



# **Texas County Treasurers' Resource Guide**

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**Prepared for County Treasurers' of Texas by the County Treasurers' of Texas.**

# TEXAS COUNTY TREASURERS' RESOURCE GUIDE

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# NOTICE

This Resource Guide is disseminated under the sponsorship of the County Treasurers' Association of Texas. All legal references to state statutes are current through the enactments of the 83rd Texas State Legislature (2013).

Great care has been taken in the preparation of the resource guide, but the publisher cannot guarantee the correctness of all information available, or the complete absence of errors or omissions, or the presence of unintentional inclusions. Therefore, no responsibility for the same can be or is assumed by the publisher or by the County Treasurers' Association of Texas for its contents or use thereof.

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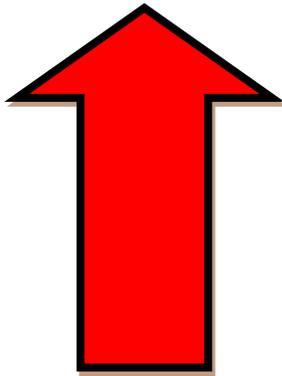
## INTRODUCTION

The preparation of the resource guide was undertaken for the purpose of providing county treasurers with a convenient outline of a treasurer's constitutional duties, responsibilities and liabilities. Also, the resource guide offers the basic guidelines to be followed by treasurers, along with samples of forms they will need to use. In no case should this document be considered as a substitute for statutory and code provisions. In most instances, the County Treasurer will find it advisable to consult the *Vernon's Annotated Texas Statutes* and the Local Government Code. The county attorney should be sought for legal interpretation and advice. This publication is intended as a resource. Some information for this guide came from the Texas Association of Counties Web site with permission.

### Navigating this Document

Generally, everything underlined in this document is a link to the specific page listed in the table of contents, to statutes, to the law or perhaps even back to the table of contents.

To execute a link you will likely need to press CTRL + Left Mouse Click



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# Chapter 1

## COUNTY GOVERNMENT IN TEXAS

### **History**

The origin of Texas county government can be found in the word "municipality," the local unit of government under Spanish and Mexican rule. The municipalities were large areas embracing one or more settlements and the surrounding rural territory. In 1821 there were four major Spanish settlements in Texas - San Antonio, Bahia (Goliad), Nacogdoches and the Rio Grande Valley - and three areas of light settlement and ranching and four major roads. \*

Prior to the Texas Revolution, there were no political subdivisions at the county level. In 1835, Texas was divided into departments and municipalities. Three departments were established - Bexar, Brazos and Nacogdoches - along with 23 municipalities. Under the new Republic in 1836, the 23 municipalities became counties. When Texas became a state in 1845, there were 36 counties. Under the state constitution of 1845, county government varied little from that under the Republic of Texas. The only major change was all county offices became elective positions. When Texas entered the Confederacy in 1861 and adopted a new state constitution, there were 122 counties. \*

Ten years after Reconstruction from the Civil War, the Constitution of 1876 was adopted. It is the present state constitution, and contains detail concerning the governmental organization of the county. The number of counties increased steadily until 1931, when there were 254 counties. \*

