



CENTRAL HEALTH

Our Vision

Central Texas is a model healthy community.

Our Mission

By caring for those who need it most, Central Health improves the health of our community.

Our Values

Central Health will achieve excellence through:

Stewardship - We maintain public trust through fiscal discipline and open and transparent communication.

Innovation - We create solutions to improve healthcare access.

Respect - We honor our relationship with those we serve and those with whom we work.

Collaboration - We partner with others to improve the health of our community.

PUBLIC HEARING AND BOARD OF MANAGERS Meeting Agenda

Wednesday, July 31, 2019, 5:30 p.m.

**Central Health Administrative Offices
1111 E. Cesar Chavez St.
Austin, Texas 78702
Board Room**

PUBLIC HEARING

1. Receive public comment on the proposed mandatory payment rate to be assessed against institutional health care providers located within Travis County during Fiscal Year 2019 in connection with the health care provider participation program previously authorized by Central Health and on the permissible uses of revenue to be derived from these payments, both as required by Texas Health & Safety Code §298E.101.

BOARD MEETING

CITIZENS' COMMUNICATION

CONSENT AGENDA

All matters listed under the CONSENT AGENDA will be considered by the Board of Managers to be routine and will be enacted by one motion. There will be no separate discussion of these items unless members of the Board request specific items be moved from the CONSENT AGENDA to the REGULAR AGENDA for discussion prior to the time the Board of Managers votes on the motion to adopt the CONSENT AGENDA.

- C1. Approve the minutes of the:
 - a. June 19, 2019 meeting of the Central Health Board of Managers;
 - b. June 19, 2019 Special Meeting of the Central Health Board of Managers;
 - c. May 29, 2019 Special Meeting of the Central Health Board of Managers;
 - d. May 21, 2019 meeting of the Central Health ad hoc Bylaws Committee;
 - e. May 10, 2019 meeting of the Central Health ad hoc Bylaws Committee; and
 - f. April 24, 2019 meeting of the Central Health Board of Managers.

- C2. Receive a report of the June 2019 financial statements for Central Health, as presented to the Budget and Finance Committee.
- C3. Receive a report of the June 2019 financial statements for the Community Care Collaborative, as presented to the Budget and Finance Committee.
- C4. Receive the Quarterly Investment Report and ratify Central Health Investments for June 2019.
- C5. Approve the award of a contract in an amount not-to-exceed \$35,000 for external auditing services to Maxwell Locke & Ritter, L.L.P., as recommended by the Budget and Finance Committee.

REGULAR AGENDA

NOTE: Agenda item numbers are assigned for ease of reference only and do not necessarily reflect the order of their consideration by the Board.

- 1. Receive and discuss a presentation on the proposed Central Health and Community Care Collaborative Fiscal Year 2020 Budget, including Fiscal Year 2019 end-of-year estimates and ongoing budget strategies. *(Informational Item)*
- 2. Discuss and take appropriate action on a resolution setting the mandatory payment to be assessed on the net patient revenue of each institutional health care provider located within the boundaries of Travis County during Fiscal Year 2019 in connection with the health care provider participation program previously authorized by Central Health, specifying allowable uses of the revenue generated from those payments, designating a depository bank for the local provider participation fund created and administered by Central Health, and delegating administrative authority to the CEO. *(Action Item)*
- 3. Discuss and take appropriate action to amend the Travis County Investment and Collateral Policies and Procedures and to delegate authority to the President and CEO to take certain other actions necessary to implement the health care provider participation program. *(Action Item)*
- 4. Discuss and take appropriate action to appoint directors to the Board of Sendero Health Plans, Inc. *(Action Item)*
- 5. Discuss and take appropriate action on health care service delivery expansion in Eastern Travis County, including project budgets and project timelines.¹ *(Action Item)*
- 6. Discuss the 1115 Medicaid Waiver, Delivery System Reform Incentive Payment (DSRIP) projects, the Community Care Collaborative, including health care delivery arrangements, and other interrelated community partnerships.¹ *(Informational Item)*
- 7. Discuss an update regarding Sendero Health Plans, Inc., including the effect of federal legislative and regulatory actions.¹ *(Informational Item)*
- 8. Discuss Central Health owned or occupied real property, and potential property for acquisition or lease, including the Downtown Campus and properties located in Eastern Travis County.¹ *(Informational Item)*
- 9. Receive and discuss a report from the President & CEO on Central Health operations and current activities, including: (a) the Fiscal Year 2019 strategic work plan and operational priorities; (b) an assessment of systems and processes; and (c) other personnel matters.¹ *(Informational Item)*
- 10. Confirm the next regular Board meeting date, time, and location.

Note ¹, Possible closed executive session item.

The Board of Managers may consider any item posted on the agenda in a closed session if the item involves issues that require consideration in a closed session and the Board announces that the item will be considered during a closed session.

Any individual with a disability who plans to attend this meeting and requires auxiliary aids or services should notify Central Health as far in advance of the meeting day as possible, but no less than two days in advance, so that appropriate arrangements can be made. Notice should be given to the Board Governance Manager by telephone at (512) 978-8049.

Consecutive interpretation services from Spanish to English are available during Citizens Communication or when public comment is invited. Please notify the front desk on arrival if services are needed.

Los servicios de interpretación consecutiva del español al inglés están disponibles para la comunicación de los ciudadanos o cuando se invita al público a hacer comentarios. Si necesita estos servicios, al llegar sírvase notificarle al personal de la recepción.



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BOARD MEETING

July 31, 2019

PUBLIC HEARING AGENDA ITEM 1

Receive public comment on the proposed mandatory payment rate to be assessed against institutional health care providers located within Travis County during Fiscal Year 2019 in connection with the health care provider participation program previously authorized by Central Health and on the permissible uses of revenue to be derived from these payments, both as required by Texas Health & Safety Code §298E.101.



CENTRAL HEALTH

Travis County Healthcare District Local Provider Participation Program (LPPF)

LPPF Implementation and FY 2019 Payment Rate

Central Health Board of Managers - Public Hearing
July 31, 2019

Katie Coburn



Chapter 298E, Texas Health and Safety Code

- SB 1350 by Watson signed into law May 31, 2019 by Governor Abbott, effective immediately
- Grants authority to the Central Health Board *“to authorize the district to participate in a healthcare provider participation program on the affirmative vote of a majority of the board”*
- A healthcare provider participation program:
 - Establishes a Local Provider Participation Fund or “LPPF.”
 - Collects mandatory payments into the fund from nonpublic hospitals in the district to use as revenue to draw down federal matching payments for hospital supplemental payment programs



LPPF mandatory payment rate

- Assessed as a uniform percentage of net patient revenue of Travis County inpatient hospitals.
 - The proposed rate is 1.11%
 - Proposed rate generates approximately \$35 million
- Set by the Board of Managers
- Central Health, as LPPF administrator, collects funds to be held in fiduciary capacity and completes intergovernmental transfers
- Use of funds
 - Limited to legislative purposes
 - Central Health collaborates with hospitals representatives on uses of the funds





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BOARD MEETING

July 31, 2019

REGULAR AGENDA ITEM 1

Receive and discuss a presentation on the proposed Central Health and Community Care Collaborative Fiscal Year 2020 Budget including Fiscal Year 2019 end-of-year estimates and ongoing budget strategies.



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Fiscal Year 2020 Proposed Budget

Central Health Budget and Finance Committee

July 31, 2019

Jeff Knodel, VP of Financial Strategies & CFO

Lisa Owens, VP of Financial Operations

Jon Morgan, Executive Director, Community Care Collaborative



FY2020 Budget Strategies

Develop and execute health care delivery based on people and place

- Improve access and efficiencies via technology enhancements
- Strategic locations and delivery model in Eastern Travis County and other priority areas

Implement patient-focused and coordinated health care

- Improvements in eligibility and enrollment
- Coordination of primary and specialty care

Sustainable health care financial models

- Implement changes to funding models
- Optimize Brackenridge campus
- Manage financial risk and maintain sufficient reserves



Upcoming Changes to Health Care Financing

Funding changes

- Uncompensated Care rules change payment methodology in FY2020
- Establishment and administration of a Local Provider Participation Fund (LPPF)
- On-going negotiations with Seton on direct payment model for hospital services

Remedies to funding changes

- LPPF will prevent dilution of hospital funding
- Direct hospital payments more transparent for services received and require hospitals to provide claims level reporting by specific services for payment
- Central Health will be able to directly contract for services in the most appropriate setting that more sufficiently serves our growing population
- Utilization of performance metrics to incentivize improvements to services and population health initiatives



FY2020 Proposed Changes

Central Health – Health Care Delivery

- Intergovernmental Transfers – DSH and CCC DSRIP only
- Funding majority of health care delivery costs
- Negotiation of payments for direct hospital services

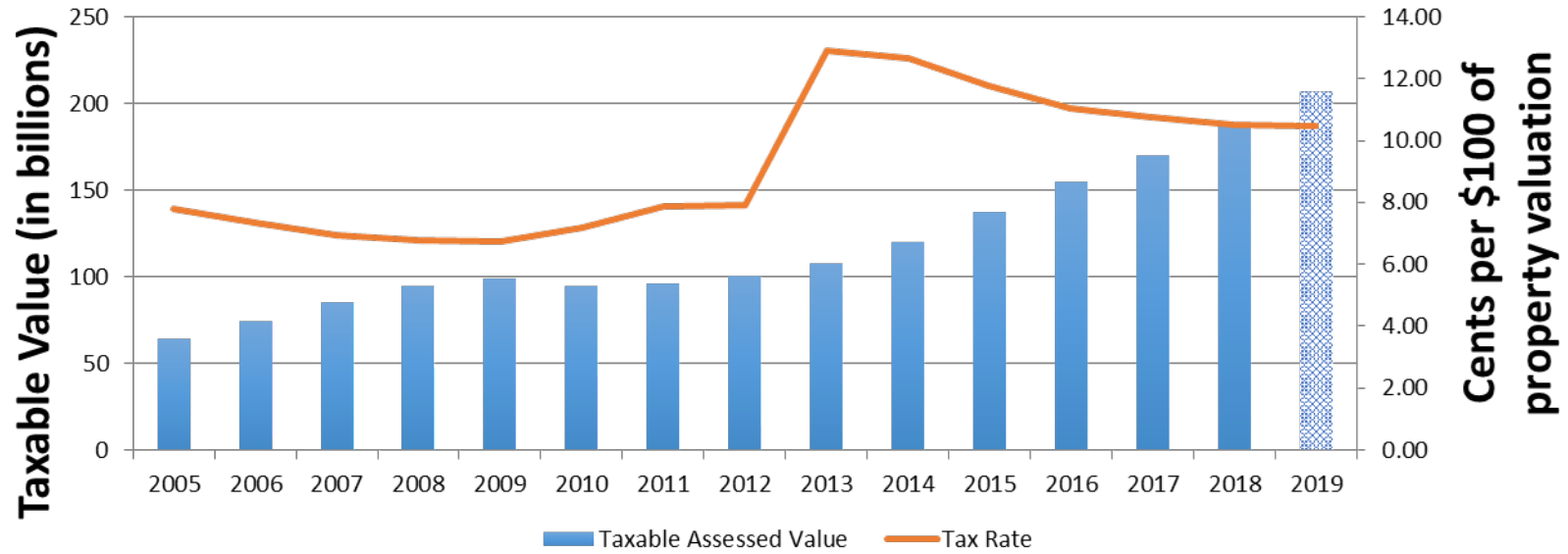
Community Care Collaborative

- DSRIP revenue and project costs
- UT/DMS Affiliation payment
- Limited health care delivery costs



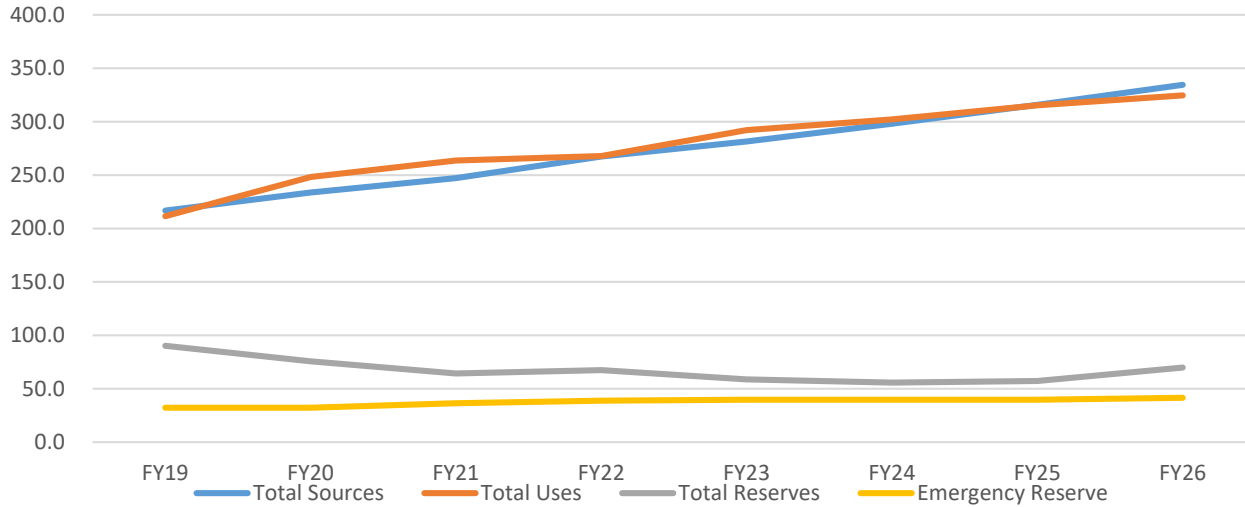
Taxable Values by Tax Year (in billions)

Travis County taxable values and Central Health tax rate history



7-Year Forecast

6.3% Over Effective Property Tax Rate (in millions); Year-Over-Year (updated)



	FY19	FY20	FY21	FY22	FY23	FY24	FY25	FY26
Total Sources	216.7	233.7	247.2	267.4	281.6	298.1	315.8	334.5
Total Uses	211.5	248.2	263.6	267.8	292.1	302.2	315.3	324.6
Total Reserves	90.2	75.7	64.3	67.4	58.7	55.7	57.2	69.8
Days of Cash on Hand	153	110	88	91	72	66	65	77



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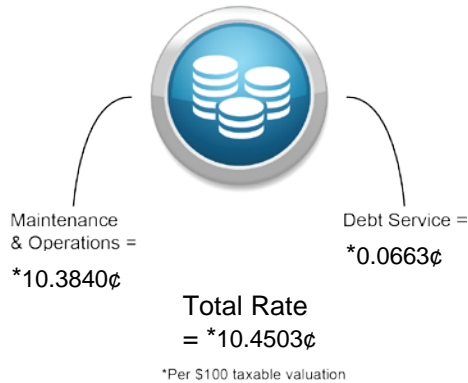


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FY2020 Proposed Tax Rate (6.3% over Effective Rate)

Central Health Property Tax Rate



	FY19	FY20 (Proposed)
Average Taxable Homestead Value	\$326,895	\$348,322
Tax Rate	10.5221¢	10.4503¢
Tax Bill	\$343.97	\$364.01
Annual Increase = \$20.04 (5.8%)		

Homestead Exemption	Over 65 Homestead Exemption	Disability Homestead Exemption
20% (A) \$5,000 Minimum	\$85,500 (B)	\$85,500 (B)
(A) Maximum allowable by state law (B) Increased from \$80,000		

Central Health Property Tax Impact Statement: Fiscal Years 2019-2020

FY 2019 Home Value	FY2019 Taxable Homestead Value*	FY 2019 Tax Rate	FY 2019 Tax Bill	Average Home Value Appreciation	FY2020 Homestead Value	FY 2020 Taxable Home Value*	FY 2020 Proposed Tax Rate (6.3% over effective)	Proposed FY 2020 Tax Bill	Annual Increase	Percent Increase
150,000	\$120,000	10.5521¢	\$127	7.0%	\$160,500	\$128,400	10.4503¢	\$134	\$8	6%
250,000	\$200,000	10.5521¢	\$210	6.1%	\$265,250	\$212,200	10.4503¢	\$222	\$11	5%
350,000	\$280,000	10.5521¢	\$295	5.7%	\$369,950	\$295,960	10.4503¢	\$309	\$14	5%
450,000	\$360,000	10.5521¢	\$380	5.4%	\$474,300	\$379,440	10.4503¢	\$397	\$17	4%
550,000	\$440,000	10.5521¢	\$464	5.4%	\$579,700	\$463,760	10.4503¢	\$485	\$20	4%

* 20 percent homestead exemption

Central Health FY2020 Proposed Budget(in millions)

6.3% over effective

DESCRIPTION	FY 2019 APPROVED BUDGET	FY 2019 YEAR END ESTIMATE	FY 2020 PROPOSED BUDGET
Sources			
Property Taxes	\$196.9	\$196.9	\$214.3
Lease Revenue	18.0	14.3	13.7
Other Revenue	2.4	5.5	5.7
Subtotal Revenue	217.3	216.7	233.7
Contingency Reserve	41.1	52.6	57.8
Total Sources	258.4	269.4	291.5
Uses			
Healthcare Delivery (IGT and Healthcare services)	178.5	156.5	185.7
Healthcare Operations and Support, Health Promotions*, and Downtown Campus*	30.3	20.1	42.7
Contingency Reserve (appropriated)	13.4	-	43.3
Other Reserves and transfers	23.8	23.8	5.7
Debt Service	1.4	1.4	1.4
Total Healthcare Delivery	247.4	201.8	278.8
Administration	9.3	8.0	10.8
Tax Collection	1.7	1.7	1.9
Total Uses	258.4	211.5	291.5
Reserves (estimated ending balance)			
Contingency Reserve Total		57.8	
Emergency Reserve	32.3	32.3	36.4

FY 2020 Proposed Budget

Uses/Health Care Delivery/Healthcare Services

Description	FY19 Approved Budget	FY20 Proposed Budget
Subtotal Intergovernmental Transfers	139,130,000	54,980,369
Healthcare Services:		
Member Payment	34,000,000	-
Primary Care: Medical, Dental Behavioral Health	-	48,880,000
Urgent & Convenient Care	-	-
Specialty Care, including Specialty Dental	-	8,940,000
Specialty Care: Behavioral Health	-	883,856
Post Acute Care	-	4,400,000
Pharmacy	-	11,600,000
Indigent Care Payment	-	48,000,000
Hospital Incentive Payments	-	2,700,000
Reproductive and Sexual Health	1,870,344	1,950,000
Healthcare Services - PSH/PFS Payment	-	600,000
Integrated Care Collaboration (ICC)	719,990	719,990
Primary Care - Mobile Health Clinic	768,500	-
Primary & Specialty Care Reserves	2,000,000	2,000,000
Subtotal Healthcare Services	39,358,834	130,673,846



Sendero Health Plans Update

2019 actuarial reviews in progress

- 223 CHAP expansion members
- CHAP claims costs more than anticipated
- Strategy overall has had positive impact

Request for FY 2020 Central Health budget

- Continue premium assistance funds for high acuity CHAP members



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FY 2020 Proposed Budget

Health Care Delivery/Healthcare Operations & Support

Description	FY19 Approved Budget	FY20 Proposed Budget
Healthcare Operations & Support		
New Healthcare Initiatives and Strategic Work Plan Strategies	1,400,000	-
ACA Healthcare Premium Assistance Programs	8,085,000	9,251,800
ACA Education and Enrollment	831,000	604,320
Health Care Facilities and Financing (Campus/Development)	11,125,542	5,574,543
UT land lease for teaching hospital	912,502	921,627
Salary & Fringe Benefits	3,689,436	15,329,430
Legal	46,200	164,500
Consulting	459,590	1,023,000
Other professional services	365,000	4,496,945
Marketing & Community Relations	414,868	288,166
Community Engagement	350,000	908000
Leases, security & maintenance	599,320	713,220
Phones, computer equipment & utilities	1,091,890	2,542,760
Printing, copying, postage & signage	133,750	312,633
Travel, training and professional development	40,285	227,914
Other operating expenses	407,480	388,459
Health Promotions	315,455	Included above
Subtotal Healthcare Operations & Support	30,267,317	42,747,317
Subtotal IGT, Healthcare Services and Healthcare Operations & Support	208,756,151	228,401,531



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FY2020 Proposed Budget

Central Health Downtown Campus

Description	FY19 Approved Budget	FY20 Proposed Budget
Campus operations and management	\$2,482,899	\$438,150
Campus infrastructure and development	8,642,643	5,136,393
Total	\$11,125,542	\$5,574,543

FY 2020 Proposed Budget

Uses/Health Care Delivery/Reserves and Debt Service

Description	FY19 Approved Budget	FY20 Proposed Budget
Subtotal IGT, Healthcare Services and Healthcare Operations & Support	208,756,151	228,401,531
Reserves, Appropriated Uses and Transfers:		
Transfer to capital reserve	2,840,000	1,650,000
Transfer to emergency reserve	1,000,000	4,070,542
Sendero risk-based capital	20,000,000	-
Contingency reserve appropriation	13,374,631	43,323,683
Subtotal Reserves, Appropriated Uses and Transfers	37,214,631	49,044,225
Debt service:		
Debt service - principal retirement	1,030,000	1,065,000
Debt service - interest & amortized costs	342,818	308,283
Subtotal Debt Service	1,372,818	1,373,283
Total Health Care Delivery	247,343,600	278,819,039

