

AGENDA ITEM 12

Consider adopting the Williamson County Investment Policy.

Moved: **Commissioner Hays**

Seconded: **Commissioner Limmer**

Motion: To adopt the Williamson County Investment Policy.

Vote: 4 – 0. **Commissioner Boatright** was absent from the dais.

< Attachment >

Williamson County

Vivian L. Wood
County Treasurer



MEMORANDUM

Date: December 11, 2003

To: The Honorable John C. Doerfler, County Judge
The Honorable Brad Curlee, Commissioner, Precinct 1
The Honorable Greg Boatright, Commissioner, Precinct 2
The Honorable David Hays, Commissioner, Precinct 3
The Honorable Frankie Limmer, Commissioner, Precinct 4
710 Main Street, Suite 201
Georgetown, TX 78626

From: Vivian L. Wood *[Signature]*
County Treasurer
Certified Investment Officer

Gentlemen:

Per the requirements of the Texas Public Funds Investment Act (TPFIA), the Williamson County Investment Policy has been reviewed and at this time no changes are recommended.

A copy of the letter stating the Policy has been reviewed and is in compliance with the TPFIA is attached, as is the Investment Policy Certification Statement.

A copy of the Policy is attached and we ask your adoption of the Policy as presented.

This information has been placed on the Commissioners Court December 16th Agenda.

Attachments

approved 12-16-03
John C. Doerfler



FIRST SOUTHWEST ASSET MANAGEMENT, INC.

Scott D. McIntyre, CCM
Senior Vice President

July 18, 2003

Ms Vivian Wood, Treasurer
Williamson County
710 Main Street, Suite 302
Georgetown, Texas 78626-5713

Dear Vivian:

As requested, First Southwest Asset Management, Inc. has performed a review of the County's written investment policy to determine compliance with the Texas Public Funds Investment Act (the "Act"), Texas Government Code, Chapter 2256. Our review was limited in scope, with the primary purpose being to evaluate conformity with the Act. We did not seek to ensure that all funds and procedures are addressed in the policy, nor have we reviewed compliance with the policy or internal controls of the County. Based upon our review, we have reached the following conclusion:

We believe that all necessary language as required by the Texas Public Funds Investment Act is present in the written Investment Policy of Williamson County. The 2003 legislative changes to the Public Funds Investment Act do not require the County to make changes in order to remain in compliance with the Act.

The following summary represents changes to the Texas Public Funds Investment Act effective September 1, 2003 as they apply to local governments:

Newly Authorized Investments

The amended Act adds one new investment type in 2003.

Senate Bill 1318 adds Section 2256.0115 to the PFIA which allows Municipalities to utilize **Securities Lending Programs**. The Bill Analysis points out that "municipalities may be able to add substantial income to their revenue with securities lending."

In our opinion, only those municipalities with substantial Treasury and Federal agency holdings are able to participate in securities lending programs. We do not suggest that the County add this investment option at present time.

If you have any questions regarding this policy or if we can be of further assistance, please contact me at 1-800-575-3792 or directly at (512) 481-2009.

Sincerely,

Scott McIntyre
Senior Portfolio Manager

Cc: Mr. Dan Wegmiller, First Southwest Company



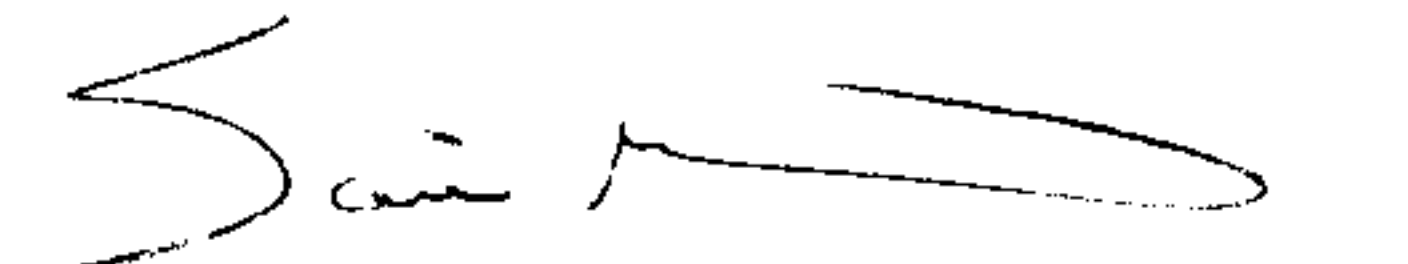
FIRST SOUTHWEST ASSET MANAGEMENT, INC.

