIG
County Clerk, Lee County, Texas


STEVEN KNOBLOCH
Commissioner, Precinct #4

Attachment C

18

THE STATE OF TEXAS)
)
COUNTY OF LEE) IN THE COMMISSIONERS' COURT
) OF LEE COUNTY, TEXAS

RESOLUTION

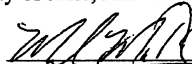
A RESOLUTION EVIDENCING THE ANNUAL REVIEW AND ADOPTION OF THE INVESTMENT POLICY OF LEE COUNTY, TEXAS

WHEREAS, Pursuant to Section 2256.005 of the Texas Government Code, the Commissioners' Court of Lee County, Texas, hereby certifies that an annual review of the Investment Policy for Lee County, initially adopted on February 9, 1998 with last amendment on May 26, 2020, has this day been conducted; and,

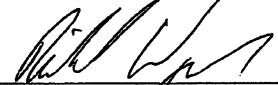
WHEREAS, the Commissioners' Court of Lee County, following said review, desires to adopt the said Investment Policy of Lee County as amended:

NOW, THEREFORE, BE IT RESOLVED BY THE COMMISSIONERS' COURT OF LEE COUNTY, TEXAS, that, after the annual review of the Lee County Investment Policy, as mandated by Section 2256.005 of the Texas Government Code, the Commissioners' Court of Lee County, Texas, does hereby adopt said Investment Policy as amended.

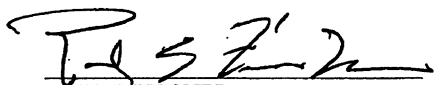
PASSED AND APPROVED this the 13th day of June, A.D. 2022.



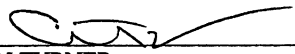
MARK MATTHIJET
Commissioner, Precinct #1



RICHARD WAGNER
Commissioner, Precinct #2




PAUL E FISCHER
County Judge, Lee County, Texas



ALAN TURNER
Commissioner, Precinct #3



SHARON BLASIG
County Clerk, Lee County, Texas



STEVEN KNOBLOCH
Commissioner, Precinct #4