FY 2020 Proposed Budget

Uses/Administration and Tax Collection

Description	FY19 Approved Budget	FY20 Proposed Budget
Total Healthcare Delivery	247,343,600	278,819,039
Administration		
Operating Expenses		
Salary and fringe benefits	4,690,997	5,886,431
Legal	1,198,320	1,390,820
Consulting	1,026,500	1,132,720
Investment Services (Travis County)	110,000	115,500
Benefits & Payroll administrative services	165,150	174,550
Other professional services	495,000	462,950
Marketing & Community Relations	194,800	212,700
Lease, security & maintenance	308,096	335,200
Insurance & Risk Mangement	150,030	150,030
Phones, computer equipment & utilities	147,000	135,900
Printing, copying, postage & signage	117,820	103,775
Travel, training & professional development	176,495	211,960
Other operating expenses	541,630	494,672
Total Administration	9,321,838	10,807,208
Tax Collection		
Appraisal District Services	1,018,710	1,069,646
Tax Collection Expense	684,500	818,612
Subtotal Tax Collection Expense	1,703,210	1,888,258
Total Uses	258,368,648	\$291,514,505

FY2020 Proposed Budget

Capital Reserves (in millions)

Description	Estimated Opening Balance FY20	Estimated FY20 Capital Expenses	Additional Reserves	Possible Debt Financing	Estimated Ending Balance FY20
Clinical Services/ETC	-	6.8	-	6.8	0.0
Campus Redevelopment	1.1	5.1	-	5.1	1.1
Technology and Equipment	0.6	6.6	0.9	5.7	0.6
Facilities Improvements	2.0	1.8	0.3	-	0.5
Estimated Capital Reserves	3.7	20.3	1.2	17.6	2.3

Potential Projects:

- Eastern Travis County: two-three potential clinic locations
- Campus redevelopment: Red River realignment
- Technology and equipment: Clinical software and services
- Facilities: Building improvements, new and existing clinical locations



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FY 2020 Proposed Budget

Community Care Collaborative/Healthcare Delivery

Description	FY19 Amended Budget	FY19 Year End Forecast	FY20 Proposed Budget
Sources:			
DSRIP Payments	59,417,759	76,552,524	62,135,520
Member Payment	74,000,000	56,133,245	-
Other	300,000	550,000	100,000
Contingency Reserve Carryforward	8,331,095	5,088,306	4,937,495
Total Sources	142,048,854	138,324,075	67,173,015



FY 2020 Proposed Budget

Community Care Collaborative/Healthcare Delivery



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Description	FY19 Amended Budget	FY19 Year End Forecast	FY20 Proposed Budget
Uses:			
Primary Care: Medical, Dental Behavioral Health	52,046,817	50,741,817	921,822
Urgent & Convenient Care	250,000	200,000	425,000
Specialty Care, including Specialty Dental	11,773,000	8,680,500	3,758,000
Specialty Care: Behavioral Health	8,933,856	9,353,856	8,000,000
Post Acute Care	1,225,000	2,630,000	2,675,000
Pharmacy	5,850,000	5,720,000	-
Patient Care Management	1,915,141	1,704,491	-
Healthcare Delivery Operations	12,866,947	8,855,916	2,382,462
Operating Contingency	188,093	-	2,010,731
Total Health Care Delivery	95,048,854	87,886,580	20,173,015
DSRIP Project Costs	12,000,000	10,500,000	12,000,000
UT Affiliation Agreement	35,000,000	35,000,000	35,000,000
Total Uses	142,048,854	133,386,580	67,173,015



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Budget Calendar

- ✓ April 29 Community Conversation (*FY2019 Approved Budget*)
- ✗ June 3 *Central Health Healthcare Finance Workshop*
- ✓ June 12 Central Health Budget and Finance Committee
(*FY 2020 Central Health forecast*)
- ✓ June 19 Central Health Board of Managers
(*FY 2020 Central Health forecast and property tax rate*)
- ✓ July 24 Central Health Budget and Finance Committee
(*FY2020 Central Health Proposed Budget*)
- ✓ July 31 Central Health Board of Managers
(*FY2020 Central Health and CCC Proposed Budgets*)
- Aug. 14 Central Health Budget and Finance Committee
(*FY2020 Central Health Proposed Budget and tax rate*)
- Aug. 21 Central Health Board of Managers/General Public Hearing
(*FY2020 Central Health Proposed Budget and tax rate*)



Budget Calendar

- Aug 26 Central Health Board of Managers (*Community Conversation*)
- Aug. 27 Travis County Commissioners Court
(*FY2020 Proposed Central Health budget and tax rate*)
- Aug 28* Central Health Board of Managers
(*vote on maximum tax rate*)
- Sept. 11* Central Health Board of Managers/First Public Hearing
(*FY 2020 Central Health and CCC Proposed Budget and Tax Rate*)
- Sept. 18* Central Health Board of Managers/Second Public Hearing
(*FY2020 Central Health and CCC Proposed Budget adoption*)
- Sept. 24* Travis County Commissioners Court
(*FY 2020 Central Health Adopted Budget approved*)
- Sept. 24* Central Health Board of Managers
(*FY2020 Central Health Tax Rate adopted*)
- Oct 1* Travis County Commissioners Court
(*FY 2020 Central Health Adopted Tax Rate approved*)

*pending receipt of certified tax roll



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BOARD MEETING

July 31, 2019

REGULAR AGENDA ITEM 2

Discuss and take appropriate action on a resolution setting the mandatory payment to be assessed on the net patient revenue of each institutional health care provider located within the boundaries of Travis County during Fiscal Year 2020 in connection with the health care provider participation program previously authorized by Central Health, specifying allowable uses of the revenue generated from those payments, and designating a depository bank for the local provider participation fund created and administered by Central Health, and delegating administrative authority to the CEO.



MEMORANDUM

To: Central Health Board of Managers
From: Katie Coburn, Director, Regional Healthcare Partnership
CC: Mike Geeslin, President & CEO
Date: July 31, 2019
Re: Agenda item 2 - Adoption of a Resolution to Set the FY 2019 LPPF Mandatory Payment Rate – *ACTION ITEM*

Summary

Central Health staff request the board adopt the attached resolution to implement the Travis County Healthcare District LPPF program. The resolution will:

- Authorize the Chief Executive Officer of Central Health and the CEO's designees to take all actions appropriate to implement the LPPF program and comply with relevant laws
 - *Draft program rules for the CEO are provided as Exhibit A.*
- Designate JP Morgan Chase Bank as the depository bank for the Travis County Healthcare District LPPF program funds
- Set the amount of the FY 2019 mandatory payment rate at 1.11% of net patient revenue of Travis County inpatient hospitals
- Direct that mandatory payment revenue be used for one or more of the purposes set out in Section 298E of the Texas Health and Safety Code

Additionally, in response to a Manager's question, a chart is provided showing LPPF payment rates for LPPF programs across the state.

Background

Chapter 298E of the Texas Health and Safety Code grants authority to the Travis County Healthcare District, dba Central Health, to authorize the district to participate in a health care provider participation program and create a local provider participation fund (LPPF). Under this authority, the Central Health board may assess a mandatory fee on hospitals that provide inpatient services in the district. The fee must be uniform and broad based. Funds generated by the fee may be used only to provide intergovernmental transfer (IGT) payments on behalf of nonpublic hospitals to draw down Federal matching funds available in certain Medicaid

supplemental payment programs.

On June 19, 2019, the Board of Managers adopted a resolution to create the Travis County Healthcare District LPPF program allowing Central Health to enter necessary agreements with hospitals for use of LPPF funds.

On July 17, 2019, local hospitals proposed a mandatory payment rate of 1.11% of the net patient revenue of Travis County inpatient hospitals. This payment rate will generate approximately \$35 million dollars and is intended to support the local match needed for the September 2019 Uncompensated Care (UC) payment and the November 2019 Uniform Hospital Rate Increase Program (UHRIP) for eligible Travis County hospitals.

Central Health staff have evaluated their proposal, and we recommend the board adopt the proposed rate of 1.11%.

Other items in the resolution allow for administrative implementation, and meet other statutory obligations, including designating the depository bank for LPPF funds and directing the use of the funds to align with purposes allowed in the statute.

Response to Board Member question:

At the July 24, 2019 Budget and Finance Committee meeting, managers requested a chart of LPPFs in Texas and their current approved payment rates. A chart of rates for existing LPPF programs and their FY 19 approved rates are below. Six more LPPF programs were authorized during the most recent legislative session. However, the local governments have not yet taken action under that authority. Please note that a rate of “N/A” means that an FY 19 rate has not been set to date.

LPPF	SFY19 Approved Rate
Angelina County	6.00%
Bell County	N/A
Bowie County	N/A
Brazos County	6.00%
Cameron County	4.40%
Amarillo Hospital District	1.48%
City of Beaumont	5.69%
Dallas County Hospital District	4.26%
Grayson County	2.80%
Gregg County	N/A
Harris County Hospital District	0.73%
Hays County	4.35%
Hidalgo County	6.00%
McLennan County	6.00%

Smith County	6.00%
Tarrant County Hospital District	3.91%
Tom Green County	2.02%
Webb County	6.00%
Williamson County	1.59%

Actions Requested

- Adopt the attached resolution to set the LPPF mandatory payment rate at 1.11% for FY 2019, delegate administrative authority for the program to the CEO, designate the depository bank, and designate the use of the funds as consistent with Chapter 298E of the Texas Health and Safety Code.

Resolution

Setting the Fiscal Year 2019 Rate for the Travis County Health Care District Provider Participation Program and Permissible Uses of the Funds Generated by this Rate

WHEREAS, during the 86th Regular Session of the Texas Legislature, S.B. 1350 was enacted to add Chapter 298E to the Health and Safety Code. Chapter 298E enables the Travis County Healthcare District d/b/a Central Health ("Central Health") to authorize a local health care provider participation program;

WHEREAS, at the June 19, 2019 meeting of the Central Health Board of Managers (the "Board"), the Board authorized Central Health to participate in a health care provider participation program, to collect mandatory payments from institutional health care providers, to create a local provider participation fund (hereinafter referred to as the "Travis County Healthcare District LPPF") to hold the payments received, and to use the funds held by the Travis County Healthcare District LPPF for the purposes specified in Section 298E of the Texas Health & Safety Code;

WHEREAS, pursuant to Section 298E of the Health and Safety Code, each year Central Health's Board is required to hold a public hearing on the amounts of any mandatory payments that Central Health intends to assess against institutional health care providers within Travis County during the fiscal year, which begins on October 1st, and how the revenue derived from those payments is to be spent; and

WHEREAS, Central Health's Board held a public hearing on the 31st day of July 2019, to receive public comment on the proposed mandatory payment rate that Central Health intends to assess against institutional health care providers during fiscal year 2019 (October 1, 2018 – September 30, 2019) and how the revenue derived from those payments is to be spent.

NOW THEREFORE, BE IT MOVED that the Board of Managers of Central Health:

1. Authorizes the Chief Executive Officer ("CEO") of Central Health and the CEO's designee(s) to take all actions deemed appropriate to implement and comply with the laws governing the health care provider participation program authorized by Chapter 298E, including, but not limited to, implementing health care provider participation program rules and procedures and entering into agreements on behalf of the Travis County Healthcare District LPPF.
2. Designates JPMorgan Chase Bank N.A. located at 221 W. 6th St, Mail Code TX3-8211, Austin TX 78701 as the depository bank for the Travis County Healthcare District LPPF;
3. Sets the amount of the mandatory payments to be assessed against institutional health care providers within Travis County during fiscal year 2019 at [] of the net patient revenue of each such institutional health care provider ; and
4. Directs that mandatory payment revenue be deposited into the depository bank for the Travis County Healthcare District LPPF and used for one or more of the purposes set forth in Section 298E of the Texas Health and Safety Code.

**TRAVIS COUNTY HEALTHCARE DISTRICT D/B/A CENTRAL HEALTH
HEALTH CARE PROVIDER PARTICIPATION PROGRAM
RULES AND PROCEDURES**

General Provisions

Rule 1. Definitions. In these rules and procedures:

(a) “AHA Survey Data” means any financial and utilization data required by and reported to the Department of State Health Services under Texas Health & Safety Code Sections 311.032 and 311.033 and any rules adopted by the executive commissioner of the Health and Human Services Commission to implement those sections.

(b) “Board” means the board of managers of the District.

(c) “District” means the Travis County Healthcare District d/b/a Central Health.

(d) “Mandatory payment” means a mandatory payment authorized under Chapter 298E, Subtitle D, Title 4, Texas Health and Safety Code.

(e) “Institutional health care provider” means a hospital that is not owned and operated by a federal, state, or local government, provides inpatient hospital services, and is located in the District.

(f) “Local provider participation fund” means a public fund created by the District, that is under its administrative control and consists of (1) all revenue received by the District attributable to mandatory payments; (2) money received from the Texas Health and Human Services Commission as a refund of an intergovernmental transfer under the program, provided that the intergovernmental transfer does not receive a federal matching payment; and (3) the earnings of the fund.

(g) “Paying hospital” means an institutional health care provider required to make a mandatory payment.

(h) “Program” means the health care provider participation program authorized under Chapter 298E, Subtitle D, Title 4, Texas Health and Safety Code.

(i) “Year” refers to the District’s fiscal year (October through September).

Rule 2. Health Care Provider Participation Program; Participation in Program; Purpose.

(a) The Board has adopted, on the affirmative vote of at least a majority of the Board, a resolution authorizing the District to participate in the Program.

(b) The Program authorizes the District to collect mandatory payments from each institutional health care provider located in the District to be held in a local provider participation fund established by the District.

(c) The Program’s purpose is to enable the District to collect mandatory payments from institutional health care providers to fund the nonfederal share of a Medicaid supplemental payment program or Medicaid managed care rate enhancements for nonpublic hospitals to support the provision of health care by institutional health care providers to District residents in need of health care.

(d) To the extent any provision or procedure under Chapter 298E, Subtitle D, Title 4, Texas Health & Safety Code causes a mandatory payment to be ineligible for federal matching funds, the District may provide for an alternative provision or procedure that conforms to the requirements of the federal Centers for Medicare & Medicaid Services.

Powers and Duties of Board

Rule 3. Limitation on Authority to Require Mandatory Payment. The District may require a mandatory payment from an institutional health care provider only in the manner provided in these rules and procedures.

Rule 4. Institutional Health Care Provider Reporting; Inspection of Records.

(a) From time to time as deemed necessary for administration of the program, the District will obtain a copy of a recent CMS 2552-10 cost report for each institutional health care provider. Each institutional health care provider will provide the District a copy of such CMS 2552-10 cost report if requested by the District.

(b) From time to time and no less frequently than annually, the District will obtain or require each institutional health care provider to submit to the District:

(1) a copy of its AHA Survey Data; and

(2) in the event that an institutional health care provider hospital does not complete a CMS 2552-10 cost report or AHA Survey Data for a period when it will be assessed mandatory payments, its net patient revenue for that period on a form and in a manner prescribed by the District.

(c) The District may inspect the records of an institutional health care provider to the extent necessary to ensure that the provider has submitted all required data under these rules and procedures.

General Financing Provisions

Rule 5. Hearing.

(a) Each Year the Board will hold a public hearing on the rate of any mandatory payments that the Board intends to require for the Year and how the revenue derived from those payments is to be spent.

(b) Not later than the fifth day before the date of the hearing required under Rule 5(a), the District will publish notice of the hearing in a newspaper of general circulation in the District and provide written notice of the hearing to each institutional health care provider in the District.

(c) A representative of a paying hospital is entitled to appear at the time and place designated in the public notice and to be heard regarding any matter related to the mandatory payments.

Rule 6. Depository.

(a) The Board will designate one or more banks as a depository for the local provider participation fund and mandatory payments received by the District will be deposited in those accounts.

(b) All income received by the District under these rules and procedures, including revenue from mandatory payments remaining after fees for assessing and collecting the payments are deducted, will be deposited in the local provider participation fund and may be withdrawn only as provided by these rules and procedures.

(c) All funds under these rules and procedures will be secured in the manner provided for securing other funds of the District.

Rule 7. Local Provider Participation Fund; Authorized Uses of Money.

(a) The District will only use money deposited to the local provider participation fund to:

(1) fund intergovernmental transfers from the District to the state to provide the nonfederal share of Medicaid payments for:

(A) uncompensated care payments to nonpublic hospitals affiliated with the District, if those payments are authorized under the Texas Healthcare Transformation and Quality Improvement Program waiver issued under Section 1115 of the federal Social Security Act (42 U.S.C. Section 1315);

(B) uniform rate enhancements for nonpublic hospitals in the Medicaid managed care service area in which the District is located;

(C) payments available under another waiver program authorizing payments that are substantially similar to Medicaid payments to nonpublic hospitals described by Rule 7(b)(1)(A) or Rule 7(b)(1)(B); or

(D) any reimbursement to nonpublic hospitals for which federal matching funds are available;

(2) pay the administrative expenses of the District in administering the Program, including collateralization of deposits;

- (3) refund a mandatory payment collected in error from a paying hospital;
- (4) refund to paying hospitals a proportionate share of the money the District:
 - (A) receives from the Health and Human Services Commission that is not used to fund the nonfederal share of Medicaid supplemental payment program payments; or
 - (B) determines cannot be used to fund the nonfederal share of Medicaid supplemental payment program payments;
- (5) transfer funds to the Health and Human Services Commission if the District is legally required to transfer the funds to address a disallowance of federal matching funds with respect to programs for which the District made intergovernmental transfers described by Rule 7(a)(1); and
- (6) reimburse the District if the District is required by the rules governing the uniform rate enhancement program described by Rule 7(a)(1)(B) to incur an expense or forego Medicaid reimbursements from the state because the balance of the local provider participation fund is not sufficient to fund that rate enhancement program.
 - (b) The District will not commingle money in the local provider participation fund with other District funds.
 - (c) An intergovernmental transfer of funds described by Rule 7(a)(1) will not be used by the District to:
 - (1) expand Medicaid eligibility under the Patient Protection and Affordable Care Act (Pub. L. No. 111-148) as amended by the Health Care and Education Reconciliation Act of 2010 (Pub. L. No. 111-152); or
 - (2) fund the nonfederal share of payments to nonpublic hospitals available through the Medicaid disproportionate share hospital program or the delivery system reform incentive payment program.

Mandatory Payments

Rule 8. Mandatory Payments Based on Paying Hospital Net Patient Revenue.

- (a) Except as provided by Rule 10, the Board may require an annual mandatory payment to be assessed on the net patient revenue of each institutional health care provider located in the District.
- (b) The District may provide for mandatory payments to be assessed on a periodic basis but no more frequently than quarterly. Mandatory payments are typically due no later than 30 days after such payment is assessed unless the District sets a different due date.
- (c) Mandatory payments for the first Year of the Program will be assessed on the net patient revenue of an institutional health care provider as follows:

(1) on the institutional health care provider's net patient revenue as determined by the provider's CMS 2552-10 cost report for a fiscal year selected by the District; or

(2) if no CMS 2552-10 cost reports identified in subparagraph (1) of Rule 8(c) are available, on the institutional health care provider's net patient revenue as determined by AHA Survey Data for the most recent fiscal year such data is available; or

(3) on the net patient revenue for the applicable fiscal year as reported on a form and in a manner prescribed by the District, to the extent this information can be provided and is otherwise unavailable through the means described in subparagraphs (1) and (2) of Rule 8(c).

(d) Mandatory payments for following Years of the Program will be assessed on the net patient revenue of institutional health care providers for subsequent fiscal years as determined by each institutional health care provider's applicable CMS 2552-10 cost report or AHA Survey Data, or, if deemed necessary, by another method selected by the District.

(e) To determine the rate of mandatory payments set by the Board, the District may require institutional health care providers to provide information and data regarding the amount of uncompensated services provided to Medicaid and uninsured patients and the nonfederal share of Medicaid payments described under Rule 7(a)(1).

Rule 9. Mandatory Payment Requirements

(a) All institutional health care providers will be assessed mandatory payments in accordance with the rate set by the Board.

(b) The amount of a paying hospital's mandatory payment will be uniformly proportionate with the amount of net patient revenue generated by that paying hospital in the District.

(c) The Board will set the rate of the mandatory payment no less frequently than on an annual basis.

(d) Subject to the maximum amount prescribed by Rule 10(a), the Board will set the mandatory payments in amounts that in the aggregate will generate sufficient revenue to cover the administrative expenses of the District for activities under these rules and procedures and to fund intergovernmental transfers in an amount deemed proper for the purposes described in Rule 7(a). The annual amount of revenue from mandatory payments that will be used to offset the District's administrative expenses is \$150,000 plus the cost of collateralization of deposits, regardless of actual expenses.

(e) The District shall not condition the use of mandatory payments for the nonfederal share of any Medicaid payment described by Rule 7(a) that is made to an institutional health care provider on whether that institutional health care provider makes mandatory payments or the amount of any such mandatory payments.