Scott D. McIntyre, CCM
Senior Vice President

Investment Policy Certification
As required by the Texas Government Code 2256.005(k)

I hereby certify to be a qualified representative (as defined under Chapter 2256 of the Texas Government Code) of First Southwest Asset Management, Inc. ("First Southwest"). In accordance with the Texas Public Funds Investment Act, I have reviewed the current Investment Policy of Williamson County.

I acknowledge that First Southwest has implemented reasonable procedures and controls in an effort to preclude investment transactions conducted between Williamson County and First Southwest not authorized by written 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.



Signature

Scott McIntyre
Senior Vice President
First Southwest Asset Management
August 12, 2003

WILLIAMSON COUNTY

INVESTMENT POLICY

DECEMBER 16, 2003

WILLIAMSON COUNTY INVESTMENT POLICY

I. INVESTMENT AUTHORITY

In accordance with Section 116.112(a) of the Local Government Code and/or Title X, Chapter 2256, Section 2256.005 (f) and (g), the Williamson County Treasurer, under the direction of the Williamson County Commissioners' Court, may invest the County funds that are not immediately required to pay obligations of Williamson County (County). The Treasurer shall act as the Investment Officer of the County. The Commissioners' Court may designate one or more county officers or employees as Investment Officers to assist the Treasurer in investment related duties.

II. INVESTMENT OBJECTIVES

II.1 General Statement

Funds of the County will be invested in compliance with federal and state laws, this investment policy and written administrative procedures. The County will invest according to investment strategies for each group of funds as they are adopted by the commissioner's court resolution.

II.2 Safety and Maintenance of Liquidity

The 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 that provides for liquidity necessary to pay obligations as they become due.

II.3 Diversification

It will be the policy of the County to diversity its portfolio to eliminate the risk of loss resulting from a concentration of assets in a specific maturity (save and except zero duration funds), a specific issuer or a specific class of investments. Investments of the County shall always be selected to provide stability of income and reasonable liquidity.

II.4 Yield

The yield objective of the County is to earn the maximum rate of return allowed on its investments within the policies imposed by safety and liquidity objectives, investment strategies for each group of funds and state and federal law governing investment of public funds.

II.5 Maturity

Portfolio maturities will be structured to meet the obligations of the County first and then to achieve the highest rate of return of interest. When the County has funds not required to meet current-year obligations, maturity restraints will be imposed upon the

investment strategy for each group of funds. The maximum allowable stated maturity of any individual investment owned by the County is three years.

II.6 Quality and Capability of Investment Management

It is the County's policy to provide training as required by the Public Funds Investment Act. Periodic training in investments policy and procedures for the County Investment Officer and members of the Investment Advisory Committee will be provided through courses and seminars offered by professional organizations and associations in order to ensure the quality and capability of county investment decisions. The County Investment Officer will be required to attend at least ten (10) hours of investment training each year provided through an independent source approved by the County Commissioners' Court or the Investment Advisory Committee. Investment Advisory committee members shall also be required to attend at least then (10) hours of investment training within every two (2) calendar years. Certification of training for the Investment Officer and the Investment Advisory Committee members will be presented for acceptance and entry into the official minutes of the County Commissioners Court.

II.7 Method of Monitoring

It will be the policy of the County to monitor pricing of investment by using a bid method of purchasing investments. No investments will be purchased for the County without first contacting three business organizations that have been approved by Commissioners' Court to do business with the County to obtain such bid. Periodic valuation of investments will be determined using prices from recognized independent market sources.

