

**JEFFERSON COUNTY**

**DRAINAGE DISTRICT NO. 7**

# **INVESTMENT POLICY AND PROCEDURES**

**For Fiscal Year**

**2026**

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## **1.0 INVESTMENT STRATEGY**

- 1.01 The funds of Jefferson County Drainage District No. 7 (the "DISTRICT") are as follows:

Maintenance Fund	Mutual Assurance Claims
Tax Collections Account	Admin Account
HMGP Account	Debt Service Account
2014 Maintenance Note Proceeds	GLO Account
Payroll Account	Capital Fund

The funds of the DISTRICT, that are invested, are invested by matching maturity of investments with cash needs. Investments are made with the intention of holding to maturity, but with the ability to liquidate should funds be needed at any time. This strategy is achieved by utilizing highly liquid, short-term, Certificates of Deposit, Treasury Bills and obligations of the United States or its agencies and instrumentalities, with a stated final maturity of three years or less.

## **2.0 INVESTMENT SCOPE**

- 2.01 Legal Authority to Invest

TEXAS GOVERNMENT CODE ANN., sec. 2256.003 et seq. (Vernon 1995) authorizes the Board of Commissioners to invest DISTRICT funds.

- 2.02 DISTRICT Investment Portfolio Structure

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

- 2.03 Applicability of Policy

This policy governs the investment of all financial assets of all funds of the DISTRICT and are managed in compliance with this policy and all applicable state and federal laws.

## **3.0 INVESTMENT OBJECTIVES AND PRIORITIES**

- 3.01 General Statement

This policy serves to satisfy the statutory requirements of the TEXAS GOVERNMENT CODE, ANN., Title 10, Section 2256, Public Funds Investment Act, to define and adopt a formal investment policy.

3.02 Safety of Principal

The primary objective of the DISTRICT is to ensure the safety of principal in all funds and to avoid speculative investing.

3.03 Maintenance of Adequate Liquidity

The secondary objective of the DISTRICT is to strive to maintain adequate liquidity, through scheduled maturity of investments, to cover the cash needs of the DISTRICT consistent with the objectives of this policy.

3.04 Marketability

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

3.05 Desired Diversification

It will be the policy of the DISTRICT 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 the DISTRICT shall always be selected that provide for stability of income and reasonable liquidity.

3.06 Rate of Return on Investments

It will be the objective of the DISTRICT to earn the maximum rate of return allowed on its investments within the policies imposed by its safety and liquidity objectives and state and federal law governing investment of public funds.

3.07 Maturity

Portfolio maturities will be structured to achieve the highest return of interest consistent with liquidity requirements of the DISTRICT'S cash needs. No investment shall have a legal stated maturity of more than thirty-six (36) months.

3.08 Quality and Capability of Investment Manager

It is the DISTRICT'S policy to require the DISTRICT's Investment Officers to attend periodic training in investment courses and seminars offered by independent professional organizations and associations in order to ensure the quality and capability of the DISTRICT's Investment Officers in making investment decisions, in compliance with Secs. 2256.007 and 2256.008 of the Public Funds Investment Act, as applicable.

In compliance with Sec. 49.1571 of the Texas Water Code, the periodic training required is as follows: Within the first year of assuming the role of Investment Officer or Assistant Investment Officer, said person or persons must attend a training session of at least 6 hours relating to investment responsibilities under Chapter 2256,

Government Code. At least 4 hours of additional training should be obtained within each 2-year period after the first year.

## **4.0 INVESTMENT RESPONSIBILITY AND CONTROL**

### **4.01 Delegation of Investment Authority**

In accordance with Sec. 2256.005 of the Public Funds Investment Act, the Investment Officer and Assistant Investment Officer, under the direction of Jefferson County Drainage District No. 7 Board of Commissioners and the Manager may invest DISTRICT funds that are not immediately required to pay obligations of the DISTRICT. The Manager will approve each individual investment purchase. The Manager and the District Accountant, are hereby appointed as Investment Officer and Assistant Investment Officer, respectively, shall develop and maintain written administrative procedures for the operation of the investment program, consistent with this investment policy.