Rule 10. Mandatory Payment Prohibitions.

(a) The amount of the mandatory payment required of each paying hospital will not exceed an amount that, when added to the amount of the mandatory payments required from all other paying hospitals in the District, exceeds six percent of the aggregate net patient revenue of all paying hospitals in the District.

(b) An institutional health care provider hospital may not include as a surcharge to a patient any amount of a mandatory payment required by the District.

(c) Mandatory payments will not be used for raising general revenue and will not be raised in excess of the amount deemed to be reasonably necessary to:

(1) fund the nonfederal share of Medicaid supplemental payments and Medicaid managed care rate enhancements for services by nonpublic hospitals to Medicaid and uninsured patients; and

(2) cover the administrative expenses of the District.

(d) The District will only assess and collect a mandatory payment if a waiver program, uniform rate enhancement, or reimbursement described by Rule 7(a)(1) is available to the District for nonpublic hospitals in the District.

Rule 11. Assessment and Collection of Mandatory Payments.

(a) The District may designate an official of the District or contract with another person to assess and collect the mandatory payments.

(b) The District will limit the collection fee of any person charged by the District with the assessment and collection of mandatory payments to be within the person's usual and customary charges for like services.

(c) If the person charged with the assessment and collection of mandatory payments is an official of the District, any revenue from a collection fee will be deposited in the District general fund and, if appropriate, will be reported as fees of the District.

(d) The District will establish due dates and payment options for mandatory payment amounts.

Passed and adopted this 31st day of July, 2019

Dr. Guadalupe Zamora

Attest:

Mike Geeslin, CEO
Central Health

Approved as to form:

Holly Gummert
Travis County Attorney
Legal Advisor



CENTRAL HEALTH

Our Vision

Central Texas is a model healthy community.

Our Mission

By caring for those who need it most, Central Health improves the health of our community.

Our Values

Central Health will achieve excellence through:

Stewardship - We maintain public trust through fiscal discipline and open and transparent communication.

Innovation - We create solutions to improve healthcare access.

Respect - We honor our relationship with those we serve and those with whom we work.

Collaboration - We partner with others to improve the health of our community.

BOARD MEETING

July 31, 2019

REGULAR AGENDA ITEM 3

Discuss and take appropriate action to amend the Travis County Investment and Collateral Policies and Procedures and to delegate authority to the President and CEO to take certain other actions necessary to implement the health care provider participation program.



MEMORANDUM

To: Central Health Board of Managers
Cc: Mike Geeslin, Chief Executive Officer,
Deborah Lauder milk, Travis County Chief Investment Officer
From: Jeff Knodel, Chief Financial Officer
Date: July 31, 2019
Re: Agenda Item 3: Discuss and take appropriate action to amend the Travis County Investment and Collateral Policies and Procedures and to delegate authority to the President and CEO to take certain other actions necessary to implement the health care provider participation program.
ACTION ITEM

Overview:

Central Health is attaching an updated Investment and Collateral Policy (“the Policy”), to include the fiduciary responsibility for the Local Provider Participation Fund (“LPPF”).

Synopsis:

The following edits and additions are proposed by the Chief Financial Officer of Central Health and the Travis County Chief Investment Officer.

Section 23.002 Applications part of Subchapter A. General Provisions of Chapter, is modified to add the Local Provider Participation Funds (LPPF) portfolio.

Section 23.012 District Investment Portfolio Structure is modified to add (4) The LPPF portfolio means funds received by Travis County Healthcare District for LPPF funds.

Section 23.034 LPPF Portfolio is added to Subchapter D. Investment Strategies. The primary, secondary, and tertiary objectives of the investment strategy for the LPPF portfolio are the same as the operating account portfolio. The suitable securities to accomplish these objectives are high quality, marketable, short-term securities that mature on or before the dates when the LPPF funds need to be sent out via Intergovernmental Transfer using TexNet. The securities suitable for this fund are described in 23.042.

Section 23.049 Diversifying All Other Portfolios by Type is modified to add a change to (b) to note, with the exception of the LPPF funds portfolio, and add in (c) Due to the short –term nature of the funds in the LPPF portfolio, the diversification calculation for these funds will be calculated separately from the other Travis County Healthcare District funds. All efforts will be made to diversity the LPPF funds when possible, but the primary objective of the investment strategy will be safety and liquidity in order to meet the cash flow needs of the fund.

Section 23.051 Diversifying All Other Portfolios by Maturity (a) and (b) are modified to add the LPPF portfolio.

Recommendation:

Central Health staff recommends the Board of Managers approve the amendments to the Travis County Healthcare District Investment and Collateral Policy and Procedures as of July 2019 in the foregoing manner.

Attachment A, Travis County Healthcare District Investment Policy – Final
Attachment B, Redline – Travis County Healthcare District Investment Policy

ATTACHMENT A

Travis County Healthcare District Investment & Collateral Policies and Procedures¹

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¹ Chapter 23 was replaced by Travis County Healthcare District Board of Managers, October 24, 2018.

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Subchapter A. General Provisions of Chapter

23.001 Authority

- (a) The Public Funds Investment Act and the Public Funds Collateral Act authorize the Board of Managers to promulgate this chapter on investment policy and procedures.
- (b) Texas Local Government Code Section 116.112(a) (Vernon 1994) authorizes the Board of Managers to invest the District funds in compliance with Texas Government Code Chapter 2256.

23.002 Application

This chapter governs the investment of the operating account portfolio, the pooled bond funds portfolio, the debt service portfolio, and the Local Provider Participation Funds (LPPF) portfolio. The pooled bond funds portfolio is managed in compliance with its governing ordinances and federal laws, including the Tax Reform Act of 1986, as amended, in addition to compliance with this chapter.

23.003 Effective Date

This chapter is effective upon adoption by the Board of Managers.

23.004 Definitions

- (a) In this manual, the following words and phrases have the following meanings:
 - (1) “Auditor” means the Travis County Auditor or her designees.
 - (2) “District” means the Travis County Healthcare District d/b/a Central Health
 - (3) “Investment Officer(s)” means the Travis County Chief Investment Officer and/or the Investment Manager or her designees.
 - (4) “Board of Managers” means the Central Health Board of Managers.
 - (5) “Treasurer” means the Travis County Treasurer or her designees.
- (b) In this chapter, the words “bond proceeds”, “book value”, “funds”, “investing entity”, “entity”, “investment pool”, “local government”, “market value”, “separately invested asset”, “qualified representative”, and “state agency” are used as defined in Texas Government Code Section 2256.002.
- (c) Whenever applicable, definitions in Chapter 2256 of the Texas Government Code and Chapter 298E of the Texas Health & Safety Code shall be used to interpret this chapter.

23.005 Construction and Interpretation

Despite any other provision to the contrary, this chapter must be construed to meet the following provisions:

- (1) This chapter must be construed liberally, so as to give the relevant parties the full authorization intended for the investment of all portfolios.
- (2) Throughout the chapter, words that begin with an initial capital are defined terms whose meaning may be found in Section 23.004, Chapter 2256 of the Texas Government Code, Chapter 298E of the Texas Health and Safety Code, or other statutes or regulations that this Chapter cites.
- (3) All hours stated in this chapter are stated in Central Standard Time or Central Daylight Saving Time, whichever is applicable in Austin, Texas at that time of year.

23.006 The Public Funds Investment Act

When this chapter is provided to broker/dealer/financial institutions, the Investment Management Office shall also include a copy of Texas Government Code Chapter 2256, which is titled the Public Funds Investment Act.

(23.007 - 23.010 Reserved for expansion)

Subchapter B. Investment Authority and Scope of Policy

23.011 Delegation of Investment Authority

- (a) Board of Managers delegates the authority to select investment instruments in which District or Paying Provider funds may be placed and to prepare any documentation necessary to evidence the investment of District and Paying Provider funds to the Chief Investment Officer, Investment Manager, and Senior Financial Analyst. Occasionally, the Board of Managers may designate in writing other Travis County personnel authorized to invest District or Paying Provider funds as back-ups.
 - (1) The Board of Managers approves or ratifies the investments, and the Board of Managers retains ultimate responsibility as fiduciaries of the assets of the District.
 - (2) The Chief Investment Officer, Investment Manager, and Senior Financial Analyst advise the Travis County Treasurer of the investment instruments purchased. The Travis County Treasurer's office, with the verification of the District's President and CEO or his or her authorized designee, wires the funds for the investment instruments purchased.
 - (3) No other person may invest, withdraw, transfer or manage District funds without the express written authority of the Board of Managers.

- (4) Authority granted under this section is effective until rescinded by Board of Managers or until termination of employment by Travis County of all of the persons in the designated positions or until elimination by Travis County of the designated positions.
- (b) These designated Investment Officers must perform their duties in compliance with Chapter 23 and Chapter 32, subchapter C, of the Travis County Code and with the Texas Public Funds Investment Act. When these Investment Officers act in good faith and in compliance with these chapters, they have no personal liability for their actions.
- (c) Officers and employees of any regional planning commission created under Texas Local Government Code Annotated Chapter 391 are not eligible to be designated any authority under this section.

23.012 District Investment Portfolio Structure

The funds that are entrusted to the Board of Managers for investment are divided into the following portfolios based on the source of funds:

- (1) The operating account portfolio means funds from the general fund account, the risk management fund account, the employee benefit fund account, the general county reserve account, and all other Travis County Healthcare District funds except capital projects, and debt service.
- (2) The pooled bond funds portfolio means bond funds from all capital projects except road district funds.
- (3) The debt service portfolio means all interest and sinking funds.
- (4) The LPPF portfolio means all funds received by the District from Paying Providers in connection with the Program described in Chapter 298E of the Texas Health & Safety Code and authorized by the Board of Managers.

23.013 Prudence and Ethical Standards

These standards apply to Travis County Investment Officers and anyone acting on their behalf.

- (1) Prudence
 - (A) Travis County Investment Officers serve as fiduciaries of the District and are responsible for prudently investing the District's assets. The Investment Officers shall comply with the provisions of this section, the Public Funds Investment Act, and all other applicable laws.
 - (B) The Investment Officers shall observe the "prudent investor rule" when performing the duties of an investment officer within the applicable legal and policy constraints.

The prudent investor rule is restated as follows: The Investment Officers shall invest and manage District assets as a prudent investor would, by considering the purposes, terms, distribution requirements, and other circumstances of the portfolio. In satisfying this standard, the Travis County Investment Officers shall exercise professional care, skill, and judgment. Among the circumstances that an Investment Officer shall consider in investing and managing District assets include, but are not limited to the following:

- (i) general economic conditions;
 - (ii) the yield curve;
 - (iii) the role that each investment plays within the overall portfolio; and
 - (iv) the risk/reward relationship of investments considered.
- (C) In determining whether an Investment Officer has exercised prudence with respect to an investment decision, the determination shall be made as follows:
- (i) the Investment Officer's investment and portfolio management decisions must be evaluated not in isolation of an individual purchase or sale but in the context of the District's portfolio as a whole and as a part of an overall investment strategy having risk and return objectives reasonably suited to the portfolio; and
 - (ii) whether the investment decision was consistent with this chapter.
- (D) Investment Officers must be honest in the exercise of their duties and must not take actions that will discredit the District.
- (E) Travis County Investment Officers must comply with the Travis County Healthcare District Ethics Policy.
- (2) Avoidance of Conflicts of Interest
- (A) Travis County Investment Officers shall be loyal to the interests of the District, the Board of Managers, and to Travis County residents, to the extent that such loyalty is not in conflict with other duties or legal requirements. Investment Officers shall avoid personal, employment, or business relationships that create conflicts of interest. Should the Investment Officers become aware of any conflict of interest, they have an affirmative duty to disclose and remedy the conflict promptly.
 - (B) A conflict of interest exists whenever Investment Officers have personal or private commercial or business relationships that could reasonably be expected to diminish their independence of judgment in the performance of their duties.
 - (C) Serving on the board of a local government investment pool shall not be prohibited. However, the Investment Officer who is a board member should not be allowed to invest funds in such local

government investment pool without additional approval from another authorized signer, who does not serve on the board of the proposed investment pool and is not a subordinate of the board member.

(3) Acceptance of Gifts

- (A) Investment Officers may not personally accept gifts or entertainment from vendors or consultants doing or seeking to do investment or banking related business with the District, except as noted below:
- (B) Gifts, which may be accepted under these guidelines, from a single vendor or consultant should not exceed \$50.00 per person in a given fiscal year. If gifts over \$50.00 are provided by a vendor or consultant, they must be returned, donated to a charitable cause, or shared with other District employees and disclosed to the President and CEO of the District. However, entertainment, food, or goods provided to all persons attending a conference or a continuing education activity and goods or services provided during meetings convened to conduct business necessary to manage a contract generally do not violate this prohibition.
- (C) In addition to the disclosure required to be made to the District President and CEO, disclosure shall be made to the Travis County Director of Economic Development and Strategic Investments of the acceptance of all gifts, entertainment, food, goods, or services no later than 30 days following the calendar quarter in which received.

23.014 Quality and Capability of Investment Management

The District shall pay for the following persons to receive investment training at courses and seminars offered by professional organizations and associations: the Chief Investment Officers, the President and CEO, and the Chief Financial Officer.

23.015 Disclosure of Personal Business

- (a) Investment Officers who have a personal business relationship, as described in Texas Government Code Section 2256.005(i), with any qualified representative offering to engage in an investment transaction with the District, shall file a statement disclosing that personal business interest with the Texas Ethics Commission and the Board of Managers.
- (b) Investment Officers who are related within the second degree by affinity or consanguinity, as determined under Texas Government Code Chapter 573, to an individual seeking to engage in an investment transaction with the District shall file a statement disclosing that relationship with the Texas Ethics Commission and the Board of Managers.

(23.016 - 23.020 Reserved for expansion)

Subchapter C. Investment Objectives

23.021 Safety of Principal

The primary investment objective of the District is to ensure the safety of principal placed in all portfolios. (See Subchapter E, Safety of Principal.)

23.022 Maintenance of Adequate Liquidity

The secondary investment objective of the District for all portfolios is to provide the liquidity necessary to pay obligations as they become due. (See Subchapter F, Liquidity.)

23.023 Return on Investments

- (a) The District must invest all its portfolios, except the LPPF portfolio, in eligible investments (see Section 23.043(b)) that yield the highest possible rate of return while providing the necessary protection of the principal. The District seeks to optimize return on investments in all portfolios. The goal of the Investment Officers is to match or outperform the twelve-month rolling average pf of the 1 Year Treasury. This rate is published by the U.S. Treasury Department and is comparable to the average maturity timeframe that is typical of the District Investment Portfolio. As with any benchmark, there could be economic situations, such as a period of rapidly changing interest rates that could prevent the portfolio from exceeding the benchmark. In addition, if funds are subject to yield restrictions due to federal arbitrage regulations, those funds are excluded from the yield calculation.
- (b) The District may only invest in a particular eligible investment if its yields are equal to or greater than the Treasury Convention or Street Convention yield provided by the Bloomberg Financial Information System or the Interactive Data Corporation yield on United States Treasury obligations of comparable maturity. The Chief Investment Officer and the Investment Advisory Committee may establish additional appropriate criteria for investment performance measures.

23.024 Additional Objectives for Pooled Bond Funds Portfolio

The major objectives for the pooled bond funds portfolio governed by federal arbitrage regulations are to maximize permitted market yield and to minimize investment costs.

(23.025 - 23.030 Reserved for expansion)

Subchapter D. Investment Strategies

23.031 Operating Account Portfolio

- (a) The primary objective of the investment strategy for the operating account portfolio is to create a diversified structure (see 23.048 through 23.051) which will experience minimal volatility during economic cycles, thus providing for preservation and safety of principal.
- (b) The secondary objective is to assure that anticipated cash expenditures are matched with adequate liquidity.
- (c) The tertiary objective is to ensure that the portfolio is invested in eligible short-to medium term securities that are high quality, marketable, complement each other in a laddered maturity structure, and that yield the highest possible rate of return while providing the necessary protection of principal. The dollar weighted average maturity of two and one-half years or less will be calculated using the stated final maturity dates of each security.

23.032 Debt Service Portfolio

The primary, secondary, and tertiary objectives of the investment strategy for the debt service portfolio are the same as the operating account portfolio. The suitable securities to accomplish these objectives are high quality, marketable, short-term securities that mature on or before the debt service payment dates. The securities suitable for this fund are described in Section 23.042.

23.033 Pooled Bond Funds Portfolio

The primary, secondary, and tertiary objectives of the investment strategy for the pooled bond funds portfolio are the same as the operating account portfolio. The suitable securities to accomplish these objectives are high quality, marketable, short-to-medium term securities that match forecasted project expenditures to investment maturities. In addition, a three month historical cash expenditure balance is maintained in highly liquid securities to cover unexpected project outlays. All eligible securities described by this Chapter 23 are suitable for this fund.

23.034 LPPF Portfolio

The primary, secondary, and tertiary objectives of the investment strategy for the LPPF portfolio are the same as the operating account portfolio. The suitable securities to accomplish these objectives are high quality, marketable, short-term securities that mature on or before the dates that the money in the LPPF must be transferred to accomplish the purposes for which such funds can be spent pursuant to Chapter 298E

of the Texas Health & Safety Code. The securities suitable for this fund are described in Section 23.042.

(23.0035 - 23.040 Reserved for expansion)

Subchapter E. Safety of Principal

23.041 Protection of Principal

- (a) The District seeks to control the risk of loss due to the failure of a security issuer or grantor.
 - (1) To control that risk, the District purchases only eligible investments, requires prior approval of qualified representatives/business organizations with which it transacts business, diversifies investments in all portfolios based on maturity and type, monitors the market price of investments by way of independent sources such as market telecommunication services and financial publications, when possible, or through an approved Broker/Dealer other than the one that sold the District the security, and collateralizes deposits.
 - (2) The quarterly report will identify the method and source used to monitor the market price of investments. The quarterly report will also indicate whether the method and source changed from the previous quarterly report.
- (b) The ratings of all investments held by the District are monitored on a regular basis to ensure that the investments remain eligible. If an investment is downgraded to a level lower than the minimum rating required by this chapter, the Investment Officers will take prudent action as described in Section 23.013(1).
- (c) In addition, the District must execute the purchase of individual eligible investments only on the “delivery versus payment” (DVP) method with the exception of investment pools and money market mutual funds to ensure that District funds are not released until the District has received the securities purchased.
- (d) Investment securities must be held in either the District’s name or the name of the Travis County Healthcare District LPPF by a third party custodian, as evidenced by safekeeping receipts from the institution with which the securities are deposited.
- (e) All investments made by the District must comply with all federal, state, and local statutes, rules, and regulations.