II.8 Investment Advisors

The County may designate, with approval from the Commissioners' Court, a professional investment advisory firm, registered with the Securities and Exchange Commission under the 1940 Investment Advisors Act, as well as the State Securities Board to assist the County in the management of its funds. This Investment Advisor shall act solely in an advisory and administrative capacity within the guidelines of this policy.

III. INVESTMENT STRATEGY

The investment strategy of the County is as follows:

1. Matching the suitability of investments to financial requirements;
2. Preservation and safety of principal;
3. Maintain required liquidity;
4. Marketability of the investment, if need arises to liquidate;
5. Diversification of the portfolio;
6. Yield; and
7. Maturities controlled by the investment policy.

IV.INVESTMENT RESPONSIBILITY AND CONTROL

IV.1 Investment Advisory Committee

The Investment Advisory Committee reviews investment policies and procedures, investment strategies, and investment performances. Members of the Committee include the County Judge, a County Commissioner, the Tax Assessor/Collector, and the County Auditor. The County Investment Officer will serve as an ex-officio member of the committee. Members should have demonstrated knowledge and expertise in the area of finance, investments, or cash management. The Chair of the Committee will be elected by the Committee and the meetings will be quarterly or more frequently if needed.

IV.2 Liability of Investment Officer

The County Investment Officer is not responsible for any loss of County funds through the failure or negligence of the depository. This policy does not release the investment officer, or any other person for a loss resulting from any act of official misconduct, or negligence, or for any misappropriation of such funds. The designated Investment Officers shall perform their duties in accordance with the adopted Investment Policy and internal procedures. Investment Officers acting in good faith and in accordance with these policies and procedures shall be relieved of personal liability.

IV.3 Audit

The County Commissioners' Court will review the Investment Policy and Strategies annually and, at a minimum, will have an annual compliance audit of management controls on investments and adherence to established investment policies. The independent auditor will report the results of the audit to the County Commissioners' Court after completion of the audit.

IV.4 Standard of Care

Investments shall be made with judgement 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 the 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 the 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 the County.

IV.5 Investment Institution Defined

The County Investment Officer shall invest County funds with any or all of the institutions or groups consistent with federal and state regulations and approved by the Commissioners' Court.

IV.6 Qualifications for Approval of Broker/Dealer

A written copy of the investment policy shall be presented to any person offering to engage in an investment transaction with the County. The qualified representative of the business organization seeking to sell an authorized investment shall execute a written instrument, provided by the County that the business organizations 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 the instrument signed by the qualified representative.

Along with the signed affidavit the business organization shall supply the County with the following:

1. Completed Broker/Dealer questionnaire.
2. Completed Anti-Collusion Agreement.
3. Executed PSA Master Repurchase Agreement (primary dealers only).
4. Financial statements (to be provided annually).
5. Delivery instructions.
6. NASD Certification Proof.
7. Texas State Securities Commission Registration Proof.

If the County chooses to utilize the services of an Investment Advisor, the advisor shall be responsible for performing due diligence on the dealers with which it conducts investment transactions. The county's relationship with the advisor shall be governed by a formal management contract between the two parties.

IV.7 Standards of Operation

The County Investment Officer shall develop and maintain written administrative procedures for the operation of the investment program set by the Commissioners' Court of the County. The County Investment Officer shall determine the amount of cash available for payments by the County, invest the funds not required in the performance of that duty, and shall exercise good judgement and discretion to effectuate the policies herein set forth. The County Investment Officer shall be authorized to delegate to an employee(s) the authority to place orders for such investments and to perform all acts required to acquire, pay for, hold, sell, exchange, tender or collect investments. Such designated employee(s) must have achieved the same certifications and training hours as the County Investment Officer.

IV.8 Delivery vs. Payment

It will be the policy of the County that all investment securities shall be purchased using "Delivery vs. Payment" (DVP) method through the Federal Reserve System. By doing so, the County funds are not released until the County has received through the Federal Reserve wire, the securities purchased.