### **Function**

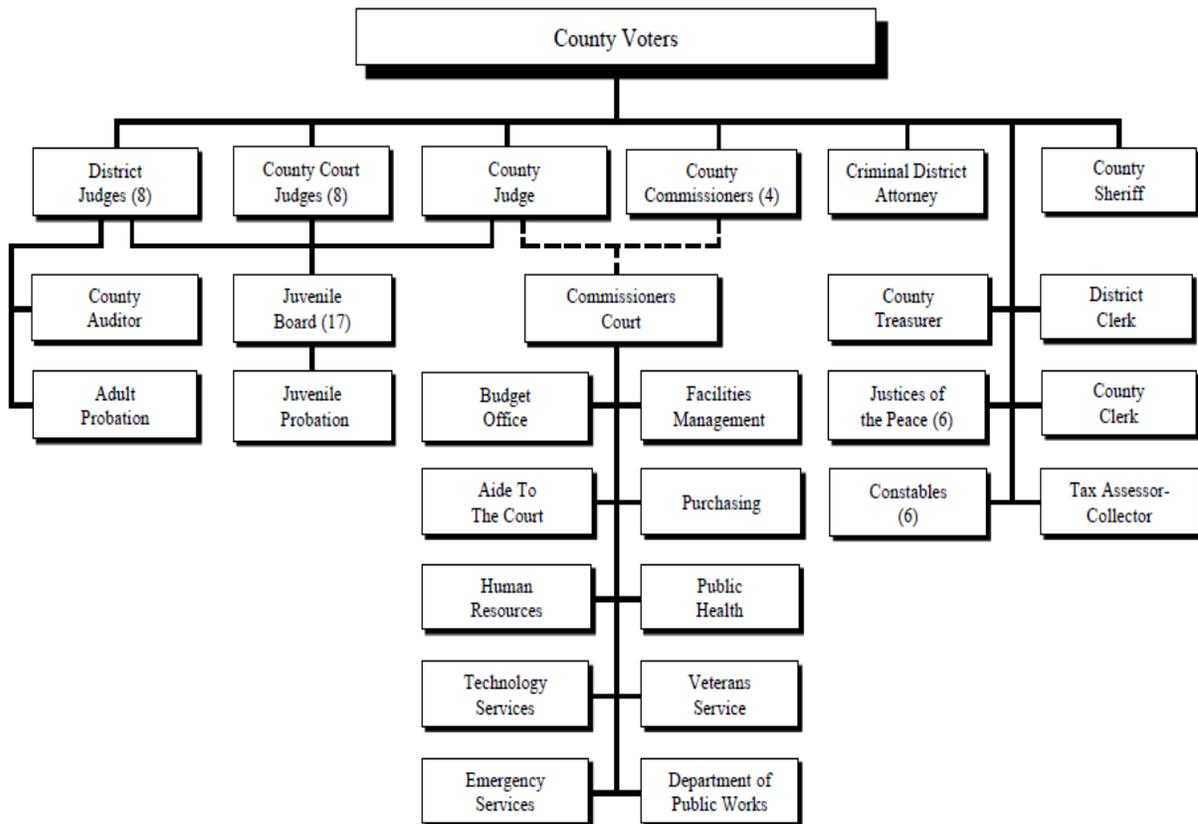
Currently, there are 254 counties serving the needs of more than 26 million Texans (2013 Estimate). Counties can range in size from just under 100 residents to more than three million. Major responsibilities include building and maintaining roads, recreational facilities and in some cases, county airports; constructing and operating jails; operating the judicial system; maintaining public records; collecting property taxes; issuing vehicle registration and transfers; and registering voters. Counties also provide law enforcement, conduct elections and provide health and social services to many poor county residents. Increasingly, county governments are playing a vital role in the economic development of their local areas.

### **Structure**

County government structure is spelled out in the Texas Constitution, which makes counties functional agents of the state. Thus counties, unlike cities, are limited in their actions to areas of responsibility specifically spelled out in laws passed by the Texas Legislature.

At the heart of each county is the commissioner's court, which conducts the general business of the county and oversees financial matters. Each Texas County has four precinct commissioners and a county judge who serve on this court. The Texas

## Denton County Organization



Constitution established a strong system of checks and balances by creating other elective offices in each county. The major elective offices found in most counties include county attorneys, county and district clerks, county treasurers, sheriffs, tax assessor-collectors, justices of the peace and constables. As a part of the checks and balances system, counties have auditors appointed by the district courts.

While many county functions are administered by elected officials, others are run by individuals employed by the commissioner's court. They include departments such as public health and human services, personnel and budget and in some counties, public transportation and emergency medical services.

**Texas Association of Counties has an excellent overview of all elected positions. For a complete overview of county officials on the TAC website: click [HERE](#)**

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## **County Judge**

The Texas Constitution vests broad judicial and administrative powers in the position of county judge, who presides over a five-member commissioner's court, which has budgetary and administrative authority over county government operations.