23.042 Purchasing Only Eligible Investments

- (a) Ineligible Investments: The following investments, which are legal investments under the Public Funds Investment Act, are ineligible investments for the District's funds, but not the funds placed in the LPPF Portfolio, which are sometimes referred to as the Paying Provider funds:
- (1) Collateralized mortgage obligations
 - (2) Any security the interest rate of which is determined by an index that adjusts opposite to the changes in a market index.
- (b) Eligible Investments: The following investments, which do not include all of the securities allowed by the Public Funds Investment Act, are the only eligible investments for all of the District's portfolios, except the LPPF Portfolio:
- (1) Obligations, including letters of credit, of the United States or its agencies and instrumentalities, including the Federal Home Loan Banks;
 - (2) Direct obligations of the State of Texas or its agencies and instrumentalities;
 - (3) Other obligations, the principal and interest on which are unconditionally guaranteed or insured by or backed by the full faith and credit of the State of Texas or the United States or their respective agencies and instrumentalities, including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation or by the explicit full faith and credit of the United States;
 - (4) Obligations of states, agencies, counties, cities, and other political subdivisions of any state, so long as they are rated not less than A or its equivalent by a nationally recognized investment rating firm.
 - (5) Domestic commercial paper, including commercial paper issued in the United States by corporations doing business and having a significant market presence in the United States, which are wholly owned by foreign entities, and with a stated maturity of 270 days or less from the date of its issuance and that is rated not less than A-1 by Standard and Poor's and P-1 by Moody's, two nationally recognized credit rating agencies.
 - (6) Fully collateralized repurchase agreements including direct security repurchase agreements and reverse security repurchase agreements that:
 - (A) have a defined termination date that does not exceed 90 days after delivery;
 - (B) are placed either through a primary government securities dealer as defined by the Federal Reserve, or a financial institution doing business in this state;

- (C) are secured by a combination of cash and obligations described by Section 23.042(b)(1), that are pledged to the District, held in the District's name, and deposited with a third party selected and approved by the District; and
 - (D) have a market value at the time funds are disbursed of not less than the principal amount of the funds disbursed. (See Section 23.056, Collateral Requirements for Repurchase Agreements.)
- (7) Certificates of deposit issued by a depository institution that has its main office or a branch office in this state that are:
- (A) guaranteed or insured by the Federal Deposit Insurance Corporation or its successor; or
 - (B) secured by obligations that are described by Section 23.042(b)(1), 23.042(b)(2), 23.042(b)(3) or 23.042(b)(4) that have a market value of not less than 102% of the principal amount plus accrued interest of the certificates; and (See 23.052 Collateral Requirements for All Deposits.)
 - (C) secured in accordance with Government Code Chapter 2257 or in any other manner and amount provided by law for deposits of the investing entity.
- (8) Certificates of deposit when:
- (A) the funds are invested through a broker that has its main office or a branch office in this state and is selected from a list adopted by the District as required by Sections 23.043 through 23.047 or
 - (B) the broker or the District depository arranges for the deposit of the funds in certificates of deposit in one or more federally insured depository institutions, wherever located, for the account of the District;
 - (C) the full amount of principal and accrued interest of each of the certificates of deposit is insured by the United States or an instrumentality of the United States; and
 - (D) The District appoints one of the following as its custodian for these certificates of deposit
 - (i) the District depository,
 - (ii) the Texas Treasury Safekeeping Trust Company;
 - (iii) a Federal Reserve Bank or a branch of a Federal Reserve Bank; or
 - (iv) a Federal Home Loan Bank.
- (9) A no-load money market mutual fund ("MMMMF") that is registered with and regulated by the Securities and Exchange Commission and:
- (A) complies with the Securities and Exchange Commission Rule 2a-7 (17 C.F.R. sect 270.2a-7), promulgated under the

- Investment Company Act of 1940 (15 United States Code § 80a-1 et seq.); and
- (B) provides the District with a prospectus and other information required by the Securities and Exchange Act of 1934 (15 United States Code. § 78a et seq.) or the Investment Company Act of 1940 (15 United States Code. § 80a-1 et seq.)
- (10) Public funds and local government investment pools (“LGIP”) if the following conditions are met:
- (A) the LGIP is organized under the Interlocal Cooperation Act, as amended;
 - (B) the Board of Managers has authorized investment in that particular LGIP;
 - (C) the assets of the LGIP consist exclusively of obligations that are authorized investments under Texas Government Code Chapter 2256, known as the Texas Public Funds Investment Act;
 - (D) the LGIP meets all eligibility acts including disclosure and reporting;
 - (E) the LGIP meets all management requirements of the Public Funds Investment Act, including existence and reliance on maintenance of advisory board, net asset value, maintenance ratings, and disclosing its policy regarding holding deposits in cash; and
 - (F) the LGIP must be continuously rated no lower than AAA or AAA-m or at an equivalent rating by at least one nationally recognized rating service.
- (11) A securities lending program in which the loan meets the following conditions:
- (A) The loan may be terminated at any time;
 - (B) The loan is placed through
 - (i) a primary government securities dealer, as defined by 5 Code of Federal Regulation section 6801.102(f), as that regulation existed on September 1, 2003, or
 - (ii) a financial institution doing business in this state that is rated no less than A or its equivalent by two nationally recognized rating services;
 - (C) The loan agreement has a term of one year or less and complies with the provisions of section 1058 of the Internal Revenue Code;
 - (D) The loan is secured by
 - (i) cash invested in accordance with subsections (1), (2), (3), (4), (5), (8), or (9) of Section 23.042 for a term that

ends no later than the expiration date of the loan agreement;

- (ii) pledged irrevocable letters of credit issued by a bank that is organized and exists under the laws of the United States or any of its states and is continuously rated by at least one nationally recognized investment rating firm at not less than A or its equivalent; or
 - (iii) pledged securities issued by the United States government or its agencies and instrumentalities as described in Section 23.042(1) through (4) inclusive;
- (E) The loan agreement requires securities being held as collateral to be pledged to the District, held in the District's name, and deposited at the time the investment is made with a third party approved by Travis County Healthcare District;
- (F) The amount of the collateral is not be less than 102% of the market value of securities loaned, including accrued income with the market value of securities determined daily.

(c) Purchasing Eligible Investments

- (1) The Travis County Chief Investment Officer and the Travis County Investment Manager may invest all portfolios in the eligible investments described by Section 23.042. When contemplating a new type of investment instrument, the Chief Investment Officer will submit a description to the Travis County Attorney's Office to ensure that the proposed investment instruments are eligible investments described by Section 23.042.
- (2) If an investment that was eligible at the time of purchase becomes ineligible during the holding period, consistent with the Public Funds Investment Act, Section 2256.017, the Travis County Investment Officer is not required to liquidate the investment. The Travis County Investment Officer shall take all prudent measures that are consistent with this Chapter to analyze the investment and determine the most prudent course of action to minimize any potential loss.

Requiring Approval of Broker/Dealer/Financial Institutions

23.043 Applications for Approval as Broker/Dealer/Financial Institutions

- (a) When a primary broker/dealer/financial institution applies for the Board of Managers' approval, the Travis County Investment Management Office provides a copy of the District's Investment and Collateral Policies and Procedures to the qualified representative of that institution. To qualify for approval, the qualified representative of the primary broker/dealer/financial institution must comply with the following requirements:

- (1) Provide the most recent audited financial statements of the institution;
 - (2) Acknowledge receipt, thorough review, and understanding of the District's Investment and Collateral Policies and Procedures, and
- (b) When a non-primary broker/dealer/financial institution doing business that is regulated by the Comptroller of Currency or registered with the Securities and Exchange Commission applies for the Board of Managers' approval, the Travis County Investment Management Office provides a copy of the District's Investment and Collateral Policies and Procedures to the qualified representative of that institution. To qualify for approval, the qualified representative of the broker/dealer/financial institution must submit a written application that complies with the following requirements:
- (1) Provides references who are public fund investment officers, preferably in Texas;
 - (2) Gives evidence of capital adequacy (See Section 23.044(b)(3));
 - (3) Acknowledges receipt, thorough review, and understanding of the District's Investment and Collateral Policies and Procedures;
 - (4) Includes a completed Broker/Dealer Questionnaire available on the Travis County Investment Management website.
- (c) The District strives to include in the application process broker/dealers located in Travis County who are currently serving institutional clients.

23.044 Qualifications for Approval as Broker/Dealer/Financial Institutions

The Travis County Investment Management Office reviews the applications of the broker/dealer/financial institutions for compliance with this policy and recommends broker/dealer/financial institutions for approval. Although having an office in Texas is not a required criteria, the District prefers working with broker/dealer/financial institutions with offices located in Texas.

- (a) To be recommended for approval, the qualified representative of the primary broker/dealer/financial institution must provide the information and comply with the requirements set forth in Section 23.043(a).
- (b) To be recommended for approval, a non-primary broker/dealer/financial institution and/or its qualified representative(s) must demonstrate possession of the following criteria:
 - (1) Institutional investment experience;
 - (2) Good references from public fund investment officers, preferably in Texas, with the exception of incumbents;
 - (3) For financial institutions, adequate capitalization in compliance with the Capital Adequacy Guidelines for Government Securities Dealers published by the New York Federal Reserve Bank;

- (4) For brokers/dealers, adequate capitalization in compliance with the Securities and Exchange Commission;
 - (5) Acknowledgement of a thorough review and understanding of this Investment Policy and Procedures Chapter;
 - (6) Membership in good standing in the Financial Industry Regulatory Authority (FINRA) by broker/dealers and subsidiaries of national banks;
 - (7) Valid licensure from the State of Texas, except for national banks.
- (c) To be recommended for approval, broker/dealer/financial institutions previously approved by the Board of Managers will also be evaluated based on the following criteria:
- (1) Performance since the last review based on participation in competitive bids documented on bid sheets; and
 - (2) Activity level based on proposals presented since the last review.

23.045 Approval of Broker/Dealer/Financial Institutions

The Board of Managers reviews the recommendations of the Travis County Chief Investment Officer and may approve any number of broker/dealer/financial institutions. The District and Investment Officers may only purchase securities, except for commercial paper, from qualified broker/dealer/financial institutions. Commercial paper shall be purchased in compliance with Section 23.101, captioned Competitive Bidding. The Travis County Chief Investment Officer may limit the number of institutions with which the District does business.

23.046 Annual Review of Approved Broker/Dealer/Financial Institutions

Each year new applicants and broker/dealer/financial institutions currently on the approved list must comply with Sections 23.043 and 23.044 and submit applications to the Travis County Investment Office. The Travis County Chief Investment Officer's recommended changes to the approved list must be submitted to the Board of Managers for approval on an annual basis.

23.047 Removal from Approved List

When the Travis County Investment Management Office reviews and reevaluates the broker/dealer/financial institutions currently on the approved list, which review may occur any time that the Travis County Chief Investment Officer discovers good cause, the Travis County Chief Investment Officer may recommend that a broker/dealer/financial institution be removed from the approved list for any of the following reasons:

- (1) Placing the District's funds at risk;

- (2) Inactivity of the broker/dealer/financial institution;
- (3) Failure to satisfy one or more of the criteria in Section 23.044;
- (4) Offering to sell investments other than eligible investments described by Section 23.042(b);
- (5) Consistently causing an administrative burden by inaccurate documentation or late verification of trade;
- (6) Consistently offering/bidding securities at non-competitive prices; or
- (7) Undergoing material change through divestiture, merger, purchase, or other similar corporate transformations.

Diversifying Portfolios

23.048 Diversifying Operating Account Portfolio by Type

The Investment Officer must minimize loss of principal in the operating account portfolio by diversifying investments by type and maturity. The Investment Officer must maintain diversity in the types of eligible investments purchased for all District portfolios (see Section 23.042(b) for a full description of eligible investments) by limiting the percentage for each type of eligible investment to the percentage listed in this section. These percentages will be applied to all District portfolios in aggregate. The limits will be tested each Friday and the Investment Officer will have 30 days following the test to bring the percentage back within the limits described below:

Investment Type	Percentage Limit for Combined Portfolios
Obligations of the U.S. – Treasury Notes/Bonds/Bills	100%
Obligations of U.S. Agencies – U.S. Agencies	75%
Direct obligations of the State of Texas or its agencies and instrumentalities	60%
Other obligations, the principal and interest on which are unconditionally guaranteed or insured by or backed by the full faith and credit of the State of Texas or the United States or their respective agencies and instrumentalities, including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation or by the explicit full faith and credit of the United States	60%
Obligations of states, agencies, counties, cities, and other political subdivisions of any state. The Investment Officers must not invest more than 5% of the portfolio in municipal securities of a single entity (see Section 23.042(b) for full description)	20%
Domestic commercial paper. The Investment Officer must not invest more than 5% of the portfolio in the commercial paper of a single entity. If the amount held exceeds 5% during the life of the investment, the Investment Officer shall take all prudent measures that are consistent with this Chapter to analyze the investment and determine the most prudent course of action to minimize any potential economic loss. (See Section 23.042(b) for full description.).....	20%

Fully collateralized repurchase agreements are limited to 15% of the portfolio when purchased from an individual broker. (See Section 23.042(b) for full description.) 50%
 Certificates of Deposit (See Section 23.042(b) for full description.) 50%
 MMMF.

The Investment Officers must not make an investment in any MMMF that exceeds 10% of the total assets of that MMMF. (See Section 23.042(b) for full description.) 20%

TexPool if the following conditions are met:

- (a) TexPool is organized under the Interlocal Cooperation Act, as amended;
- (b) the Board of Managers has authorized investment in TexPool;
- (c) the assets of TexPool consist exclusively of obligations that are authorized investments under Texas Government Code Chapter 2256, known as the Texas Public Funds Investment Act;
- (e) TexPool meets all eligibility requirements of the Public Funds Investment Act including disclosure and reporting; and
- (e) TexPool meets all management requirements of the Public Funds Investment Act, including existence and reliance on maintenance of advisory board, net asset value and maintenance ratings 50%

LGIPs. (See 23.042(b) for full description.) 30%
 All LGIPs in total..... 60%

23.049 Diversifying All Other Portfolios by Type

- (a) Within the pooled bond funds portfolio and the debt service portfolio the proceeds of a single bond issue may be segregated and invested in a single eligible investment or group of eligible investments designed to facilitate compliance with arbitrage regulations if the Investment Officers or the District’s arbitrage advisors determine that this type of strategy is necessary to comply with federal arbitrage restrictions or to facilitate arbitrage recordkeeping and calculation.
- (b) In all other cases, the Investment Officers must apply the diversification and measurement requirements to the pooled bond funds portfolio combined with all the District Operating Account portfolio in accordance with Section 23.048, with the exception of the LPPF portfolio.
- (c) Due to the short-term nature of the funds in the LPPF portfolio, the diversification calculation for these funds will be calculated separately from the other District funds. All efforts will be made to diversify the LPPF portfolio when possible, but the primary objective of the investment strategy will be safety and liquidity in order to meet the cash flow needs of the fund.

23.050 Diversifying Operating Account Portfolio by Maturity

- (a) The Investment Officers must monitor the maturity dates of all investments in the operating account portfolio to minimize risk of loss from interest rate fluctuations and to ensure that the maturities do not exceed the anticipated cash flow requirements of the operating account portfolio. The Investment Officer must also monitor the maturity dates of all investments in the operating account portfolio to ensure that the dollar-weighted average maturity are less than 547 days. The weighted average maturity is calculated as of the end of each month using the stated final maturity dates for each security.
- (b) If these levels are exceeded, the Investment Officer shall take all prudent measures that are consistent with this Chapter to analyze the investment and determine the most prudent course of action to minimize any potential economic loss.
- (c) The maximum allowable stated maturity of any individual investment owned by the operating account portfolio is as follows (see Section 23.042(b) for full description of eligible investments):

Investment Type	Maturity Limit
Obligations of the U.S. – Treasury Notes/Bonds/Bills	4 years
Obligations of U.S. Agencies.....	4 years
Direct obligations of the State of Texas or its agencies and instrumentalities	4 years
Other obligations, the principal and interest on which are unconditionally guaranteed or insured by or backed by the full faith and credit of the State of Texas or the United States 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.....	4 years
Obligations of states, agencies, counties, cities, and other political subdivisions of any state (See Section 23.042(b) for full description).....	4 years
Domestic commercial paper (See Section 23.042(b) for full description.)	270 days
Fully collateralized repurchase agreements (See Section 23.042(b) for full description.)	90 days
Certificates of Deposit (See Section 23.042(b) for full description)	18 months
MMMF (See Section 23.042(b) for full description)	1 day
LGIPs (See Section 23.042(b) for full description)	1 day
TexasTERM local government investment pool	365 days

23.051 Diversifying All Other Portfolios by Maturity

- (a) The Investment Officers may limit the maturity of the pooled bond funds portfolio, the debt service portfolio, the LPPF portfolio, and the agency funds portfolio to the “temporary period”, as such term is defined by the Internal Revenue Code, Section 148, during which period bond proceeds may be segregated and invested at an unrestricted yield. After the temporary period ends, the Investment Officers must consider the anticipated cash flow requirements of the funds and invest the portions of the pooled bond funds portfolio, the debt service portfolio, agency funds portfolio, and the LPPF portfolio, subject to yield restriction within limits permitted by Federal arbitrage regulations.
- (b) The Investment Officers must monitor the maturity dates of all investments in the pooled bond funds portfolio, the debt service portfolio, and the LPPF portfolio to ensure that the dollar-weighted average maturity for each portfolio does not exceed one year. The weighted average maturity is calculated as of the end of each month using the stated final maturity dates for each security.
- (c) If these levels are exceeded, the Travis County Investment Officers shall take all prudent measures that are consistent with this Chapter to analyze the investment and determine the most prudent course of action to minimize any potential economic loss.
- (d) The maximum allowable stated maturity of any individual investment owned by the pooled bonds fund portfolio and the debt service portfolio, that is not subject to the temporary period, is the same as the operating portfolio (See Section 23.050); provided, however, that the maximum allowable stated maturity for the below investment types shall be as follows:

Investment Type	Maturity Limit
Obligations of the U.S. – Treasury Notes/Bonds/Bills	3 years
Obligations of U.S. Agencies.....	3 years

Collateralizing Deposits

23.052 Collateral Requirements for All Deposits

- (a) Certificates of deposit and bank deposits in financial institutions must be either federally insured or collateralized only with the following securities:
 - (1) Direct obligations of the United States or its agencies and instrumentalities;
 - (2) Other obligations, the principal and interest on which are unconditionally guaranteed or insured by or backed by the full faith and credit of the United States or its 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;

- (3) Letters of credit issued to the District by the Federal Home Loan Banks, if approved in advance by Travis County Healthcare District.
- (b) If an event causes an increase in collateral of more than \$50 million to be needed after noon on any business day, the market value of collateral must be equal to or greater than 100% of the par value of the certificates of deposit, plus accrued interest, and equal to or greater than 100% of the bank deposits plus accrued interest, less the amount insured by the Federal Deposit Insurance Corporation and may remain at that level until the next business day when additional collateral can be obtained. At all other times, the market value of collateral must be equal to or greater than 105% of the par value of the certificate of deposits plus accrued interest and equal to or greater than 105% of the bank deposits plus accrued interest, less the amount insured by the Federal Deposit Insurance Corporation.

23.053 Monitoring Collateral Adequacy for All Deposits

Financial institutions with which the District has certificates of deposit or bank deposits must provide the District with monthly reports that state the market values of collateral. The Investment Officers monitor the adequacy of collateral at least weekly. If the value of the collateral falls below the required level, the financial institution must pledge additional collateral no later than the end of the next business day after the value falls below the required level.

23.054 Substituting Collateral for All Deposits

- (a) If the financial institution collateralizing certificates of deposit and bank deposits wants to substitute new collateral, the financial institution must contact the Treasurer for approval;
- (b) The Investment Officer must calculate the value of the substituted collateral and determine that the substituted collateral is within the requirements of this Chapter and the Depository Bank Contract;
- (c) The value of the new collateral must equal at least the value of the original collateral. If the collateral has sufficient value, the Treasurer may approve the substitution;
- (d) The Treasurer must notify the financial institution or the safekeeping agent holding the collateral when any substitution is approved. Although substitution is allowable, it should be limited to minimize a potential administrative burden. The Treasurer may limit substitutions and assess reasonable fees if requests for substitution become excessive or abusive.

23.055 Agreements and Safekeeping for All Deposits

Financial institutions serving as District depositories must enter into agreements for the safekeeping of collateral with both the District and its safekeeping agent, or agree to cooperate with the Federal Reserve Bank under the terms of its Pledgee Agreement Form, to define the District's rights to the collateral in case of default, bankruptcy, or bank closing. All collateral securing deposits is held by the safekeeping agent.

23.056 Collateral Requirements for Repurchase Agreements

Issuers of repurchase agreements must collateralize them with obligations of the United States or its agencies. These issuers must wire transfer the collateral to the safekeeping agent designated by the District through the Federal Reserve System. If the collateral matures in one year or less, the value of the collateral must be at least 101% of the par value of the repurchase agreement plus accrued interest. If the collateral matures in one to two years, the value of the collateral must be at least 102% of the par value of the repurchase agreement plus accrued interest. Collateral maturity is limited to two years.

23.057 Monitoring Collateral Adequacy for Repurchase Agreements

The Investment Officer must monitor all collateral underlying repurchase agreements weekly. More frequent monitoring may be necessary during periods of market volatility. If the value of the collateral for a repurchase agreement falls below the required level, the Investment Officer must make a margin call unless the repurchase agreement matures within five business days and the difference between the value of the collateral and the required level is immaterial.

23.058 Substituting Collateral for Repurchase Agreements

Issuer shall obtain written consent of the Healthcare District prior to substitution. The duration (or maturity) of securities offered as substitutes may not exceed the duration or maturity of the originally purchased securities.

23.059 Safekeeping of Repurchase Agreement Collateral

Issuers of repurchase agreements must transfer collateral for repurchase agreements to the safekeeping agent with whom the District has established a safekeeping agreement.

(23.060 - 23.070 Reserved for expansion)

Subchapter F. Liquidity

23.071 Achieving Liquidity

Investments are selected to meet anticipated cash needs. The Investment Officers must achieve liquidity by purchasing eligible investments described by Section 23.042(b) with active secondary markets, eligible MMMFs, and LGIPs.

23.072 Liquidating Investments

The Travis County Investment Officers may liquidate an investment to meet unanticipated cash requirements, to redeploy cash into other investments expected to outperform current holdings, or to adjust the portfolios for other reasons.

(23.0073 - 23.080 Reserved for expansion)

Subchapter G. Investment Return Achievement

23.081 Priority of Investment Goals

The Investment Officers must consider legality, safety, liquidity, diversification, risk, and rate of return in investment selection for all portfolios. Investments are made in securities with maturities corresponding to anticipated cash requirements. Investments are to take advantage of yield curves and earn additional returns. The Investment Officers must actively manage all District portfolios to enhance total income in compliance with the “prudent investor rule” described by Section 23.013. The Investment Officers may use bond swaps to achieve these management goals.

23.082 Bond Swaps

If the demand for a bond from a particular agency creates a situation where the yields in that agency’s bonds are the same or less than an equivalent treasury security, swapping the agency’s bond for a treasury security can improve the quality of the District’s portfolios. If bonds in a particular maturity range are limited in the market, swapping a bond in demand for a similar bond in a different maturity range may be advantageous.

- (1) The Investment Officers may swap a bond held in any District portfolio for a comparable bond in the market to improve portfolio yield even if the transaction results in an accounting loss.
- (2) The Investment Officers may swap a bond held in any District portfolio if the overall yield of the portfolio will not decrease after the swap and the date of maturity of the new security is less than 181 days after the maturity date of the old security.
- (3) The Investment Officers must solicit competitive bids for bond swaps. All bids received are documented and filed for auditing purposes.