IV.9 Standard of Ethics

The designated Investment Officers shall act as custodians of the public trust avoiding any transaction, which might involve a conflict of interest, the appearance of a conflict of interest, or any activity, which might otherwise discourage public confidence. Investment Officers shall refrain from personal business activity that might conflict with proper execution of the investment program or might impair their ability to make impartial investment decisions. Additionally, all Investment Officers shall file with Williamson County and the Texas Ethics Commission, a statement disclosing any personal business relationship with any organization seeking to sell investments to the County or any relationship within the second degree of affinity or consanguinity to an individual seeking to sell investments to the County. For purposes of this subsection, an Investment Officer has a personal business relationship with a business organization if:

- (1) the Investment Officer owns 10 percent or more of the voting stock or shares of the business organization or owns \$5,000 or more of the fair market value of the business organization;
- (2) funds received by the Investment Officer from the business organization exceed 10 percent of the Investment Officer's gross income for the previous year; or
- (3) the Investment Officer has acquired from the business organization during the previous year investments with a book value of \$2,500 or more for the personal account of the Investment Officer.

V. INVESTMENT REPORTING AND PERFORMANCE EVALUATION

V.1 QUARTERLY REPORT

Not less than quarterly, the investment officer shall prepare and submit to the County Investment Advisory Committee and the County 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 signed by the investment officer of the County;
3. 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;
4. state the book value and market value of each separately invested asset at the beginning and the end of the reporting period by the type of asset and fund type invested.

5. state the maturity date of each separately invested asset that has a maturity date;
6. state the account or fund or pooled group fund in the County for which each individual investment was required; and
7. 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 the chapter.

The independent auditor shall review reports annually with findings presented to the County Commissioner's Court.

V.2 Notification of Investment Changes

It shall be the duty of the County Investment Officer of the County to notify the County Commissioners' Court of any significant changes in current investment methods and procedures prior to their implementation, regardless of whether they are authorized by this policy or not.

VI. INVESTMENT COLLATERAL AND SAFEKEEPING

VI.1 Collateral or Insurance

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

1. FDIC insurance coverage; and
2. United States Treasury obligations.

VI.2 Safekeeping

All purchased securities shall be held in safekeeping 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 County Depository Bank shall be held in safekeeping by the County.

All pledged securities by the County Depository Bank shall be held in safekeeping with the Federal Reserve Bank.

V11. INVESTMENT TYPES

V11.1 Authorized

The County Investment Officer shall use any or all of the following authorized investment instruments consistent with Title X, Chapter 2256, Texas Government Code:

1. Obligations of the United States or its agencies and instrumentalities;

2. Direct obligations of this state or its agencies and instrumentalities;
3. No-load money market mutual funds if the mutual fund;
 - A. is regulated by the SEC;
 - B. has a dollar-weighted average stated maturity of 90 days or less;
 - C. includes in its investment objectives the maintenance of a stable \$1.00 net asset value per each share;
 - D. is limited as to the amount invested per the requirements set forth in Chapter 2256, Government Code Section 2256.014; and
 - E. has supplied the County with a prospectus and other information required by the Securities Exchange Act of 1934 or the Investment Company Act of 1940.
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 or instrumentalities; and
5. Obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized investment firm not less than A or its equivalent.
6. Certificates of deposit, if issued by a state or national bank domiciled in this state and is;
 - A. guaranteed or insured by the Federal Deposit Insurance Corporation or its successor;
 - B. secured in any other manner and amount provided by law for deposits of the County.
7. A fully collateralized repurchase agreement, if it;
 - A. has a defined termination date;
 - B. is secured by obligations described by Section 2256.009 (a)(1) of the Public Funds Investment Act; and
 - C. requires the securities being purchased by the County to be pledged to the County, held in the county's name, and deposited at the time the investment is made with the County or with a third party selected and approved by the County; and
 - D. is placed through a primary government securities dealer, approved by the County, or a financial institution doing business in this state.
8. Commercial paper is an authorized investment, if the commercial paper;
 - A. has a stated maturity of 270 days or fewer from the date of its issuance; and
 - B. is rated not less than A-1 or P-1 or an equivalent rating by at least;
 1. two nationally recognized credit rating agencies; or
 2. one nationally recognized credit rating agency and is fully secured by an irrevocable letter of credit issued by a bank organized and existing under the laws of the United States or any state.
9. Eligible investment pools in the County Commissioners' Court by resolution authorizes investment in the particular pool. The investment