### **4.02 Investment Advisory Committee**

The Investment Advisory Committee reviews investment policies and procedures, investment strategies, and investment performance. Members of the DISTRICT's Committee should be composed of the Manager, Accountant, the District's Legal Counsel, and the Vice President of the District's Board of Commissioners, and any other Commissioner of the District's Board of Commissioners wishing to serve on this committee. A Chairman will be elected by the Committee, and meetings will be called no less than annually and as needed.

### **4.03 Fiduciary, Prudence, and Ethical Standards**

The DISTRICT adopts the prudent fiduciary rule as applied in the then prevailing circumstances when managing the DISTRICT's portfolios within the applicable legal and policy constraints. The prudent-person rule is restated as follows:

"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."

### **4.04 Conflicts of Interest**

Investment Officers shall refrain from personal business activity that could conflict with proper execution of the investment program, or which could impair their ability to make impartial investment decisions.

Investment Officers shall disclose any personal business relationships with business organizations approved to conduct investment transactions with the DISTRICT. They shall also disclose any specific individuals who seek to sell investments to the DISTRICT and are related to the Investment Officer within the second degree by affinity or consanguinity, as determined under Chapter 573. Disclosure shall be filed with the Texas Ethics Commission and to the DISTRICT's Board of Commissioners.

#### 4.05 Liability of Investment Officer

In accordance with Sec. 113.005, Texas Local Government Code, the DISTRICT's Investment Officers are not responsible for any loss of the DISTRICT funds through the failure or negligence of a depository. This section does not release the Investment Officers from responsibility for a loss resulting from the official misconduct or negligence of the Investment Officers including a misappropriation of the funds, or from responsibility for funds until a depository is selected, and the funds are deposited.

#### 4.06 Accounting and Audit Control

The Investment Officers will establish liaison with the DISTRICT'S outside auditors in preparing investment forms to assist the outside auditors for accounting and auditing control.

#### 4.07 Subject to Audit

It is the policy of the DISTRICT'S Board of Commissioners, at a minimum, to have an annual audit of all DISTRICT funds by an independent auditing firm. The DISTRICT'S investment procedures shall be subject to the annual audit and any special audits as required.

### **5.0 INVESTMENT REPORTING**

#### 5.01 Monthly Reporting

In accordance with Texas Government Code, Title 10, Sec. 2256.023, the DISTRICT's Investment Officers will report in writing monthly to the DISTRICT's Board of Commissioners. The report shall include a detailed listing of all purchases, sales and payments, and a description of each security held.

#### 5.02 Quarterly Reporting

In accordance with Texas Government Code, Title 10, Sec. 2256.023, the DISTRICT's Investment Officers will report quarterly, the information required to be reported, including, but not limited to, the portfolio statistics, listing the type and description of investment in detail, the broker/dealer used for purchase, the yield to maturity, the stated maturity date, and the previous and current market value.

### **6.0 INVESTMENT INSTITUTIONS**

#### 6.01 Depository Bank

Fully collateralized Time Deposits, Certificates of Deposit, and interest-bearing checking accounts shall be placed at a DISTRICT depository bank under a depository contract executed by the DISTRICT's Board of Commissioners and in compliance with V.C.T.A., Texas Local Government Code, Chapters 116 and 117.

## 6.02 Broker/Dealers

The DISTRICT's Investment Officers shall invest DISTRICT funds through the Federal Reserve Bank book entry system, consistent with federal and state law and the current Bank Depository contract. Purchases shall be made with the following:

- 6.0201 U. S. Government Securities Dealers maintaining a National Association of Securities Dealers Series 7 license, with knowledge of institutional investing recommended by the DISTRICT, and approved by the DISTRICT's Board of Commissioners. Dealers must comply with Section 6.03 of this Investment Policy to be selected.
- 6.0202 The Capital Markets Division of the Depository Bank.
- 6.0203 Investment Pools meeting the standards of Section 2256.016 of the Texas Public Funds Investment Act.