(23.0083 - 23.090 Reserved for expansion)

Subchapter H. Investment Responsibilities by Office

23.091 Training

- (a) The Treasurer, the Investment Officers, the Chief Financial Officer and the Controller of the District shall attend at least one 10 hour training session from an independent source within twelve months after taking office. These persons shall also attend an 8 hour investment training session not less than once every two years, which two-year period shall begin on the first day of the District's fiscal year and shall end on the last day of the second consecutive fiscal year. Training must include education in investment controls, security risks, strategy risks, market risks, diversification of investment portfolio, and compliance with the Public Funds Investment Act.
- (b) The independent sources approved by Commissioners Court are:
- Government Finance Officers Association
 - Government Finance Officers Association of Texas
 - Government Treasurers Organization of Texas
 - Texas Association of Counties
 - Austin Treasury Management Association
 - Alliance of Texas Treasury Associations
 - Texas Municipal League
 - Texas Society of CPAs
 - Association of Government Accountants
 - University of North Texas
 - University of Texas
 - Texas A&M University
 - County Treasurers Association of Texas
 - Texas Association of County Auditors
 - Western CPE
 - First Southwest Company

23.092 Treasurer's Office

In the investment function, the Treasurer has the following responsibilities:

- (1) Notifying of Controlled Disbursement Requirements. The Treasurer notifies the Investment Officers if additional funds are required for the daily controlled disbursement to ensure that investments are liquidated in time to meet the controlled disbursement requirements.

- (2) Processing Investments. The Treasurer may transact wire transfers for District investment purposes. The Investment Officers notify the Treasurer of the amount to be transferred. The Treasurer transfers funds to the safekeeping account to purchase the investment. In addition, the Treasurer and the Investment Officers approve the wire transfer form.
- (3) Depositing Investment Principal and Interest. The Treasurer deposits principal and interest at maturity to the funds bank account indicated by the Investment Officers.
- (4) Ensuring Security of Investments. The Treasurer accesses the depository's files daily to verify the District's account balances. The Treasurer adds the certificates of deposit purchased by the Investment Officers to the total District's cash balances to obtain the total district balance. The Treasurer compares the total District balance to the total collateral purchased by the depository banks.
 - (a) The collateral must be 105% of the District's total balances held with the depository;
 - (b) If the collateral is less than 105% of the District's total balances, the Treasurer must contact the depository bank to verify that the depository bank has increased the collateral to the required level.

23.093 Investment Management Office

- (a) The Travis County Chief Investment Officer is the primary manager of the District's investment portfolios.
- (b) The Travis County Chief Investment Officer, the Travis County Investment Manager, and the Senior Financial Analyst make investment decisions and keep proper records of District investments. In the investment function, the Investment Officers have the following responsibilities:
 - (1) Developing Investment Strategies. The Investment Officers develop an investment strategy to administer investments of the District. The Investment Officers use the following procedures in the investment strategy:
 - (A) summarize the economic and market analysis;
 - (B) forecast available cash for investment;
 - (C) formulate strategies for asset mix, investment instruments, maturities, and target yields;
 - (D) monitor performance against the current investment strategy and evaluating reasons for variances;
 - (E) report portfolio performance for the previous quarter to the Board of Managers; and
 - (2) Selecting and Processing Investments

- (A) The Investment Officers review the composition of the current portfolio and determine whether the securities under consideration maintain the portfolio within policy guidelines.
 - (B) The Investment Officers and the Treasurer approve the wire transfer form authorizing the transfer of funds for a specific investment transaction.
- (3) Documenting Investments and Providing Details. The Investment Officers retain documentation of all investment transactions, including bond swaps. The Investment Officers provide information and supporting documentation for all investment transactions to the President and CEO or Chief Financial Officer of the District for appropriate accounting and recording. The Investment Officers provide information and back-up documentation of all investment transactions to the Treasurer to ensure accurate calculation of cash position and accurate posting to appropriate fund bank accounts.
- (4) Developing Cash Flow Projections for All Portfolios. The Investment Officers analyze prior period data and meet with the President and CEO or Chief Financial Officer of the District to develop and amend cash flow projections to meet the District's cash requirements. The Travis County Investment Officers use cash flow projections to match assets and liabilities in addition to maximizing the return on investments.
- (5) Determining Cash Available for Investment. The Investment Officers determine the amount of District and Paying Provider funds available for investment each business day. All funds that can be legally invested and that are not required for that day's controlled disbursement are considered funds available for investment.
- (6) Monitoring Investment Performance
- (A) The Travis County Chief Investment Officer must routinely perform market and economic analyses to forecast probable market conditions for the investment period. Analysis is done by assembling and analyzing current and trend data to develop and plan investment strategy. This analysis uses information obtained from investment advisors, brokers, investment industry publications, and investment industry information systems.
 - (B) The Travis County Chief Investment Officer monitors the current and expected yield curves for interest rate movements. When interest rates are expected to decline, maturity ranges are extended within portfolio constraints and the limits set forth in this Chapter. When interest rates are expected to increase, maturity ranges are shortened. The Travis County Chief Investment Officer monitors yield spreads between various government agency issues and United States notes and bonds to determine the best value. The Travis County Chief

Investment Officer summarizes economic and market trend information. The Travis County Chief Investment Officer also presents recommendations for investment strategy based on economic and market conditions.

- (7) Reconciling Investment Records and General Ledger. The Investment Officers provide the President and CEO of the District with a monthly report that states investments at par value, the identifying cusip number, the premium or discount, and the interest purchased. The report includes monthly and year-to-date interest accruals and amortization/accretion of premium/discount. The District's Chief Financial Officer reconciles this report to the investment accounts in the general ledger.
- (8) Providing Revenue Estimates for All Portfolios. The Travis County Chief Investment Officer provides an estimate of the investment revenue for the District's annual budget.

23.094 Auditor's Office

The Auditor, in conjunction with its annual financial audit, shall perform a compliance audit of management controls on investments and adherence to this Chapter and the Texas Public Funds Investment Act.

23.095 District Finance Department

The Chief Financial Officer of the District is the primary monitor of District transactions. The District's Finance Department staff, on the Chief Financial Officer's direction, prepares the general ledger and makes all entries in it. In the investment function, the Finance Department has the following responsibilities:

- (1) Posting Investments and Reconciling to the General Ledger. The Finance Department posts investment transactions, investment interest revenue received, and accrued interest income to the general ledger.
 - (A) The Chief Financial Officer reviews and approves the monthly reconciliation of investments, investment interest revenue received, and accrued interest income to the general ledger.
 - (B) The Chief Financial Officer notifies the Investment Officers if there are any discrepancies between the monthly investment report described in Section 23.042(7) and the general ledger so that these two entities can work together to reconcile the differences.
- (2) Reconciling Safekeeping Reports with Investments. On a quarterly basis, the Finance Department reconciles the investment securities safekeeping report, which is provided to the Treasurer by the Depository Bank, to the report of currently owned investment securities as of that date, which is provided by the Investment Officers.

- (3) Monitoring Arbitrage. The Finance Department monitors the District's arbitrage responsibilities, if necessary, and provides the bond fund transaction information required by the District's arbitrage advisors.
- (4) Allocating Budget from Interest Revenue. The Finance Department allocates the interest revenue earned from investments proportionately to all funds that participate in the investment function.

23.096 District President and CEO

The President and CEO of the District is the chief custodian of District funds. The President and CEO receives funds due to the District, makes disbursements authorized by the Board of Managers after the checks are co-signed by one other authorized signatory for the District, and keeps proper records of District finances. The duties of the President and CEO under this section may be carried out on a daily basis by District Finance Department staff.

(23.097 - 23.100 Reserved for expansion)

Subchapter I. Investment Purchasing Procedures

23.101 Competitive Bidding

- (a) The District requires competitive bidding for all individual security purchases except for those transactions with MMMFs, LGIPs, treasuries purchased through the Federal Reserve Treasury Direct Accounts, and for government securities purchased at issue through an approved broker/dealer at the auction price. The Investment Officers may rely not only on yield in selecting MMMFs and LGIPs but also on adherence to applicable Securities and Exchange Commission (SEC) guidelines for MMMFs and other criteria determined by the Travis County Chief Investment Officer.
- (b) At least three bids or offers must be solicited in all transactions involving individual securities. For those situations where it may be impractical or unreasonable to receive three bids for a District transaction due to secondary market availability, bids may be considered comparable for agencies with comparable structures and having maturities within 15 calendar days before and after the requested security. Competitive bidding for security swaps is also required. Bids may be solicited in any manner provided by law. All bids received must be documented and filed for auditing purposes.
- (c) At least three bids or offers must be solicited in transactions involving domestic commercial paper. These bids shall be obtained from approved broker/dealers or from a financial information source, such as Bloomberg. When bids are obtained from a financial information source, the commercial paper selected may be purchased directly from the issuer. Different issuers may be compared to select the highest yielding, domestic commercial paper. The Investment Officers may rely not only on yield in selecting commercial

paper but also on other criteria determined by the Travis County Chief Investment Officer. The criteria to follow when soliciting bids are as follows:

- (1) The maturity dates must be the same, and
- (2) The method of settlement must be the same whether regular settlement next day or cash settlement same day.

23.102 Preliminary Requirements for Repurchase Agreements

Before the District enters into a repurchase agreement with any issuer, that issuer must sign a Master Repurchase Agreement and return it to the Investment Officers for filing. All Repurchase Agreements are recommended by the Investment Officers, reviewed by Travis County Attorney's Office, and approved by the Board of Managers.

23.103 Wire Transfer Procedures

- (a) In executing investment transactions, the Treasurer must use pre-formatted repetitive wire transfers, whenever possible, to restrict transfers of funds to pre-authorized accounts.
- (b) For transfer of investment funds via wire to non-district accounts, the agreement with the depository bank must require the depository bank to call the Investment Officer for confirmation that this transfer is authorized prior to the transfer.

(23.104 - 23.110 Reserved for expansion)

Subchapter J. Performance Evaluation and Reporting

23.111 Levels of Evaluation

Evaluation is conducted at several levels. The Investment Officers continually monitor and evaluate the investment performance. The Board of Managers evaluates the Travis County Investment Officers entire performance.

23.112 Performance Analysis and Reporting

The Travis County Chief Investment Officer determines the level and content of daily and weekly performance analysis and reporting. The Travis County Chief Investment Officer and the Board of Managers jointly decide the level and content of monthly performance analysis and reporting.

23.113 Quarterly Performance Analysis and Reporting

- (a) The Investment Officers must prepare, provide, and sign a quarterly summary report for each fund group that describes in detail the investment position of the District and evaluates investment performance based on this Chapter's

investment objectives. The quarterly report will identify the method and source used to monitor the market price of investments and will also indicate whether the method and source changed from the previous quarterly report. This report must be submitted to the Board of Managers. A comparison of the performance of the District's portfolio to appropriate benchmarks selected by the Travis County Chief Investment Officer is presented. The report addresses compliance with this Chapter's diversification requirements by type and maturity. The report also includes the following information:

- (1) Cash availability,
 - (2) Market review,
 - (3) Investment strategy – next quarter,
 - (4) Performance measurement: the standard used by the District to measure its investment return is based on the yield to maturity of all investments in the portfolio, using the stated final maturity date of each security,
 - (5) Portfolio statistics,
 - (6) Collateral adequacy for repurchase agreements,
 - (7) Collateral adequacy for bank deposits and certificates of deposit,
 - (8) Investment activity,
 - (9) Market valuation:
 - (A) at beginning of quarter, and
 - (B) at end of the quarter, for each portfolio,
 - (10) Distribution of investments by broker/dealer/financial institution,
 - (11) Distribution of investments by type of investment,
 - (12) Fully accrued interest for the reporting period,
 - (13) For each separately invested asset,
 - (A) state book value and market value at the beginning and end of the quarter by the type of asset and fund type,
 - (B) state maturity date, and
 - (C) state the fund for which it was acquired, and
 - (14) Signatures of the Travis County Chief Investment Officer and the Travis County Investment Manager certifying compliance with this Chapter and the Public Funds Investment Act.
- (b) The reference to Generally Accepted Accounting Principles in Section 23.113(a) relates only to internal reporting of investments by the Travis County Chief Investment Officer as required under Texas Government Code Section 2256.023, and does not apply to annual financial statements and other external reports of the District as a whole.

23.115 Annual Performance Analysis and Reporting

- (a) The Travis County Chief Investment Officer compiles the quarterly reports into an annual report at the end of each District fiscal year.
- (b) An independent auditor chosen to audit the District's annual financial statements must formally review the quarterly investment reports that are prepared in compliance with the Public Funds Investment Act. In conjunction with this audit, the District shall perform a compliance audit of management controls on investments and adherence to this Chapter. This review should be performed at least annually and the results reported to the Board of Managers.

(23.116 - 23.120 Reserved for expansion)

Subchapter K. Investment Policy Review And Amendment

23.121 Review Procedures

The Travis County Chief Investment Officer must review this Chapter annually to make revisions due to legislative actions and changing market conditions. This review must be done by the third quarter of the calendar year after each legislative session. The Travis County Chief Investment Officer must present a summary report of the review with changes recommended to the Board of Managers. The Board of Managers must review this Chapter and investment strategies at least annually.

23.122 Changes to the Investment Policy

After adoption of this Chapter, the Board of Managers must approve any revisions to the Chapter before they become effective, by adopting a written instrument stating it has reviewed the Investment Policy and investment strategies. This written instrument must record any changes made to either the policy or strategies.

(23.123 - 23.130 Reserved for expansion)

ATTACHMENT B

Travis County Healthcare District Investment & Collateral Policies and Procedures¹

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Subchapter A. General Provisions of Chapter

23.001 Authority

- (a) The Public Funds Investment Act and the Public Funds Collateral Act authorize the Board of Managers to promulgate this chapter on investment policy and procedures.
- (b) Texas Local Government Code ~~Annotated Section~~ 116.112(a) (Vernon 1994) authorizes the Board of Managers to invest the District funds in compliance with Texas ~~Local~~ Government Code ~~Annotated e~~Chapter 2256.

23.002 Application

This chapter governs the investment of the operating account portfolio, the pooled bond funds portfolio, ~~and~~ the debt service portfolio, ~~and the Local Provider Participation Funds (LPPF) portfolio~~. The pooled bond funds portfolio is managed in compliance with its governing ordinances and federal laws, including the Tax Reform Act of 1986, as amended, in addition to compliance with this chapter.

23.003 Effective Date

This chapter ~~23~~ is effective upon adoption by the Board of Managers.

23.004 Definitions

- (a) In this manual, the following words and phrases have the following meanings:
 - (1) "Auditor" means the Travis County Auditor or her designees.
 - (2) "District" means the Travis County Healthcare District d/b/a Central Health
 - (3) "Investment Officer(s)" means the Travis County Chief Investment Officer and/or the Investment Manager or her designees.
 - (4) "Board of Managers" means the Central Health Board of Managers.
 - (5) "Treasurer" means the Travis County Treasurer or her designees.
- (b) In this chapter, the words "bond proceeds", "book value", "funds", "investing entity", "entity", "investment pool", "local government", "market value", "separately invested asset", "qualified representative", and "state agency" are used as defined in ~~the~~ Texas Government Code ~~Annotated Section~~ 2256.002.
- (c) Whenever applicable, definitions in the Public Funds Investment Act Chapter 2256 of the Texas Government Code and Chapter 298E of the Texas Health & Safety Code shall be used to interpret this chapter.

23.005 Construction and Interpretation

Despite any other ~~Code~~ provision to the contrary, this ~~Chapter 23~~ must be construed to meet the following provisions:

- (1) This chapter must be construed liberally, so as to give ~~all of the relevant parties the full~~ authorization intended for the investment of all portfolios.
- (2) Throughout the chapter, words ~~defined in this section are that begin shown~~ with an initial capital are defined terms whose meaning may be found in Section 23.004, Chapter 2256 of the Texas Government Code, Chapter 298E of the Texas Health and Safety Code, or other statutes or regulations that this Chapter cites. The use of an initial capital is construed to mean that the definition of the capitalized word or phrase is the definition in this section.
- (3) All hours stated in this chapter are stated in Central Standard Time or Central Daylight Saving Time, whichever is applicable in Austin, Texas at that time of year.

23.006 The Public Funds Investment Act

When this chapter is provided to broker/dealer/financial institutions, the Investment Management Office shall also include a copy of Texas Government Code Chapter 2256, which is titled the Public Funds Investment Act.

(23.007 - 23.010 Reserved for expansion)

Subchapter B. Investment Authority and Scope of Policy

23.011 Delegation of Investment Authority

- (a) Board of Managers delegates the authority to select investment instruments in which ~~d~~District or Paying Provider funds may be placed and to prepare any documentation necessary to evidence the investment of ~~d~~District and Paying Provider funds to the Chief Investment Officer, Investment Manager, and Senior Financial Analyst. Occasionally, the Board of Managers may designate in writing other Travis County personnel authorized to invest ~~d~~District or Paying Provider funds as back-ups.
 - (1) The Board of Managers approves or ratifies the investments, and the Board of Managers retains ultimate responsibility as fiduciaries of the assets of ~~Travis County Health~~the District.
 - (2) The Chief Investment Officer, Investment Manager, and Senior Financial Analyst advise the Travis County Treasurer of the investment instruments purchased. ~~†~~The Travis County Treasurer's office, with the verification of the District's President and CEO or ~~their~~his or her

authorized designee, wires the funds for the investment instruments purchased.

- (3) No other person may invest, withdraw, transfer or manage ~~Travis County Healthcare~~ District funds without the express written authority of the Board of Managers.
 - (4) Authority granted under this section is effective until rescinded by Board of Managers or until termination of employment by Travis County of all of the persons in the designated positions or until elimination by Travis County of the designated positions.
- (b) These designated ~~Travis County~~ Investment Officers must perform their duties in compliance with Chapter 23 and Chapter 32, subchapter C, of the Travis County Code and ~~the with Texas Government Code Annotated Chapter 2256, known as the~~ Texas Public Funds Investment Act. When these Investment Officers act in good faith and in compliance with these chapters, they have no personal liability for their actions.
- (c) Officers and employees of any regional planning commission created under Texas Local Government Code Annotated Chapter 391 are not eligible to be designated any authority under this section 23-014.

Commented [HG1]: I've moved this reference up

23.012 District Investment Portfolio Structure

The funds ~~of Travis County Healthcare District~~ that are entrusted to the Board of Managers for investment are divided into the following portfolios based on the source of funds:

- (1) The operating account portfolio means funds from the general fund account, the risk management fund account, the employee benefit fund account, the general county reserve account, and all other Travis County Healthcare District funds except capital projects, and debt service.
- (2) The pooled bond funds portfolio means bond funds from all capital projects except road district funds.
- (3) The debt service portfolio means all interest and sinking funds.
- (4) The LPPF portfolio means all funds received by Travis County Healthcare the District from Paying Providers in connection with the Program described in Chapter 298E of the Texas Health & Safety Code and authorized by the Board of Managers LPPF funds.

23.013 Prudence and Ethical Standards

These standards apply to Travis County Investment Officers and anyone acting on their behalf.

- (1) Prudence

(A) Travis County Investment Officers serve as fiduciaries of ~~Travis County Healthcare~~ the District and are responsible for prudently investing ~~the District's~~ assets. The Investment Officers shall comply with the provisions of this section, the Public Funds Investment Act, and all other applicable laws.

(B) ~~The Travis County Healthcare District uses~~ Investment Officers shall observe the "prudent investor rule" when ~~administer~~performing the duties of an investment officer within the applicable legal and policy constraints.

The prudent investor rule is restated as follows: The Investment Officers shall invest and manage ~~Travis County Healthcare~~ District assets as a prudent investor would, by considering the purposes, terms, distribution requirements, and other circumstances of the portfolio. In satisfying this standard, the Travis County Investment Officers shall exercise professional care, skill, and judgment. Among the circumstances that an Investment Officer shall consider in investing and managing ~~Travis County Healthcare~~ District assets include, but are not limited to the following:

- (i) general economic conditions,
- (ii) the yield curve,
- (iii) the role that each investment plays within the overall portfolio, and,
- (iv) the risk/reward relationship of investments considered.

(C) In determining whether an Investment Officer has exercised prudence with respect to an investment decision, the determination shall be made as follows:

- (i) the ~~Travis County~~ Investment Officer's investment and portfolio management decisions must be evaluated not in isolation of an individual purchase or sale but in the context of the ~~Travis County Healthcare~~ District's portfolio as a whole and as a part of an overall investment strategy having risk and return objectives reasonably suited to the portfolio; and
- (ii) whether the investment decision was consistent with this chapter ~~23~~.

(D) ~~Travis County~~ Investment Officers must be honest in the exercise of their duties and must not take actions that will discredit ~~Travis County Healthcare~~ the District.

(E) Travis County Investment Officers must comply with the ~~Chapter 33,~~ Travis County Healthcare District Ethics Policy.