pool shall invest the funds it receives from entities in authorized investments permitted by the Public Funds Investment Act. The County by contract may delegate to an investment pool the authority to hold legal title as custodian of investments purchased with its local funds.

VIII. NON – COUNTY FUNDS

The Tax Assessor/Collector, County Clerk, and District Clerk funds fall into this category. These funds are not considered funds that belong to the County but could be considered a liability for the County. All funds will be invested in compliance with the Public Funds Investment Act and the County's Investment Policy except when a court order is issued to follow a different procedure.

VIII.1 Tax Assessor/Collector

County funds are invested to enhance investment return for the County before the County receipts the funds. State of Texas funds in the custody of the Tax Assessor/Collector may be invested before remitting to the state.

VIII.2 County Clerk Registry Funds

County Clerk Registry Funds are received by court order from Commissioners' Court, County Court-at-Law, or County Courts. These funds must be deposited in the County depository and then invested according to the court orders. A court order is required from the County Courts and the County Courts-at-Law prior to disbursement of the funds.

VIII.3 District Clerk Registry Funds

District Clerk Registry Funds are received by court order from the District Courts. These funds must be deposited in the County depository and then invested according to the court orders. A court order is required from the District Courts prior to the disbursement of the funds.

VIII.4 County Treasurer's Adult Probation Funds

Funds designated as the "County Treasurer's Adult Probation" funds may be invested by the County Investment Officer upon an inter-governmental agreement with the Commissioners' Court and the Williamson County Community Supervision and Corrections Department. All funds invested will adhere to the policies and procedures as set forth in the County's investment policy.

VIII.5 Williamson County/Cities Health District Funds

The County Investment Officer upon an inter-governmental agreement approved by the Commissioners' Court may invest Williamson County/Cities Health District Funds. All funds invested will adhere to the policies and procedures as set forth in the County's investment policy.

VIII.6 Williamson County Benefits Funds

The County Investment Officer upon an inter-governmental agreement approved by the Commissioners' Court may invest Williamson County Benefit Funds. All funds invested will adhere to the policies and procedures as set forth in the County's investment policy.

IX. INVESTMENT FUND STRATEGIES

PREFACE

It is the policy of Williamson County that, giving due regard to the safety and risk of investment, all available funds shall be invested in conformance with State and Federal Regulations, applicable Bond Resolution requirements, adopted Investment Policy and adopted Investment Strategy.

In accordance with the Public Funds Investment Act, the Counties investment strategies shall address the following priorities (in order of importance):

- Understanding the suitability of the investment to the financial requirements of the County,
- Preservation and safety of principal,
- Liquidity,
- Marketability of the investment prior to maturity,
- Diversification of the investment portfolio, and
- Yield.

Effective investment strategy development coordinates the primary objectives of the County's Investment Policy and cash management procedures to enhance interest earnings and reduce investment risk. Active cash management will increase the available "investment period" and subsequently interest earnings. Maturity selections shall be based on cash flow and market conditions to take advantage of various interest rate cycles. The County's portfolio shall be designed and managed in a manner responsive to the public trust and consistent with the Investment Policy.