Dealers must comply with Section 6.03 of this Investment Policy to be selected.

## 6.03 Approval of Broker/Dealer

The Investment Officers shall review the applications of the broker/dealer/financial institutions for compliance with this policy and recommends institutions for approval as provided in Section 6.02 of the policy. To be recommended for approval, a broker/dealer/financial institution must demonstrate possession of the following criteria:

- 6.0301 Institutional investment experience.
- 6.0302 Good references from public fund investment officers.
- 6.0303 Adequate capitalization per the Capital Adequacy Guidelines for Government Securities Dealers published by the New York Federal Reserve Bank.
- 6.0304 An understanding of this Investment Policies and Procedures Manual.
- 6.0305 Regulation by the Securities and Exchange Commission ("SEC").
- 6.0306 Membership in good standing in the National Association of Securities Dealers, Inc., and
- 6.0307 Valid licensure from the State of Texas.



## **7.0 INVESTMENT INSTRUMENTS**

The DISTRICT's Investment Officers shall use any or all of the following authorized investment instruments consistent with governing law and this policy:

### **7.01 Bank Investments**

- 7.0101 Fully collateralized Time Deposits.
- 7.0102 Fully collateralized Certificates of Deposit.
- 7.0103 Fully collateralized interest-bearing checking accounts.
- 7.0104 Fully collateralized sweep accounts.

### **7.02 Direct Investments**

- 7.0201 United States Treasury Securities.
- 7.0202 Obligations of the United States or its agencies and instrumentalities.
- 7.0203 Excluded in the direct investment are derivative securities including but not limited to Collateralized Mortgage Obligations.
- 7.0204 Investment Pools meeting the standards of Section 2256.016 of the Texas Public Funds Investment Act.

### **7.03 Overnight Investments**

## **8.0 INVESTMENT PROCEDURES**

### **8.01 Confirmation of Trade**

A confirmation of trade will be provided by the broker/dealer to the DISTRICT's Investment Officers for every purchase of an investment security. This trade ticket and confirmation will become a part of the file that is maintained on every investment security.

### **8.02 Delivery Versus Payment**

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

### **8.03 Safekeeping Institution**

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

All pledged securities by the depository bank shall be held in safekeeping by the DISTRICT, or a DISTRICT account in a third-party financial institution, or with a Federal Reserve Bank.

#### 8.04 Rating Changes

Not less than quarterly, the Investment Officers will monitor the credit rating for each held investment that has a Public Fund Investment Act required minimum rating. Any Authorized Investment that requires a minimum rating does not qualify during the period the investment does not have the minimum rating. Prudent measures will be taken to liquidate an investment that is downgraded to less than the required minimum rating. The DISTRICT is not required to liquidate investments that were authorized investments at the time of purchase.

## 9.0 COLLATERAL AND SAFEKEEPING

### 9.01 Collateral or Insurance

The DISTRICT's Investment Officers shall ensure that all DISTRICT funds are fully collateralized or insured consistent with federal and state law and the current depository contract in one or more of the following manners:

- 9.0101 FDIC insurance coverage.
- 9.0102 United States Government Bonds, Notes, and Bills.
- 9.0103 Securities of federally sponsored U. S. Agencies and instrumentalities of the United States Government. No Collateralized Mortgage Obligations are acceptable.
- 9.0104 Letters of Credit issued by the Federal Home Loan Bank of Dallas

### 9.02 Safekeeping

Securities pledged as collateral shall be deposited in trust with the Federal Reserve Bank or another disinterested third-party bank under an appropriate legal contract. The amount of such securities pledged shall be determined by their market value.