(2) Avoidance of Conflicts of Interest

(A) Travis County Investment Officers shall be loyal to the interests of ~~Travis County Healthcare~~ the District, the Board of Managers, and to

Travis County residents, to the extent that such loyalty is not in conflict with other duties or legal requirements. Investment Officers shall avoid personal, employment, or business relationships that create conflicts of interest. Should the Investment Officers become aware of any conflict of interest, they have an affirmative duty to disclose and remedy the conflict promptly.

- (B) A conflict of interest exists whenever ~~Travis County~~-Investment Officers have personal or private commercial or business relationships that could reasonably be expected to diminish their independence of judgment in the performance of their duties.
- (C) Serving on the ~~B~~oard of a ~~L~~ocal ~~G~~overnment ~~I~~nvestment ~~P~~ool shall not be prohibited. However, the Investment Officer who is a Board member should not be allowed to invest funds in ~~that such local government investment P~~ool without additional approval from another authorized signer, who does not serve on the board of the proposed investment pool and is not a subordinate of the board member.

(3) Acceptance of Gifts

- (A) ~~Travis County~~-Investment Officers may not personally accept gifts or entertainment from vendors or consultants doing or seeking to do investment or banking related business with ~~Travis County Healthcare~~ District, except as noted below:
- (B) Gifts, which may be accepted under these guidelines, from a single vendor or consultant should not exceed \$50.00 per person, ~~per vendor,~~ in a given fiscal year. If gifts over \$50.00 are provided by a vendor or consultant, they must be returned, donated to a charitable cause, or shared with other District employees ~~or~~ and disclosed to the President and CEO of the ~~Healthcare~~ District. However, entertainment, food, or goods provided to all persons attending a conference or a continuing education activity and goods or services provided during meetings convened to conduct business ~~and necessary to~~ manage a contract generally do not violate this prohibition.
- (C) In addition to the D disclosure required to be made to the District President and CEO, disclosure shall be made to the Travis County Director of Economic Development and Strategic Investments of the acceptance of all gifts, entertainment, food, goods, or services no later than 30 days following the calendar quarter in which received.

23.014 Quality and Capability of Investment Management

~~Travis County Healthcare~~ District shall provide periodic pay for the following persons to receive investment training in investments for the Chief Investment Officers, the President and CEO and the Chief Financial Officer through at courses and seminars offered by professional organizations and associations: the Chief Investment Officers,

~~the President and CEO, and the Chief Financial Officer, in order to insure the quality and capability of the Investment Officers.~~

23.015 Disclosure of Personal Business

- (a) ~~Travis County~~ Investment Officers who have a personal business relationship, as described in Texas Government Code [Section 2256.005\(i\)](#), with any qualified representative offering to engage in an investment transaction with ~~Travis County Healthcare~~ the District, shall file a statement disclosing that personal business interest with the Texas Ethics Commission and the Board of Managers.
- (b) ~~Travis County~~ Investment Officers who are related within the second degree by affinity or consanguinity, as determined under Texas Government Code [Annotated Chapter 573](#), to an individual seeking to engage in an investment transaction with ~~the District Travis County~~ shall file a statement disclosing that relationship with the Texas Ethics Commission and the Board of Managers.

(23.016 - 23.020 Reserved for expansion)

Subchapter C. Investment Objectives

23.021 Safety of Principal

The primary investment objective of ~~the Travis County Healthcare~~ District is to ensure the safety of principal placed in all portfolios. (See Subchapter E, Safety of Principal.)

23.022 Maintenance of Adequate Liquidity

The secondary investment objective of ~~Travis County Healthcare~~ the District for all portfolios is to provide the liquidity necessary to pay obligations as they become due. (See Subchapter F, Liquidity.)

23.023 Return on Investments

- (a) ~~Travis County Healthcare~~ the District must invest all its portfolios, except the LPPF portfolio, in eligible investments ([see Section 23.043\(b\)](#)) that yield the highest possible rate of return while providing the necessary protection of the principal. ~~The Travis County Healthcare~~ District seeks to optimize return on investments in all portfolios. The goal of the ~~Investment Officers~~ is to match or outperform the twelve-month rolling average of the 1 Year Treasury. This rate is published by the U.S. Treasury Department and is comparable to the average maturity timeframe that ~~is~~ typical of the ~~Travis County Healthcare~~ District Investment Portfolio. As with any benchmark, there could be economic situations, such as a period of rapidly changing interest rates, ~~that~~ could prevent the portfolio from exceeding the

benchmark. In addition, if funds are subject to yield restrictions due to federal arbitrage regulations, those funds are excluded from the yield calculation.

- (b) ~~Travis County Health~~ District may only invest in a particular eligible investment if its yields are equal to or greater than the Treasury Convention or Street Convention yield provided by the Bloomberg Financial Information System or the Interactive Data Corporation yield on United States Treasury obligations of comparable maturity. The Chief Investment Officer and the Investment Advisory Committee may establish additional appropriate criteria for investment performance measures.

23.024 Additional Objectives for Pooled Bond Funds Portfolio

The major objectives for the pooled bond funds portfolio governed by ~~F~~ federal arbitrage regulations are to maximize permitted market yield and to minimize investment costs.

(23.025 - 23.030 Reserved for expansion)

Subchapter D. Investment Strategies

23.031 Operating Account Portfolio

- (a) The primary objective of the investment strategy for the operating account portfolio is to create a diversified structure (see 23.048 through 23.051) which will experience minimal volatility during economic cycles, thus providing for preservation and safety of principal.
- (b) The secondary objective is to assure that anticipated cash expenditures are matched with adequate liquidity.
- (c) The tertiary objective is to ensure that the portfolio is invested in eligible short-to medium term securities that are high quality, marketable, complement each other in a laddered maturity structure, and that yield the highest possible rate of return while providing the necessary protection of principal. ~~The suitable securities to accomplish these objectives are high quality, marketable, short-to-medium term securities that complement each other in a laddered maturity structure. All eligible securities described by this Chapter 23 are suitable for this fund.~~ The dollar weighted average maturity of two and one-half years or less will be calculated using the stated final maturity dates of each security.

Commented [HG3]: It seems like this sentence would fit better elsewhere within the policy

23.032 Debt Service Portfolio

The primary, secondary, and tertiary objectives of the investment strategy for the debt service portfolio are the same as the operating account portfolio. The suitable securities to accomplish these objectives are high quality, marketable, short-term securities that mature on or before the debt service payment dates. The securities suitable for this fund are described in Section 23.042.

23.033 Pooled Bond Funds Portfolio

The primary, secondary, and tertiary objectives of the investment strategy for the pooled bond funds portfolio are the same as the operating account portfolio. The suitable securities to accomplish these objectives are high quality, marketable, short-to-medium term securities that match forecasted project expenditures to investment maturities. In addition, a three month historical cash expenditure balance is maintained in highly liquid securities to cover unexpected project outlays. All eligible securities described by this Chapter 23 are suitable for this fund.

23.034 LPPF Portfolio

The primary, secondary, and tertiary objectives of the investment strategy for the LPPF portfolio are the same as the operating account portfolio. The suitable securities to accomplish these objectives are high quality, marketable, short-term securities that mature on or before the dates ~~when that the money in the LPPF funds need to be sent out via~~ must be transferred to accomplish the purposes for which such funds can be spent pursuant to Chapter 298E of the Texas Health & Safety Code ~~Intergovernmental Transfer using TexNet~~. The securities suitable for this fund are described in Section 23.042.

(23.003~~54~~ - 23.040 Reserved for expansion)

Subchapter E. Safety of Principal

23.041 Protection of Principal

- (a) ~~Travis County Healthcar~~the District seeks to control the risk of loss due to the failure of a security issuer or grantor.
- (1) To control that risk, ~~Travis County Healthcar~~the District purchases only eligible investments, ~~requires prior approval of qualified representatives/business organizations with which it transacts business,~~ diversifies investments in all portfolios based on maturity and type, monitors the market price of investments by way of independent sources such as market telecommunication services and financial publications, when possible, or through an approved Broker/Dealer other than the one that sold ~~Travis County Healthcar~~the District the security, and collateralizes deposits.
 - (2) The quarterly report will identify the method and source used to monitor the market price of investments. The quarterly report will also indicate whether the method and source changed from the previous quarterly report.

Commented [HG4]: What does this mean?

- (b) The ratings of all investments held by ~~Travis County Healthcare~~ the District are monitored on a regular basis to ensure that the investments remain eligible. If an investment is downgraded to a level lower than the minimum rating required by ~~this Chapter 23~~, the ~~Travis County~~ Investment Officers will take prudent action as described in Section 23.013(1).
- (c) In addition, ~~Travis County Healthcare~~ the District must execute the purchase of individual eligible investments only on the "delivery versus payment" (DVP) method with the exception of investment pools and money market mutual funds to ensure that ~~county~~ District funds are not released until ~~Travis County Healthcare~~ the District has received the securities purchased.
- (d) Investment securities must be held in ~~Travis County Healthcare~~ either the District's name or the name of the Travis County Healthcare District LPPF by a third party custodian, as evidenced by safekeeping receipts from the institution with which the securities are deposited.
- (e) All investments made by ~~Travis County Healthcare~~ the District must comply with all federal, state, and local statutes, rules, and regulations.

23.042 Purchasing Only Eligible Investments

- (a) Ineligible Investments: The following investments, which are legal investments under the Public Funds Investment Act, are ineligible investments for ~~Travis County Healthcare~~ the District's funds, but not the funds placed in the LPPF Portfolio, which are sometimes referred to as the Paying Provider funds:
 - (1) Collateralized mortgage obligations
 - (2) Any security the interest rate of which is determined by an index that adjusts opposite to the changes in a market index.
- (b) Eligible Investments: The following investments, which do not include all of the securities allowed by the Public Funds Investment Act, are the only eligible investments for all of ~~Travis County Healthcare~~ the District's portfolios, except the LPPF Portfolio:
 - (1) Obligations, including letters of credit, of the United States or its agencies and instrumentalities, including the Federal Home Loan Banks;
 - (2) Direct obligations of the State of Texas or its agencies and instrumentalities;
 - (3) Other obligations, the principal and interest on which are unconditionally guaranteed or insured by or backed by the full faith and credit of the State of Texas or the United States or their respective agencies and instrumentalities, including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation or by the explicit full faith and credit of the United States;

- (4) Obligations of states, agencies, counties, cities, and other political subdivisions of any state, so long as they are rated not less than A or its equivalent as to investment quality by a nationally recognized investment rating firm not less than A or its equivalent.
- (5) Domestic commercial paper, including commercial paper issued in the United States by corporations doing business and having a significant market presence in the United States, which are wholly owned by foreign entities, and with a stated maturity of 270 days or less from the date of its issuance and that is rated not less than A-1 by Standard and Poor's; and P-1 by Moody's, two nationally recognized credit rating agencies.
- (6) Fully collateralized repurchase agreements including direct security repurchase agreements and reverse security repurchase agreements that:
 - (A) have a defined termination date that does not exceed 90 days after delivery,
 - (B) are placed either through a primary government securities dealer as defined by the Federal Reserve, or a financial institution doing business in this state,
 - (C) are secured by a combination of cash and obligations described by Section 23.042(b)(1), that are pledged to Travis County, held in Travis County Healthcare the District's name, and deposited with a third party selected and approved by the Travis County Healthcare District, and
 - (D) have a market value at the time funds are disbursed of not less than the principal amount of the funds disbursed. (See Section 23.056, Collateral Requirements for Repurchase Agreements.)
- (7) Certificates of deposit issued by a depository institution that has its main office or a branch office in this state that are:
 - (A) guaranteed or insured by the Federal Deposit Insurance Corporation; or its successor; or
 - (B) secured by obligations that are described by Section 23.042(b)(1), 23.042(b)(2), 23.042(b)(3) or 23.042(b)(4) that have a market value of not less than 102% of the principal amount plus accrued interest of the certificates. (See 23.052 Collateral Requirements for All Deposits.)
 - (C) secured in accordance with Government Code Chapter 2257 or in any other manner and amount provided by law for deposits of the investing entity.
- (8) Certificates of deposit when:
 - (A) the funds are invested through a broker that has its main office or a branch office in this state and is selected from a list

Commented [HG5]: Shouldn't this read: pledged to the District?

- adopted by the ~~investing entity~~District as required by Sections 23.043 through 23.047 or
- (B) the broker or the District depository arranges for the deposit of the funds in certificates of deposit in one or more federally insured depository institutions, wherever located, for the account of ~~Travis County Healthcare~~the District;
 - (C) the full amount of principal and accrued interest of each of the certificates of deposit is insured by the United States or an instrumentality of the United States; and
 - (D) ~~The Travis County Healthcare~~ District appoints one of the following as its custodian for these certificates of deposit
 - (i) the District depository,
 - (ii) the Texas Treasury Safekeeping Trust Company;
 - (iii) a Federal Reserve Bank or a branch of a Federal Reserve Bank; or
 - (iv) a Federal Home Loan Bank
- (9) A no-load money market mutual fund (“MMMMF”) that is registered with and regulated by the Securities and Exchange Commission and:
- (A) complies with the Securities and Exchange Commission Rule 2a-7 (17 C.F.R. sect 270.2a-7), promulgated under the Investment ~~e~~Company Act of 1940 (15 United States Code § 80a-1 et seq.) and
 - (B) provides ~~Travis County Healthcare~~the District with a prospectus and other information required by the Securities and Exchange Act of 1934 (15 United States Code. § 78a et seq.) or the Investment Company Act of 1940 (15 United States Code. § 80a-1 et seq.)
- (10) Public funds and local government investment pools (“LGIP”) if the following conditions are met:
- (A) the LGIP is organized under the Interlocal Cooperation Act, as amended,
 - (B) the Board of Managers has authorized investment in that particular LGIP ~~by an order,~~
 - (C) the assets of the LGIP consist exclusively of obligations that are authorized investments ~~under the Texas~~ Government Code ~~Ann. cChapter~~ 2256, known as the Texas Public Funds Investment Act,
 - (D) the LGIP meets all eligibility acts including disclosure and reporting,
 - (E) the LGIP meets all management requirements of the Public Funds Investment Act, including existence and reliance on maintenance of advisory board, net asset value, maintenance

ratings, and disclosing its policy regarding holding deposits in cash, and

- (F) the LGIP must be continuously rated no lower than AAA or AAA-m or at an equivalent rating by at least one nationally recognized rating service.
- (11) A securities lending program in which the loan meets the following conditions:
- (A) The loan may be terminated at any time;
 - (B) The loan is placed through
 - (i) a primary government securities dealer, as defined by 5 Code of Federal Regulation section 6801.102(f), as that regulation existed on September 1, 2003, or
 - (ii) a financial institution doing business in this state that is rated no less than A or its equivalent by two nationally recognized rating services.
 - (C) The loan agreement has a term of one year or less and complies with the provisions of section 1058 of the Internal Revenue Code;
 - (D) The loan is secured by
 - (i) cash invested in accordance with subsections (1), (2), (3), (4), (5), (8), or (9) of ~~Section~~ 23.042 for a term that ends no later than the expiration date of the loan agreement,
 - (ii) pledged irrevocable letters of credit issued by a bank that is organized and exists under the laws of the United States or any ~~of the its states~~ and is continuously rated by at least one nationally recognized investment rating firm at not less than A or its equivalent, or
 - (iii) pledged securities issued by the United States government or its agencies and instrumentalities as described in Section 23.042(1) through (4) inclusive;
 - (E) The loan agreement requires securities being held as collateral to ~~be pledged to Travis County Healthcare~~ the District, held in ~~Travis County Healthcare~~ the District's name, and deposited at the time the investment is made with a third party approved by Travis County Healthcare District.
 - (F) The amount of the collateral is not be less than 102% of the market value of securities loaned, including accrued income with the market value of securities determined daily.

(c) Purchasing Eligible Investments

- (1) The Travis County Chief Investment Officer and the Travis County Investment Manager may invest all portfolios in the eligible

investments described by [Section 23.042](#). When contemplating a new type of investment instrument, the Chief Investment Officer will submit a description to the Travis County Attorney's Office to ensure that the proposed investment instruments are eligible investments described by [Section 23.042](#).

- (2) If an investment that was eligible at the time of purchase becomes ineligible during the holding period, consistent with the Public Funds Investment Act, Section 2256.017, the Travis County Investment Officer is not required to liquidate the investment. The Travis County Investment Officer shall take all prudent measures that are consistent with this [Policy Chapter](#) to analyze the investment and determine the most prudent course of action to minimize any potential loss.

Requiring Approval of Broker/Dealer/Financial Institutions

23.043 Applications for Approval as Broker/Dealer/Financial Institutions

- (a) When a primary broker/dealer/financial institution applies for [the Board of Managers'](#) approval, the Travis County Investment Management Office provides a copy of [Travis County Healthcare](#) the District's Investment and Collateral Policies and Procedures to the qualified representative of that institution. To qualify for approval, the qualified representative of the primary broker/dealer/financial institution must comply with the following requirements:
 - (1) Provide the most recent audited financial statements of the institution,
 - (2) Acknowledge receipt, thorough review, and understanding of [the Travis County Healthcare](#) District's Investment and Collateral Policies and Procedures, and

- (b) When a non-primary broker/dealer/financial institution doing business that is regulated by [the Comptroller of Currency](#) or registered with [the sSecurities and Exchange eCommission](#) applies for [the Board of Managers'](#) approval, the Travis County Investment Management Office provides a copy of [the Travis County Healthcare](#) District's Investment and Collateral Policies and Procedures, to the qualified representative of that institution. To qualify for approval, the qualified representative of the broker/dealer/financial institution must submit a written application that complies with the following requirements:
 - (1) Provides references [by who are](#) public fund investment officers, preferably in Texas,
 - (2) Gives evidence of capital adequacy (See [Section 23.044\(b\)\(3\)](#)),

- (3) Acknowledges receipt, thorough review, and understanding of ~~the Travis County Healthcare~~ District's Investment and Collateral Policies and Procedures,
 - (4) Includes a completed Broker/Dealer Questionnaire available on the Travis County Investment Management website.
- (c) ~~The Travis County Healthcare~~ District strives to include in the application process broker/dealers located in Travis County who are currently serving institutional clients.

23.044 Qualifications for Approval as Broker/Dealer/Financial Institutions

The Travis County Investment Management Office reviews the applications of the broker/dealer/financial institutions for compliance with this policy and recommends broker/dealer/financial institutions for approval. Although having an office in Texas is not a required criteria, ~~the Travis County Healthcare~~ District prefers working with broker/dealer/financial institutions with offices located in Texas.

- (a) To be recommended for approval, the qualified representative of the primary broker/dealer/financial institution must provide the information and comply with the requirements set forth in Section 23.043(a).
- (b) To be recommended for approval, a non-primary broker/dealer/financial institution and/or its qualified representative(s) must demonstrate possession of the following criteria:
 - (1) Institutional investment experience,
 - (2) Good references from public fund investment officers, preferably in Texas, with the exception of incumbents,
 - (3) For financial institutions, Adequate capitalization in compliance with the Capital Adequacy Guidelines for Government Securities Dealers published by the New York Federal Reserve Bank, ~~for banks~~
 - (4) For brokers/dealers, adequate capitalization in compliance with the Securities and Exchange Commission ~~for broker/dealers,~~
 - (5) Acknowledgement of a thorough review and understanding of this Investment Policy and Procedures Chapter,
 - (6) ~~Regulation by the Comptroller of the Currency for banks or regulation by the Securities and Exchange Commission ("SEC") for broker/dealers,~~
 - (6) Membership in good standing in the Financial Industry Regulatory Authority (FINRA) by broker/dealers and subsidiaries of national banks,
 - (7) Valid licensure from the State of Texas, except for national banks, and

Commented [HG6]: Does this mean that a non-primary broker dealer who is currently acting an officer for the District does not have to provide references?

Commented [HG7]: This is duplicative of what was stated in Section 23.043

Commented [HG8]: I'm not sure why the word and is here.

- (c) To be recommended for approval, broker/dealer/financial institutions previously approved by the Board of Managers will also be evaluated based on the following criteria:
- (1) Performance since the last review based on participation in competitive bids documented on bid sheets, and
 - (2) Activity level based on proposals presented since the last review.

23.045 Approval of Broker/Dealer/Financial Institutions

The Board of Managers reviews the recommendations of the Travis County Chief Investment Officer and may approve any number of broker/dealer/financial institutions. ~~The Travis County Healthcare~~ District and ~~the Travis County~~ Investment Officers may only purchase securities, except for commercial paper, from qualified broker/dealer/financial institutions. Commercial paper shall be purchased in compliance with Section 23.101, captioned Competitive Bidding. ~~The Travis County Chief Investment Officer may limit the number of institutions with which the Travis County Healthcare District does business.~~

Commented [HG9]: This seems like power that the District should keep.

23.046 Annual Review of Approved Broker/Dealer/Financial Institutions

Each year new applicants and broker/dealer/financial institutions currently on the approved list must comply with Sections 23.043 and 23.044 and submit applications to the Travis County Investment Office. The Travis County Chief Investment Officer's recommended changes to the approved list must be submitted to the Board of Managers for approval on an annual basis.