Each major fund type has varying cash flow requirements and liquidity needs. Therefore specific strategies shall be implemented considering the fund's unique requirements. The County's funds shall be analyzed and invested according to the following major fund types:

Operating Funds
Construction and Capital Improvement Funds
Debt Service Funds
Enterprise Funds
Internal Service Funds

INVESTMENT STRATEGIES

In order to minimize risk of loss due to interest rate fluctuations, investment maturities will not exceed the anticipated cash flow requirements of the funds. Investment guidelines by fund-type are as follows:

A. Operating Funds

Suitability – Any investment eligible in the Investment Policy is suitable for the Operating Funds.

Safety of Principal- All Operating Funds shall be invested in high quality securities with no perceived default risk. Market price fluctuations will occur, but by managing the portfolio's weighted average maturity to less than 365 days and restricting the maximum allowable maturity to three years, the price volatility of the overall portfolio will be minimized.

Marketability – Securities with active and efficient secondary markets are necessary in the event of an unanticipated cash requirement. Historical market "spreads" between the bid and offer prices of a particular security-type of less than a quarter of a percentage point shall define an efficient secondary market.

Liquidity – The Operating Fund requires the greatest short-term liquidity of any of the fund types. Short-term investment pools and money market mutual funds shall provide daily liquidity and may be utilized as a competitive yield alternative to fixed maturity investments.

Diversification – Investment maturities shall be staggered throughout the budget cycle to provide cash flow based on the anticipated operating needs of the County. Market cycle risk will be reduced by diversifying the appropriate maturity structure out along the maturity curve.

Yield – Attaining a competitive market yield for comparable security-types and portfolio restrictions is the desired objective. The 6-month Constant Maturity Treasury (CMT) bill shall be the minimum yield objective.

B. Construction and Capital Improvement Funds

Suitability – Any investment eligible in the Investment Policy is suitable for Construction and Capital Improvement (CC&I) Funds.

Safety of Principal – All CC&I Funds shall be invested in high quality securities with no perceived default risk. Market price fluctuations will occur, but by managing the Construction and Capital Improvement Fund's portfolio not to exceed the anticipated expenditure schedule, the market risk of the overall portfolio will be minimized.

Marketability – Securities with active and efficient secondary markets are necessary in the event of an unanticipated cash requirement. Historical market "spreads" between the bid and offer prices of a particular security-type of less than a quarter of a percentage point shall define an efficient secondary market.

Liquidity – County funds used for construction and capital improvement programs have reasonably predictable draw down schedules. Therefore investment maturities shall generally follow the anticipated cash flow requirements. Investment pools and money market mutual funds shall provide readily available funds generally equal to at least one month's anticipated cash flow needs, or a competitive yield alternative for short term fixed maturity investments. A singular repurchase agreement may be utilized if disbursements are allowed in the amount necessary to satisfy any expenditure request, this investment structure is commonly referred to as a flexible repurchase agreement.

Diversification – Market conditions and the arbitrage regulations influence the attractiveness of staggering the maturity of fixed rate investments for bond proceeds and other construction and capital improvement funds. With bond proceeds, if investment rates exceed the applicable arbitrage yield, the County is best served by locking in most investments. If the arbitrage yield can not be exceeded, then concurrent market conditions will determine the attractiveness of diversifying maturities or investing in shorter and larger lumps. At no time shall the anticipated expenditure schedule be exceeded in an attempt to bolster yield with any County funds.

Yield – Achieving a positive spread to the applicable arbitrage yield is the desired objective for bond proceeds. Non-bond proceeds construction and capital project funds will seek to exceed the 6-month Constant Maturity Treasury average.

C. Debt Service Funds

Suitability – Any investment eligible in the Investment Policy is suitable for the Debt Service Fund.

Safety of Principal – All Debt Service Funds shall be invested in high quality securities with no perceived default risk. Market price fluctuations will occur, but by managing the Debt Service Fund's portfolio not to exceed the debt service payment schedule, the market risk of the overall portfolio will be minimized.

Marketability – Securities with active and efficient secondary markets are not necessary as the event of an unanticipated cash requirement is not probable.