### 9.03 Collateral Reporting

The one of the DISTRICT's Investment Officers shall report to the DISTRICT's Board of Commissioners his or her valuation of all collateral compared to all DISTRICT deposits on a monthly basis. Collateral deficiencies should be identified and immediately corrected through additional collateral deposited or reductions in the volume of deposited funds.

## **10.0 INVESTMENT POLICY REVIEW AND AMENDMENT**

### **10.01 Review Procedures**

The DISTRICT's Board of Commissioners shall review its investment policy and investment strategies not less than annually.

### **10.02 Changes to the Investment Policy**

The DISTRICT's Investment Officers along with the corresponding Investment Advisory Committee must review the DISTRICT's Investment Policy not less than annually and recommend any changes to the DISTRICT's Board of Commissioners.

## **11.0 EXHIBITS AND APPENDICES**

11.01 Appendix A: Govt. Code, Title 10, Chapter 2256  
The Public Funds Investment Act

11.02 Appendix B: Govt. Code, Title 10, Chapter 2257  
The Public Funds Collateral Act.

11.03 Exhibit 1: Broker/Dealer Certification

11.04 Exhibit 2: Approved List of Broker/Dealers

11.05 Exhibit 3: Approving Order: Jefferson County Drainage District No 7

## CERTIFICATION

I hereby certify that I have personally read and understand the investment policies and policies of Jefferson County Drainage District No. 7 and have implemented reasonable procedures and controls designed to fulfill those objectives and conditions. Transactions between this firm and Jefferson County Drainage District No. 7 will be directed towards precluding imprudent investment activities and protecting the District from credit risk.

All the sales personnel of this firm dealing with Jefferson County Drainage District No. 7's account have been informed and will be routinely informed of the District's investment horizons, limitations, strategy, and risk constraints, whenever we are so informed.

This firm pledges due diligence in informing the District of foreseeable risks associated with financial transactions connected to this firm.

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(Firm)

---

(Registered Principal)

---

(Name)

---

(Title)

---

(Registration or Dealer Number)

---

(Signature)

---

(Date)

## **APPROVED LIST OF BROKER/DEALERS**

**WELLS FARGO BANK, N.A.**  
6250 Delaware Street  
Beaumont, Texas 77706

**WELLS FARGO SECURITIES**  
1445 Ross Ave.  
Suite 420  
Dallas, Texas 75202

**STELLAR BANKCORP, INC.**  
55 Interstate 10 N  
Beaumont, Texas 77707

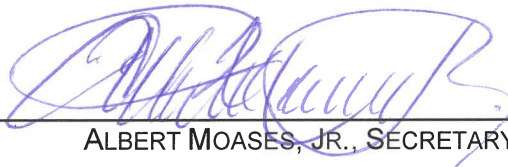
**ORDER APPROVING  
JEFFERSON COUNTY DRAINAGE DISTRICT NO. 7  
INVESTMENT POLICY AND PROCEDURES**

Upon motion made by Commissioner Albert Moses, Jr., seconded by Commissioner Lester Champagne and unanimously adopted, the preceding policies and procedures be, and the same are hereby, **APPROVED, RECEIVED, and ORDERED** filed:

**ORDERED** this **19th** day of **August, 2025**.

  
\_\_\_\_\_  
RICHARD BEAUMONT, CHAIRMAN


  
\_\_\_\_\_  
LESTER CHAMPAGNE, VICE CHAIRMAN

  
\_\_\_\_\_  
ALBERT MOASES, JR., SECRETARY

  
\_\_\_\_\_  
JAMES GAMBLE, SR., COMMISSIONER

  
\_\_\_\_\_  
MATTHEW E. VINCENT, COMMISSIONER

**ATTEST:**

  
\_\_\_\_\_  
Albert Moses, Jr. - Secretary

**ADD APPENDIX A & B HERE**