# NUECES COUNTY HOSPITAL DISTRICT

## Briefing Paper

**SUBJECT:** Annual Review and Adoption of Investment Policy and Investment Strategies

### Purpose

To brief the Board of Managers regarding the annual review and proposed re-adoption of the Nueces County Hospital District's Investment Policy and Investment Strategies in accordance with the Texas Public Funds Investment Act.

### Background

The Texas Public Funds Investment Act requires the Board to review the District's investment policy and investment strategies not less than annually and to adopt a written instrument documenting that review and any changes made to the policy or strategies.

The District originally adopted its Investment Policy and Investment Strategies in 1998 and has periodically amended them. The most recent amendments were adopted June 25, 2024. As part of the current annual review, the Board is being asked to acknowledge its review, record that no changes are being made, and re-adopt the existing Investment Policy and Investment Strategies effective September 1, 2026.

### Investment Policy Framework

The Investment Policy governs the District's cash and investment assets, including applicable trust and escrow arrangements and depository collateral requirements. It establishes the framework for management of available cash and investments consistent with applicable state law.

The Policy identifies the District's investment objectives, in order of priority, as safety of principal, liquidity of principal, investment diversification, yield, and public trust. Safety and liquidity remain the primary objectives, with investment decisions structured to preserve capital, maintain adequate funds for anticipated cash requirements, diversify risk, and obtain reasonable investment earnings.

### Investment Strategy

The District's investment strategy provides for a comprehensive, conservative, and proactive cash management program designed to monitor and control District funds, maintain liquidity, and obtain reasonable market yield. The strategy contemplates a combined investment portfolio and permits adjustments as market conditions and anticipated cash requirements change.

The strategy emphasizes high-credit-quality investments, matching maturities to anticipated cash needs, portfolio diversification, competitive investment practices, and use of authorized investments to obtain reasonable returns within the District's risk and liquidity parameters. The Policy generally limits individual securities to maturities of no more than five years and limits the portfolio's weighted average maturity to no more than two years.

### Liquidity, Diversification and Yield

The Policy requires the District to maintain adequate liquidity to meet ongoing obligations and provides that at least 10 percent of the portfolio be maintained in readily available funds such as local government investment pools, money market funds, or fully collateralized bank deposits.

Diversification requirements are intended to reduce concentration, credit, and market risks through a planned mix of investments and maturities. The District also seeks reasonable investment yield within established safety and liquidity constraints and may use laddered maturities and other authorized strategies to align investment activity with projected cash requirements.

## Authorized Investments and Controls

The Policy identifies authorized investment instruments that include specified U.S. government and agency obligations, certain state and local obligations, certificates of deposit, repurchase agreements, qualifying commercial paper, money market mutual funds, local government investment pools, and fully insured or collateralized interest-bearing accounts, subject to applicable limits and legal requirements.

The Policy also establishes requirements for competitive bidding, delivery-versus-payment settlement, safekeeping, collateralization, monitoring of market values and credit ratings, internal controls, compliance auditing, investment officer training, and periodic management and Board reporting.

## Investment Governance and Oversight

Overall responsibility for administration of the investment program is delegated to the Administrator, with investment authority exercised by persons designated as Investment Officers by Board resolution. The Investment Committee, which includes members of the Board's Finance Committee and designated District personnel, provides ongoing oversight of investment strategy, portfolio performance, diversification, risk, authorized financial institutions, and related matters.

Investment officers are subject to prudence, ethical, conflict-of-interest, training, reporting, and internal-control requirements. The Policy also provides for periodic review of the investment program through management reports, quarterly reporting to the Board, and compliance review in connection with the District's annual independent financial audit.

## Annual Review and Proposed Action

The proposed resolution documents completion of the Board's annual review of the Investment Policy and Investment Strategies. No changes are proposed as part of this review.

The Board would re-adopt the existing Investment Policy and Investment Strategies, attached to the resolution as Exhibit A, to supersede and replace the current policy and strategies effective September 1, 2026. The resolution also authorizes the Administrator to take the actions and execute the documents necessary to implement the Board's action.

## Fiscal Impact

The resolution does not itself appropriate or expend District funds. Rather, it establishes the policy and strategy framework governing the investment and management of District cash and investment assets. Investment earnings generated under the Policy are generally allocated to the appropriate District fund, subject to applicable accounting requirements and law.

## Board Consideration

The Board is being asked to acknowledge completion of its annual review, confirm that no changes are being made to the Investment Policy and Investment Strategies, and re-adopt the existing policy and strategies effective September 1, 2026, as required by the Texas Public Funds Investment Act.

## Summary

The proposed resolution fulfills the District's annual investment policy review requirement and continues the existing Investment Policy and Investment Strategies without amendment. The policy maintains a conservative investment framework emphasizing safety, liquidity, diversification, reasonable yield, public trust, and appropriate governance and internal controls for the management of District funds.