Liquidity – Debt service funds have predictable payment schedules. Therefore investment maturities shall not exceed the anticipated cash flow requirements. Investment pools and money market mutual funds shall provided a competitive yield alternative for short term fixed maturity investments. A singular repurchase agreement may be utilized if disbursements are allowed in the amount necessary to satisfy any debt service payment; this investment structure is commonly referred to as a flexible repurchase agreement.

Diversification – Market conditions influence the attractiveness of fully extending maturity to the next "un-funded" payment date. Generally if investment rates are trending down, the County is best served by locking in most investments. If interest rates are flat or trending up, then concurrent market conditions will determine the attractiveness of extending maturity or investing in shorter alternatives. At no time shall the debt service schedule be exceeded in an attempt to bolster yield.

Yield – Attaining a competitive market yield for comparable security-types and portfolio restrictions is the desired objective. The 6-month Constant Maturity Treasury (CMT) bill shall be the minimum yield objective.

D. Enterprise Funds

Suitability – Any investment eligible in the Investment Policy is suitable for the Enterprise Funds.

Safety of Principal – All Enterprise Funds shall be invested in high quality securities with no perceived default risk. Market price fluctuations will occur, but by managing the weighted average days to maturity for the Enterprise Fund portfolio to less than 365 days and restricting the maximum allowable maturity to two years, the price volatility of the overall portfolio will be minimized.

Marketability – Securities with active and efficient secondary markets are necessary in the event of an unanticipated cash requirement. Historical market “spreads” between the bid and offer prices of a particular security-type of less than a quarter of a percentage point shall define an efficient secondary market.

Liquidity – The Enterprise Fund requires short-term liquidity. Constant Dollar investment pools and money market mutual funds shall provide daily liquidity and may be utilized as a competitive yield alternative to fixed maturity investments.

Diversification – Investment maturities shall be staggered throughout the budget cycle to provide cash flow based on the anticipated operating needs of the County. Market cycle risk will be reduced by diversifying the appropriate maturity structure out along the maturity curve.

Yield – Attaining a competitive market yield for comparable security-types and portfolio restrictions is the desired objective. The minimum yield objective shall be the 91-day Treasury bill average.

E. Internal Service

Suitability – Any investment eligible in the Investment Policy is suitable for the Internal Service Funds.

Safety of Principal – All funds shall be invested in high quality securities with no perceived default risk. Market price fluctuations will occur, but by managing the weighted average days to maturity for the Internal Service Fund portfolio to less than 365 days and restricting the maximum allowable maturity to two years, the price volatility of the overall portfolio will be minimized.

Marketability – Securities with active and efficient secondary markets are necessary in the event of an unanticipated cash requirement. Historical market “spreads” between the bid and offer prices of a particular security-type of less than a quarter of a percentage point shall define an efficient secondary market.

Liquidity – The Internal Service Fund requires short-term liquidity. Constant Dollar investment pools and money market mutual funds shall provide daily liquidity and may be utilized as a competitive yield alternative to fixed maturity investments.

Diversification – Investment maturities shall be staggered throughout the budget cycle to provide cash flow based on the anticipated operating needs of the County. Market cycle risk will be reduced by diversifying the appropriate maturity structure out through two years.

Yield – Attaining a competitive market yield for comparable security-types and portfolio restrictions is the desired objective. The average 91-day Treasury bill yield shall be the minimum yield objective.

**ORDER APPROVING WILLIAMSON COUNTY
INVESTMENT POLICY**

Upon motion by Com. HAYS, seconded by Com. LIMMER, and
adopted by a vote of 4 to 0, the Williamson County Investment Policy is
hereby approved, received and order filed:

ORDERED this 16TH day of DECEMBER, 2003

John C. Doerfler 12-16-03
John C. Doerfler
County Judge

Brad Curlee
Commissioner Precinct # 1

Greg Boatright
Commissioner Precinct # 2

David S. Hays
Commissioner Precinct # 3

Frankie Limmer
Commissioner Precinct # 4

ATTEST:

Nancy Rister
Williamson County Clerk