Commented [HG10]: I didn't get the impression that an application must be submitted pursuant to 23.043(a). I did understand that an application is required to be submitted by a non-primary broker/dealer per 23.043(b), though

23.047 Removal from Approved List

When the Travis County Investment Management Office reviews and reevaluates the broker/dealer/financial institutions currently on the approved list, which review may occur and at any other time when that the Travis County Chief Investment Officer discovers good cause, the Travis County Chief Investment Officer may recommend that a broker/dealer/financial institution be removed from the approved list for any of the following reasons:

- (1) Placing ~~Travis County Healthcare~~the District's funds at risk,
- (2) Inactivity of the broker/dealer/financial institution,
- (3) Failure to ~~maintain-satisfy~~ one or more of the criteria in Section 23.044,
- (4) Offering to sell investments other than eligible investments described by Section 23.042(b),
- (5) Consistently causing an administrative burden by inaccurate documentation or late verification of trade,
- (6) Consistently offering/bidding securities at non-competitive prices, or

- (7) Undergoing material change through divestiture, merger, purchase, or other similar corporate transformations.

Diversifying Portfolios

23.048 Diversifying Operating Account Portfolio by Type

The ~~Travis County~~ Investment Officer must minimize loss of principal in the operating account portfolio by diversifying investments by type and maturity. The ~~Travis County~~ Investment Officer must maintain diversity in the types of eligible investments purchased for all ~~Travis County Healthcare~~ District portfolios ~~combined~~ (see Section 23.042(b) for a full description of eligible investments) by limiting the percentage for each type of eligible investment to the percentage listed in this section. These percentages will be applied to all ~~Travis County Healthcare~~ District portfolios in aggregate. The limits will be tested each Friday and the ~~Travis County~~ Investment Officer will have 30 days following the test to bring the percentage back within the limits ~~as~~ described below:

Commented [HG11]: This section seems to apply to the operating account portfolio alone, so I'm not sure the phrase "all District portfolios" is accurate

Investment Type	Percentage Limit for Combined Portfolios
------------------------	---

Obligations of the U.S. – Treasury Notes/Bonds/Bills	100%
--	------

Obligations of U.S. Agencies – U.S. Agencies	75%
--	-----

Direct obligations of the State of Texas or its agencies and instrumentalities	60%
--	-----

Other obligations, the principal and interest on which are unconditionally guaranteed or insured by or backed by the full faith and credit of the State of Texas or the United States or their respective agencies and instrumentalities, including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation or by the explicit full faith and credit of the United States	60%
---	-----

Obligations of states, agencies, counties, cities, and other political subdivisions of any state. The Travis County Investment Officers must not invest more than 5% of the portfolio in municipal securities of a single entity (see <u>Section 23.042(b)</u> for full description).....	20%
--	-----

Domestic commercial paper.

The Travis County Investment Officer must not invest more than 5% of the portfolio in the commercial paper of a single entity. If the amount held exceeds 5% during the life of the investment, the Travis County Investment Officer shall take all prudent measures that are consistent with this <u>Policy Chapter</u> to analyze the investment and determine the most prudent course of action to minimize any potential economic loss. (See <u>Section 23.042(b)</u> for full description.).....	20%
---	-----

Fully collateralized repurchase agreements are limited to 15% of the portfolio when purchased from an individual broker. (See <u>Section 23.042(b)</u> for full description.)	50%
---	-----

Certificates of Deposit (See <u>Section 23.042(b)</u> for full description.)	50%
--	-----

~~A no-load money market mutual fund ("MMMF") that is registered with and regulated by the federal Securities and Exchange Commission.~~

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The ~~Travis County~~ Investment Officers must not make an investment in any MMMF that exceeds 10% of the total assets of that MMMF. (See [Section 23.042\(b\)](#) for full description.)..... 20%

TexPool if the following conditions are met:

- (A) TexPool is organized under the Interlocal Cooperation Act, as amended,
- (B) the Board of Managers has authorized investment in TexPool ~~by an order,~~
- (C) the assets of TexPool consist exclusively of obligations that are authorized investments ~~under the Texas~~ Governmen't Code ~~Ann. e~~Chapter 2256, known as the Texas Public Funds Investment Act,
- (D) TexPool meets all eligibility requirements of the Public Funds Investment Act including disclosure and reporting, and
- (E) TexPool meets all management requirements of the Public Funds Investment Act, including existence and reliance on maintenance of advisory board, net asset value and maintenance ratings 50%

~~Public funds and local government investment pools (LGIP's)~~. (See [23.042\(b\)](#) for full description.)..... 30%

All LGIP's in total..... 60%

23.049 Diversifying All Other Portfolios by Type

- (a) Within the pooled bond funds portfolio and the debt service portfolio the proceeds of a single bond issue may be segregated and invested in a single eligible investment or group of eligible investments designed to facilitate compliance with arbitrage regulations if the ~~Travis County~~ Investment Officers or ~~Travis County Healthcare~~ the District's arbitrage advisors determine that this type of strategy is necessary to comply with federal arbitrage restrictions or to facilitate arbitrage recordkeeping and calculation.
- (b) In all other cases, the ~~Travis County~~ Investment Officers must apply the diversification and measurement requirements to the pooled bond funds portfolio combined with all ~~Travis County Healthcare~~ District Operating Account portfolios in accordance with [Section 23.048](#), with the exception of the LPPF funds portfolio.
- (c) Due to the short-term nature of the funds in the LPPF -portfolio, the diversification calculation for these funds will be calculated separately from the other ~~Travis County Healthcare~~ District funds. All efforts will be made to diversify the LPPF funds portfolio when possible, but the primary objective of the investment strategy will be safety and liquidity in order to meet the cash flow needs of the fund.

23.050 Diversifying Operating Account Portfolio by Maturity

- (a) The ~~Travis County~~ Investment Officers must monitor the maturity dates of all investments in the operating account portfolio to minimize risk of loss from interest rate fluctuations and to ensure that the maturities do not exceed the anticipated cash flow requirements of the operating account portfolio. The ~~Travis County~~ Investment Officer must also monitor the maturity dates of all investments in the operating account portfolio to ensure that the dollar-weighted average maturity are less than 547 days. The weighted average maturity is calculated as of the end of each month using the stated final maturity dates for each security.
- (b) If these levels are exceeded, the Investment Officer shall take all prudent measures that are consistent with this ~~Policy Chapter~~ to analyze the investment and determine the most prudent course of action to minimize any potential economic loss.
- (c) The maximum allowable stated maturity of any individual investment owned by the operating account portfolio is as follows (see Section 23.042(b) for full description of eligible investments):

Investment Type	Maturity Limit
Obligations of the U.S. – Treasury Notes/Bonds/Bills	4 years
Obligations of U.S. Agencies.....	4 years
Direct obligations of the State of Texas or its agencies and instrumentalities	4 years
Other obligations, the principal and interest on which are unconditionally guaranteed or insured by or backed by the full faith and credit of the State of Texas or the United States 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.....	4 years
Obligations of states, agencies, counties, cities, and other political subdivisions of any state (See <u>Section 23.042(b)</u> for full description).....	4 years
Domestic commercial paper (See <u>Section 23.042(b)</u> for full description.)	270 days
Fully collateralized repurchase agreements (See <u>Section 23.042(b)</u> for full description.)	90 days
Certificates of Deposit (See <u>Section 23.042(b)</u> for full description)	18 months
A no-load money market mutual fund (“MMMF”) (See <u>Section 23.042(b)</u> for full description)	1 day
Public funds and local government investment pools (LGIP’s) (See <u>Section 23.042(b)</u> for full description)	1 day
TexasTERM local government investment pool.....	365 days

23.051 Diversifying All Other Portfolios by Maturity

- (a) The ~~Travis County~~ Investment Officers may limit the maturity of the pooled bond funds portfolio, the debt service portfolio, the LPPF portfolio, and the agency funds portfolio to the “temporary period” as such term is defined by the Internal Revenue Code, §Section 148, during which period bond proceeds may be segregated and invested at an unrestricted yield. After the temporary period ends, the ~~Travis County~~ Investment Officers must consider the anticipated cash flow requirements of the funds and invest the portions of the pooled bond funds portfolio, the debt service portfolio, and the agency funds portfolio subject to yield restriction within limits permitted by Federal arbitrage regulations.
- (b) The ~~Travis County~~ Investment Officers must monitor the maturity dates of all investments in the pooled bond funds portfolio, ~~and~~ the debt service portfolio, and the LPPF portfolio to ensure that the dollar-weighted average maturity for each portfolio does not exceed one year. The weighted average maturity is calculated as of the end of each month using the stated final maturity dates for each security.
- (c) If these levels are exceeded, the Travis County Investment Officers shall take all prudent measures that are consistent with this ~~Policy~~Chapter to analyze the investment and determine the most prudent course of action to minimize any potential economic loss.
- (d) The maximum allowable stated maturity of any individual investment owned by the pooled bonds fund portfolio and the debt service portfolio, that is not subject to the temporary period, is the same as the operating portfolio (See Section 23.050); ~~except provided, however, that the maximum allowable stated maturity~~ for the below investment types shall be as followsing:

Commented [HG12]: Did we forgot the LPPF portfolio here?

Investment Type	Maturity Limit
Obligations of the U.S. – Treasury Notes/Bonds/Bills	3 years
Obligations of U.S. Agencies.....	3 years

Collateralizing Deposits

23.052 Collateral Requirements for All Deposits

- (a) Certificates of deposit and bank deposits in financial institutions must be either federally insured or collateralized only with the following securities:
 - (1) Direct obligations of the United States or its agencies and instrumentalities;
 - (2) Other obligations, the principal and interest on which are unconditionally guaranteed or insured by or backed by the full faith and credit of the United States or its 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;

- (3) Letters of credit issued to ~~Travis County Healthcare~~ District by the Federal Home Loan Banks, if approved in advance by Travis County Healthcare District.
- (b) If an event causes an increase in ~~C~~collateral of more than \$50 million to be needed after noon on any business day, the market value of collateral must be equal to or greater than 100% of the par value of the certificates of deposit, plus accrued interest, and equal to or greater than 100% of the bank deposits plus accrued interest, less the amount insured by the Federal Deposit Insurance Corporation and may remain at that level until the next business day when additional collateral can be obtained. At all other times, the market value of collateral must be equal to or greater than 105% of the par value of the certificate of deposits plus accrued interest and equal to or greater than 105% of the bank deposits plus accrued interest, less the amount insured by the Federal Deposit Insurance Corporation.

23.053 Monitoring Collateral Adequacy for All Deposits

Financial institutions with which ~~Travis County Healthcare~~ District has certificates of deposit or bank deposits must provide ~~Travis County Healthcare~~ District with monthly reports that state the market values of collateral. The ~~Travis County~~ Investment Officers monitor the adequacy of collateral at least weekly. If the value of the collateral falls below the required level, the financial institution must pledge additional collateral no later than the end of the next business day after the value falls below the required level.

23.054 Substituting Collateral for All Deposits

- (a) If the financial institution collateralizing certificates of deposit and bank deposits wants to substitute new collateral, the financial institution must contact the ~~Travis County~~ Treasurer for approval.
- (b) The ~~Travis County~~ Investment Officer must calculate the value of the substituted collateral and determine that the substituted collateral is within the requirements of this ~~Investment Policy Chapter~~ and the ~~Depository Bank Contract~~.
- (c) The value of the new collateral must equal at least the value of the original collateral. If the collateral has sufficient value, the ~~Travis County~~ Treasurer may approve the substitution.
- (d) The ~~Travis County~~ Treasurer must notify the financial institution or the safekeeping agent holding the collateral when any substitution is approved. Although substitution is allowable, it should be limited to minimize a potential administrative burden. The ~~Travis County~~ Treasurer may limit substitutions and assess reasonable fees if requests for substitution become excessive or abusive.

Commented [HG13]: This isn't a defined term and hasn't been mentioned elsewhere in this chapter

23.055 Agreements and Safekeeping for All Deposits

Financial institutions serving as District depositories must enter into agreements for the safekeeping of collateral with both ~~Travis County Healthcare~~ the District and its safekeeping agent, or agree to cooperate with the Federal Reserve Bank under the terms of its Pledge Agreement Form, to define ~~Travis County Healthcare~~ the District's rights to the collateral in case of default, bankruptcy, or bank closing. All collateral securing deposits is held by the safekeeping agent.

23.056 Collateral Requirements for Repurchase Agreements

Issuers of repurchase agreements must collateralize them with obligations of the United States or its agencies. These issuers must wire transfer the collateral to the safekeeping agent designated by ~~Travis County Healthcare~~ the District through the Federal Reserve System. If the collateral matures in one year or less, the value of the collateral must be at least 101% of the par value of the repurchase agreement plus accrued interest. If the collateral matures in one to two years, the value of the collateral must be at least 102% of the par value of the repurchase agreement plus accrued interest. Collateral maturity is limited to two years.

Commented [HG14]: What if there is no repurchase agreement? For example, Section 23.055 allows an issuer to forego execution of a repurchase agreement if it agrees to cooperate with the FDIC pursuant to a Pledge Agreement

23.057 Monitoring Collateral Adequacy for Repurchase Agreements

The ~~Travis County~~ Investment Officer must monitor all collateral underlying repurchase agreements weekly. More frequent monitoring may be necessary during periods of market volatility. If the value of the collateral for a repurchase agreement falls below the required level, the ~~Travis County~~ Investment Officer must make a margin call unless the repurchase agreement matures within five business days and the difference between the value of the collateral and the required level is immaterial.

23.058 Substituting Collateral for Repurchase Agreements

Seller shall obtain written consent of ~~Travis County~~ Healthcare District prior to substitution. The duration (or maturity) of securities offered as substitutes may not exceed the duration or maturity of the originally purchased securities.

Commented [HG15]: Is the word Seller synonymous with the word Issuer, which is the word used before now?

23.059 Safekeeping of Repurchase Agreement Collateral

Issuers of repurchase agreements must transfer collateral for repurchase agreements to the safekeeping agent with whom ~~Travis County Healthcare~~ the District has established a safekeeping agreement.

(23.060 - 23.070 Reserved for expansion)

Subchapter F. Liquidity

23.071 Achieving Liquidity

Investments are selected to meet anticipated cash needs. The ~~Travis County~~ Investment Officers must achieve liquidity by purchasing eligible investments described by [Section 23.042\(b\)](#) with active secondary markets, eligible MMMF's, and LGIP's.

23.072 Liquidating Investments

The Travis County Investment Officers may liquidate an investment to meet unanticipated cash requirements, to redeploy cash into other investments expected to outperform current holdings, or to adjust the portfolios for other reasons.

(23.0073 - 23.080 Reserved for expansion)

Subchapter G. Investment Return Achievement

23.081 Priority of Investment Goals

The ~~Travis County~~ Investment Officers must consider legality, safety, liquidity, diversification, risk, and rate of return in investment selection for all portfolios. Investments are made in securities with maturities corresponding to anticipated cash requirements. Investments are to take advantage of yield curves and earn additional returns. The ~~Travis County~~ Investment Officers must actively manage all ~~Travis County Healthcare~~ District portfolios to enhance total income in compliance with the "prudent investor rule" described by [Section 23.013](#). The ~~Travis County~~ Investment Officers may use bond swaps to achieve these management goals.

23.082 Bond Swaps

If the demand for a bond from a particular agency creates a situation where the yields in that agency's bonds are the same or less than an equivalent treasury security, swapping the agency's bond for a treasury security can improve the quality of ~~Travis County Healthcare~~ the District's portfolios. If bonds in a particular maturity range are limited in the market, swapping a bond in demand for a similar bond in a different maturity range may be advantageous.

- (1) The ~~Travis County~~ Investment Officers may swap a bond held in any ~~Travis County Healthcare~~ District portfolio for a comparable bond in the market to improve portfolio yield even if the transaction results in an accounting loss.
- (2) The ~~Travis County~~ Investment Officers may swap a bond held in any ~~Travis County Healthcare~~ District portfolio if the overall yield of the portfolio will not decrease after the swap and the date of maturity of the new security is less than 181 days after the maturity date of the old security.

- (3) The ~~Travis County~~ Investment Officers must solicit competitive bids for bond swaps. All bids received are documented and filed for auditing purposes.

(23.0083 - 23.090 Reserved for expansion)

Subchapter H. Investment Responsibilities By Office

23.091 Training

- (a) The ~~Travis County~~ Treasurer, the ~~Travis County~~ Investment Officers, the Chief Financial Officer and the Controller of the ~~Travis County Healthcare~~ District shall attend at least one 10 hour training session from an independent source approved by the Board of Managers and containing at least 10 hours of instruction relating to his/her responsibilities under the Public Funds Investment Act within twelve months after taking office. These persons shall also attend an 8 hour investment training session not less than once ~~in every two years, which two-year~~ period ~~that~~ begins on the first day of ~~Travis County Healthcare~~ the District's fiscal year and shall end on the last day of the second consecutive fiscal years after that date, and receive not less than 8 hours of instruction relating to investment responsibilities under the Public Funds Investment Act from an independent source approved by Board of Managers. Training must include education in investment controls, security risks, strategy risks, market risks, diversification of investment portfolio, and compliance with the Public Funds Investment Act.
- (b) The independent sources approved by Commissioners Court are:
- Government Finance Officers Association
 - Government Finance Officers Association of Texas
 - Government Treasurers Organization of Texas
 - Texas Association of Counties
 - Austin Treasury Management Association
 - Alliance of Texas Treasury Associations
 - Texas Municipal League
 - Texas Society of CPAs
 - Association of Government Accountants
 - University of North Texas
 - University of Texas
 - Texas A&M University
 - County Treasurers Association of Texas
 - Texas Association of County Auditors
 - Western CPE
 - First Southwest Company

Commented [HG16]: I don't recall the Board ever approving trainings for Danielle or Karen.

23.092 Treasurer's Office

In the investment function, the ~~Travis County~~ Treasurer has the following responsibilities:

- (1) Notifying of Controlled Disbursement Requirements. The Treasurer notifies the ~~Travis County~~ Investment Officers if additional funds are required for the daily controlled disbursement to ensure that investments are liquidated in time to meet the controlled disbursement requirements.
- (2) Processing Investments. The ~~Travis County~~ Treasurer may transact wire transfers for District investment purposes ~~for Travis County Healthcare District~~. The ~~Travis County~~ Investment Officers notify the ~~Travis County~~ Treasurer of the amount to be transferred. The ~~Travis County~~ Treasurer transfers funds to the safekeeping account to purchase the investment. In addition, the ~~Travis County~~ Treasurer and the ~~Travis County~~ Investment Officers approve the wire transfer form.
- (3) Depositing Investment Principal and Interest. The ~~Travis County~~ Treasurer deposits principal and interest at maturity to the funds bank account indicated by the ~~Travis County~~ Investment Officers.
- (4) Ensuring Security of Investments. The ~~Travis County~~ Treasurer accesses the depository's files daily to verify ~~Travis County Healthcare~~ the District's account balances. The ~~Travis County~~ Treasurer adds the certificates of deposit purchased by the ~~Travis County~~ Investment Officers, to the total District's cash balances to obtain the total district balance. The ~~Travis County~~ Treasurer compares the total ~~District~~ balance to the total collateral purchased by the depository banks.
 - (A) The collateral must be 105% of ~~Travis County Healthcare~~ the District's total balances held with the depository.
 - (B) If the collateral is less than 105% of ~~Travis County Healthcare~~ the District's total balances, the ~~Travis County~~ Treasurer must contact the depository bank to verify that the depository bank has increased the collateral to the required level.

23.093 Investment Management Office

- (a) The Travis County Chief Investment Officer is the primary manager of the District's investment portfolios.
- (b) The Travis County Chief Investment Officer, the Travis County Investment Manager, and the Senior Financial Analyst, makes investment decisions, and keep proper records of District investments. In the investment function, the ~~Travis County~~ Investment Officers have the following responsibilities:
 - (1) Developing Investment Strategies. The ~~Travis County~~ Investment Officers develop an investment strategy to administer investments of

~~Travis County Healthcare~~the District. The ~~Travis County~~ Investment Officers use the following procedures in the investment strategy:

- (A) summarize the economic and market analysis;
 - (B) forecast available cash for investment;
 - (C) formulate strategies for asset mix, investment instruments, maturities, and target yields;
 - (D) monitor performance against the current investment strategy and evaluating reasons for variances;
 - (E) report portfolio performance for the previous quarter to the Board of Managers; and
- (2) Selecting and Processing Investments
- (A) The ~~Travis County~~ Investment Officers review the composition of the current portfolio and determine whether the securities under consideration maintain the portfolio within policy guidelines.
 - (B) The ~~Travis County~~ Investment Officers and the ~~Travis County~~ Treasurer approve the wire transfer form authorizing the transfer of funds for a specific investment transaction.
- (3) Documenting Investments and Providing Details. The ~~Travis County~~ Investment Officers retain documentation of all investment transactions, including bond swaps. The ~~Travis County~~ Investment Officers provide information and supporting documentation for all investment transactions to the President and CEO or Chief Financial Officer of the District for appropriate accounting and recording. The ~~Travis County~~ Investment Officers provide information and back-up documentation of all investment transactions to the Treasurer to ensure accurate calculation of cash position and accurate posting to appropriate fund bank accounts.
- (4) Developing Cash Flow Projections for All Portfolios. The ~~Travis County~~ Investment Officers analyze prior period data and meet with the President and CEO or Chief Financial Officer of the ~~Travis County Healthcare~~ District to develop and amend cash flow projections to meet Travis County Healthcare the District's cash requirements. The Travis County Investment Officers use cash flow projections to match assets and liabilities in addition to maximizing the return on investments.
- (5) Determining Cash Available for Investment. The ~~Travis County~~ Investment Officers determine the amount of dDistrict and Paying Provider funds available for investment each business day. All funds that can be legally invested and that are not required for that day's controlled disbursement are considered funds available for investment.
- (6) Monitoring Investment Performance

Commented [HG17]: Throughout this chapter, we have inconsistently used the semi colon and comma. I prefer the semi-colon.

Commented [HG18]: Please confirm that my edits accurately capture the responsibility that this subsection is trying to describe

- (A) The Travis County Chief Investment Officer must routinely perform market and economic analyses to forecast probable market conditions for the investment period. Analysis is done by assembling and analyzing current and trend data to develop and plan investment strategy. This analysis uses information obtained from investment advisors, brokers, investment industry publications, and investment industry information systems.
- (B) The Travis County Chief Investment Officer monitors the current and expected yield curves for interest rate movements. When interest rates are expected to decline, maturity ranges are extended within portfolio ~~and policy constraints~~ and the limits set forth in this Chapter. When interest rates are expected to increase, maturity ranges are shortened. The Travis County Chief Investment Officer monitors yield spreads between various government agency issues and United States notes and bonds to determine the best value. The Travis County Chief Investment Officer summarizes economic and market trend information. The Travis County Chief Investment Officer also presents recommendations for investment strategy based on economic and market conditions.
- (7) Reconciling Investment Records and General Ledger. The ~~Travis County~~ Investment Officers provide the President and CEO of the District with a monthly report that states investments at par value, the identifying cusip number, the premium or discount, and the interest purchased. The report includes monthly and year-to-date interest accruals and amortization/accretion of premium/discount. The District's Chief Financial Officer reconciles this report to the investment accounts in the general ledger.
- (8) Providing Revenue Estimates for All Portfolios. The Travis County Chief Investment Officer provides an estimate of the investment revenue for the District's annual budget.

23.094 Auditor's Office

The Auditor, in conjunction with its annual financial audit, shall perform a compliance audit of management controls on investments and adherence to ~~this Chapter Travis County Healthcare District Investment and Collateral Policies and Procedures~~ and ~~Texas Government Code Annotated Chapter 2256, known as~~ the Texas Public Funds Investment Act.

23.095 District Finance Department

~~District-The Finance~~ Chief Financial Officer of the District is the primary monitor of District transactions. The District's Finance Department staff, on the Chief Financial

Officer's direction, prepares the general ledger and makes all entries in it. In the investment function, the Finance staffDepartment has the following responsibilities:

- (1) Posting Investments and Reconciling to the General Ledger. The Finance staffDepartment posts investment transactions, investment interest revenue received, and accrued interest income to the general ledger.
 - (A) The Chief Financial Officer reviews and approves the monthly reconciliation of investments, investment interest revenue received, and accrued interest income to the general ledger.
 - (B) The Chief Financial Officer notifies the Travis County Investment Officers if there are any discrepancies between the monthly investment report described in Section§ 23.042-(7) and the general ledger so that these two entities can work together to reconcile the differences.
- (2) Reconciling Safekeeping Reports with Investments. On a quarterly basis, the Finance staffDepartment reconciles the investment securities Safekeeping Report, which is provided to the Treasurer by the Depository Bank, to the report of currently owned investment securities as of that date, which is provided by the Travis County Investment Officers.
- (3) Monitoring Arbitrage. The Finance staffDepartment monitors Travis County Healthcare the District's arbitrage responsibilities, if necessary, and provides the bond fund transaction information required by Travis County Healthcare the District's arbitrage advisors.
- (4) Allocating Budget from Interest Revenue. The Finance staffDepartment allocates the interest revenue earned from investments proportionately to all funds that participate in the investment function.

23.096 District President and CEO

The President and CEO of the District is the chief custodian of District funds. The President and CEO receives funds due to Travis County Healthcare the District, makes disbursements authorized by the Board of Managers after the checks are co-signed by the President and CEO and one other authorized signatory for the District, and keeps proper records of District finances. The duties of the President and CEO under this section may be carried out on a daily basis by District Finance Department staff.

(23.097 - 23.100 Reserved for expansion)

Subchapter I. Investment Purchasing Procedures

23.101 Competitive Bidding

- (a) ~~The Travis County Healthcare~~ District requires competitive bidding for all individual security purchases except for those transactions with MMMFs, LGIPs, treasuries purchased through the Federal Reserve Treasury Direct Accounts, and for government securities purchased at issue through an approved broker/dealer at the auction price. The ~~Travis County~~ Investment Officers may rely not only on yield in selecting MMMFs and LGIPs but also on adherence to applicable Securities and Exchange Commission (SEC) guidelines for MMMFs and other criteria determined by the Travis County Chief Investment Officer~~her~~.
- (b) At least three bids or offers must be solicited in all transactions involving individual securities. For those situations where it may be impractical or unreasonable to receive three bids for a ~~District~~~~agency~~-transaction due to secondary market availability, bids may be considered comparable for agencies with comparable structures and having maturities within 15 calendar days before and after the requested security. Competitive bidding for security swaps is also required. Bids may be solicited in any manner provided by law. All bids received must be documented and filed for auditing purposes.
- (c) At least three bids or offers must be solicited in transactions involving domestic commercial paper. These bids shall be obtained from approved broker/dealers or from a financial information source, such as Bloomberg. When bids are obtained from a financial information source, the commercial paper selected may be purchased directly from the issuer. Different issuers may be compared to select the highest yielding, domestic commercial paper. The ~~Travis County~~ Investment Officers may rely not only on yield in selecting commercial paper but also on other criteria determined by the Travis County Chief Investment Officer~~her~~. The criteria to follow when soliciting bids are as follows:
 - (1) The maturity dates must be the same, and
 - (2) The method of settlement must be the same whether regular settlement next day or cash settlement same day.

23.102 Preliminary Requirements for Repurchase Agreements

Before ~~Travis County Healthcare~~ District enters into a repurchase agreement with any issuer, that issuer must sign a Master Repurchase Agreement approved by the Board of Managers and return it to the ~~Travis County~~ Investment Officers for filing. All Repurchase Agreements are recommended by the ~~Travis County~~ Investment Officers, reviewed by Travis County Attorney's Office, and approved by the Board of Managers.

Commented [HG19]: This is somewhat confusing, as the first sentence suggests that only the Board must approve of the agreement, but the second suggests that the Investment Officers and the Travis County Attorney's Office must recommend execution of all such agreements.

23.103 Wire Transfer Procedures

- (a) In executing investment transactions, the ~~Travis County~~ Treasurer must use pre-formatted repetitive wire transfers, whenever possible, to restrict transfers of funds to pre-authorized accounts.
- (b) For transfer of investment funds via wire to non-county accounts, the agreement with the depository bank must require the depository bank to call the ~~Travis County~~ Investment Officer for confirmation that this transfer is authorized prior to the transfer.

Commented [HG20]: Should this be District?

(23.104 - 23.110 Reserved for expansion)

Subchapter J. Performance Evaluation and Reporting

23.111 Levels of Evaluation

Evaluation is conducted at several levels. The ~~Travis County~~ Investment Officers continually monitor and evaluate the investment performance. The Board of Managers evaluates the Travis County Investment Officers entire performance.

23.112 Performance Analysis and Reporting

The Travis County Chief Investment Officer determines the level and content of daily and weekly performance analysis and reporting. The Travis County Chief Investment Officer and the Board of Managers jointly decide the level and content of monthly performance analysis and reporting.

23.113 Quarterly Performance Analysis and Reporting

- (a) The ~~Travis County~~ Investment Officers must prepare, provide, and sign a quarterly summary report, for each fund group, that describes in detail the investment position of ~~Travis County Healthcaare~~ the District and evaluates investment performance based on this Chapter's investment ~~policy~~ objectives. The quarterly report will identify the method and source used to monitor the market price of investments and ~~also will~~ also indicate whether the method and source changed from the previous quarterly report. This report must be submitted to the Board of Managers. A comparison of the performance of ~~Travis County Healthcaare~~ the District's portfolio to appropriate benchmarks selected by the Travis County Chief Investment Officer is presented. The report addresses compliance with this e-investment policy in Chapter's diversification requirements by type and maturity. The report also includes the following information:
 - (1) Cash availability,
 - (2) Market review,
 - (3) Investment strategy – next quarter,

Commented [HG21]: Is the fund group different than a portfolio?

- (4) Performance measurement: the standard used by ~~Travis County Healthcare~~ the District to measure its investment return is based on the yield to maturity of all investments in the portfolio, using the stated final maturity date of each security,
 - (5) Portfolio statistics,
 - (6) Collateral adequacy for repurchase agreements,
 - (7) Collateral adequacy for bank deposits and certificates of deposit,
 - (8) Investment activity,
 - (9) Market valuation:
 - (A) at beginning of quarter, and
 - (B) at end of the quarter, for each portfolio,
 - (10) Distribution of investments by broker/dealer/financial institution,
 - (11) Distribution of investments by type of investment,
 - (12) Fully accrued interest for the reporting period,
 - (13) For each separately invested asset,
 - (A) state book value and market value at the beginning and end of the quarter by the type of asset and fund type,
 - (B) state maturity date, and
 - (C) state the fund for which it was acquired, and
 - (14) Signatures of the Travis County Chief Investment Officer and the Travis County Investment Manager certifying compliance ~~of the Travis County Healthcare District investment portfolios with the Travis County Healthcare District investment strategy, policy with this Chapter~~ and the Public Funds Investment Act.
- (b) The reference to Generally Accepted Accounting Principles in [Section 23.113](#) (a) relates only to internal reporting of investments by the Travis County Chief Investment Officer as required under Texas Government Code [Section 2256.023](#), and does not apply to annual financial statements and other external reports of ~~Travis County Healthcare~~ the District as a whole.

23.115 Annual Performance Analysis and Reporting

- (a) The Travis County Chief Investment Officer compiles the quarterly reports into an annual report at the end of each District fiscal year and submits it to the Investment Advisory Committee and the Commissioners Court by the end of the first quarter of the following fiscal year.
- (b) An independent auditor chosen to audit the ~~Travis County Healthcare~~ District's annual financial statements must formally review the quarterly investment reports that are prepared in compliance with the Public Funds Investment Act. In conjunction with this audit, ~~Travis County Healthcare~~

Commented [HG22]: Is this language a holdover from the County's investment policy? Nothing within Chapter 281 would require this step

District shall perform a compliance audit of management controls on investments and adherence to this ~~Investment Policy~~Chapter. This review should be performed at least annually and the results reported to ~~the~~ Board of Managers.

(23.116 - 23.120 Reserved for expansion)

Subchapter K. Investment Policy Review And Amendment

23.121 Review Procedures

The Travis County Chief Investment Officer must review this ~~Travis County Healthcare District Investment and Collateral Policies and Procedures~~Chapter annually to make revisions due to legislative actions and changing market conditions. This review must be done by the third quarter of the calendar year after each legislative session. The Travis County Chief Investment Officer must present a summary report of the review with changes recommended to the Board of Managers. The Board of Managers must review this ~~Chapter~~investment policy and investment strategies at least annually.

23.122 Changes to the Investment Policy

After adoption of this ~~Travis County Healthcare District Investment and Collateral Policies and Procedures~~Chapter, the Board of Managers must approve any revisions to the ~~policy~~Chaptermanual before they become effective, by adopting a written instrument stating it has reviewed the Investment Policy and investment strategies. This written instrument must record any changes made to either the policy or strategies.

(23.123 - 23.130 Reserved for expansion)



CENTRAL HEALTH

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BOARD MEETING

July 31, 2019

REGULAR AGENDA ITEM 4

Discuss and take appropriate action to appoint directors to the Board of Sendero Health Plans, Inc.



MEMORANDUM

To: Central Health Board of Managers
From: Mike Geeslin, President and CEO
Cc: Stephanie Lee McDonald, Chief of Staff
Date: July 26, 2019
Re: Agenda Item 4: Discuss and take appropriate action to appoint directors to the Board of Sendero Health Plans, Inc. (*Action Item*)

Overview:

Pursuant to the Bylaws for Sendero Health Plans, Inc. ("Sendero"), Central Health appoints the Directors to the Sendero Board of Directors (the "Sendero Board"). Sendero Board terms are for two years and staggered. There are no limits to the number of terms a board member serves.

Synopsis:

It has been the practice to have a sitting Central Health Board Member on the Sendero Board and it is our recommendation that the Central Health Board of Managers reappoint Dr. Charles Bell to the Sendero Board. Dr. Bell is serving on the Sendero Board and has a thorough understanding of Sendero and the health plan industry. The term would expire October 1, 2021.

With board approval, the following directors would be reappointed to the Sendero Board:

- Two year term ending October 1, 2021: Larry Wallace, Jeff Knodel and Dr. Charles Bell
- Two year term ending January 15, 2022: Juan Garza, Carl Richie and Lynne Hudson

Recommendation:

Reappoint Directors to the Sendero Board.

Bios:

Charles E. Bell, M.D., M.S. – Central Health Treasurer

Charles E. Bell, is currently semi-retired and works part-time with Texas A&M Health Science Center as a medical advisor of the KSTAR physician assessment program and as a part-time medical director for LeFleur Transportation.

Most recently, he served as the President of the Diabetes Health and Wellness Institute in Dallas, Texas from January 2013 to March 2016. He also served as Deputy Executive Commissioner at Texas Health and Human Services Commission from March 2003 to August 2011. During his career in state service, he has served as the Interim Commissioner of the Department of State Health Services in 2006 and as the Interim Commissioner of the Texas Department of Health in 2001.

He has also held the following positions: Executive Deputy Commissioner of the Texas Department of Health (TDH), Regional Medical Director of TDH Public Health Region 1 in Lubbock, Texas, Chief of the Bureau of HIV and Sexually Transmitted Disease Prevention, and Medical Director of the Sexually Transmitted Disease Clinic at the San Antonio Metropolitan Health District.

Dr. Bell received his undergraduate degree from the University of Dallas in Irving, Texas, his medical degree from UT Southwestern Medical School in Dallas, completed a one-year residency in Internal Medicine at St. Francis Hospital in Hartford, Connecticut and received his master's degree in healthcare administration from Trinity University in San Antonio, Texas. Dr. Bell is a native Texan born in Port Arthur, Texas.

Jeff Knodel, Central Health Vice President & Chief Financial Officer

Jeff Knodel originally came to Central Health as the Regional Healthcare Partnership Director, directing Central Health's role as the anchor entity for Regional Health Partnership 7 of the 1115 Medicaid Waiver in Texas.

Previously, Mr. Knodel worked as Deputy Chief Financial Officer for the City of Austin where he held various positions over 25 years, including Deputy Controller and Controller for the City. Among other projects, he headed the wind-down of operations at the then city-owned and operated Brackenridge Hospital prior to its transition to Central Health in 2004.

Jeff graduated from Southwest Texas State with a Bachelor's Degree in Management and has been a Certified Public Accountant for more than 22 years.

Larry Wallace, Central Health Enterprise Chief Administrative Officer

Larry Wallace is a proven health care leader and advocate with over 30 years' experience in developing and leading integrated health care operations. Since joining Central Health, Larry has provided critical oversight of key operational functions in departments such as Finance, Human Resources, Health Information Technology, Eligibility Services, and Facilities.

In his time here, Larry has effectively represented Central Health in community engagement opportunities and developed important collaborations and critical linkages with community partners, local safety net providers, community leaders, and constituents. These efforts have helped make significant progress to improve access to health care for Travis County residents.

Prior to joining Central Health, Larry served as an executive at John Peter Smith Hospital (JPS) in Fort Worth, Texas, where he completed their administrative residency program and held several positions during his 19-year tenure. While serving as Vice President for Community Health, Larry led the effort to establish a network of 18 community-based health centers and coordinated multiple service lines to include primary and specialty care, pharmacy, and dental

care. Other positions held during his JPS tenure include Director of Business Services, Chief Administrative Director, and Family Practice Residency Program Operations Director. Prior to JPS, Larry also worked at The University of Texas Health Science Center in Dallas, as well as Parkland Hospital.

Larry holds a Bachelor's Degree in Business Administration from Dallas Baptist University and an MBA from Amberton University in Dallas. While serving in the United States Army, Larry attended the U.S. Academy of Health Sciences and received certifications as an Eye, Ear, Nose, and Throat Specialist. Larry is also a member of the Medical Group Management Association and the American College of Health Care Executives.

Juan Garza, Sendero Board of Directors

Mr. Garza has served on the Sendero Board of Directors since January 2014. He served as the Vice President of Finance and Development for Central Health and is currently serving as Director of Finance in which capacity he is leading the master planning project for the reuse/redevelopment of the Central Health Brackenridge Campus.

Mr. Garza was formerly the president of Advance Technology Initiatives for NRG Energy, where he supported NRG Energy's Advanced and Alternative Power projects in Texas. Prior to this position, Mr. Garza was general manager of Pedernales Electric Cooperative, Inc., general manager of Austin Energy and city manager for the City of Corpus Christi.

Additionally, Juan completed a tour of duty in Vietnam and has earned a B.S. in Mathematics and an MBA from Loyola University. Mr. Garza calls Cotulla, Texas his hometown, but was raised in several parts of the Midwest and the Southwest.

Lynne Hudson, R.N.-C.M.P.M., Sendero Board of Directors

Lynne Hudson was appointed to the Central Health Board of Managers in May, 2011 by the Austin City Council. Ms. Hudson's professional career is focused on public health and community based nursing. She is currently a part-time contract nurse practitioner and a member of the clinical faculty with the University of Texas School of Nursing, and has extensive experience in healthcare administration and health policy.

Her medical expertise is in gynecology and general women's health as a Women's Health Care Advanced Nurse Practitioner, which she still practices as a volunteer and as a consultant. She was previously the director of managed care operations for Texas Tech University Health Sciences Center, as well as Deputy Associate Commissioner of Health Care Financing for the Texas Department of Health.

Ms. Hudson is an active community supporter, volunteering with Circle of Health International, and as a medical and educational volunteer for numerous humanitarian relief efforts, both domestic and foreign. She is also a past member of the Board of Directors of Brackenridge Hospital (now University Medical Center Brackenridge), a member of the Board

of Directors for Austin Recovery, a founding member of the Texas Nurse Practitioner Association and a founding member of the Coalition for Nurses in Advanced Practice.

Carl Richie, Sendero Board of Directors

Mr. Richie's areas of concentration are administrative law and legislative representation. He represents clients before the Texas Legislature on a broad array of public policy issues. Additionally, he represents clients in administrative matters before state and federal agencies in the areas of campaign finance, energy matters and housing issues. Prior to starting his own law firm, Mr. Richie worked in three major Texas based law firms where he managed both large and small external legislative teams for governmental and quasi-governmental clients, corporations and trade associations on a wide range of public policy issues.

Most recently, he served as Vice President of Government Affairs for TXU Energy where he managed the company's state legislative and regulatory advocacy team and external consultants. Additionally, he managed TXU Energy's employee-based political action committee and its associated activities. Mr. Richie has extensive legislative experience. He has worked on all three levels of government. He began his legislative career serving as a Fellow to a member of the United States Congress and later as Council Coordinator to a member of the Houston City Council. Mr. Richie went on to serve as a legislative assistant for two state senators. He also served as Deputy Chief of Staff to Texas Governor Ann W. Richards. While serving in the Governor's office, he supervised the creation of the Texas Ethics Commission and served as the agency's first Interim Director.



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BOARD MEETING

July 31, 2019

REGULAR AGENDA ITEM 5

Discuss and take appropriate action on health care service delivery expansion in Eastern Travis County, including project budgets and project timelines.¹



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BOARD MEETING

July 31, 2019

REGULAR AGENDA ITEM 6

Discuss the 1115 Medicaid Waiver, Delivery System Reform Incentive Payment (DSRIP) projects, the Community Care Collaborative, including health care delivery arrangements, and other interrelated community partnerships.¹



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BOARD MEETING

July 31, 2019

REGULAR AGENDA ITEM 7

Discuss an update regarding Sendero Health Plans, Inc., including the effect of federal legislative and regulatory actions.¹



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BOARD MEETING

July 31, 2019

REGULAR AGENDA ITEM 8

Discuss Central Health owned or occupied real property, and potential property for acquisition or lease, including the Downtown Campus and properties located in Eastern Travis County.¹



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BOARD MEETING

July 31, 2019

REGULAR AGENDA ITEM 9

Receive and discuss a report from the President & CEO on Central Health operations and current activities, including: (a) the Fiscal Year 2019 strategic work plan and operational priorities; (b) an assessment of systems and processes; and (c) other personnel matters.¹



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BOARD MEETING

July 31, 2019

REGULAR AGENDA ITEM 10

Confirm the next regular Board meeting date, time, and location.