The county judge handles such widely varying matters as hearings for beer and wine license applications, hearing on admittance to state hospitals for the mentally ill and mentally retarded, juvenile work permits and temporary guardianships for special purposes. The judge is also responsible for calling elections, posting election notices and for receiving and canvassing the election returns. The county judge may perform marriages.

A county judge in Texas may have judicial responsibility for certain criminal, civil and probate matters - responsibility for these functions vary from county to county. In those counties in which the judge has judicial responsibilities, the judge has appellate jurisdiction over matters arising from the justice courts. The county judge is also head of civil defense and disaster relief, county welfare and in counties under 225,000 population, the judge prepares the county budget along with the county auditor or county clerk.

## **County Commissioner**

The job of the county commissioner calls for hands-on service delivery, as well as policy-making decisions about a variety of important matters.

Four commissioners, each elected from a quarter of the county's population, serve along with the county judge on the commissioner's court. Many people know that the commissioner's court is responsible for building and maintaining the roads and bridges of the county. In your county, your commissioner may have individual responsibility for the roads in his precinct or county road maintenance may be centralized under a unit road system.

The commissioner's court also has the responsibility to adopt the budget and tax rate that is sufficient to fund the personnel, equipment and infrastructure necessary to deliver the services provided by the county. Typically, the commissioner's court is responsible for conducting business on behalf of the county, and only the commissioner's court can enter into contracts on behalf of the county.

The commissioner's court does more than maintain roads and adopt a budget and a tax rate. County government's operations are often tailored to meet the needs and resources of the community, so the programs overseen by the commissioner's court may vary from county to county. In a typical county, the commissioners court also establish precinct boundaries for commissioners and justices of the peace, determine the number and type of county employees and their compensation, acquire property for rights of way or other public uses, adopt and enforce subdivision regulations, provides rural ambulance services

and subsidizes rural fire protection, and supervises and controls the county courthouse and other county buildings and facilities

As with all elected county officials, the commissioner who serves as an ex officio road commissioner has ultimate authority over the operations of the office, including the authority to hire and fire personnel and direct their daily activities. The county commissioner also has authority to determine how to use all other resources allocated to the office during the budget process.

Among other responsibilities, the commissioner's court:

- Sets the yearly property tax rate.
- Approves the budget and employment level for the county.
- Sets commissioners and justice of the peace precinct boundaries.
- Calls, conducts and certifies elections, including bond elections.
- Sets employment and benefit policy.
- Establishes long-range thoroughfare, open space, land use, financial and law enforcement/jail needs plans.
- Acquires property for rights-of-way or other uses determined to be in the public's best interest.
- Reviews and approves subdivision platting and wastewater treatment for rural areas.
- Provides rural ambulance services and subsidizes rural fire protection.
- Oversees the construction, maintenance and improvement of county roads and bridges.
- Appoints non-elected department heads and standing committees.
- Supervises and controls the county courthouse, county buildings and facilities.
- Adopts a county budget.
- Determines county tax rates.
- Fills vacancies in elective and appointive positions.
- Has exclusive authority to authorize contracts in the name of the county.

### **District and County Attorney**

The main duty of both the county attorney and the district attorney is to represent the state in criminal cases. Both work with law enforcement officers in the investigation and preparation of cases to be heard before the criminal courts.

Typically, the county attorney represents the state in misdemeanor criminal cases and the district attorney represents the state in felony cases. These public prosecutors determine whether prosecution in any given case should be instituted and, if instituted, pushed to a successful conclusion.

Other duties include prosecution of juvenile offenders, representation of victims of violence in protective orders and representing the Texas Department of Protective & Regulatory services in removing children from abusive households

The county attorney typically provides legal advice to the commissioner's court and other elected officials. When requested in writing, the county attorney provides written legal counsel to county officials about their duties of office. Absent a specific statutory

mandate, however, it is not the duty of the county attorney to represent the county in civil cases.

Some counties do not have both a county attorney and a district attorney. These counties have either a criminal district attorney or a combination county and district attorney. In these counties, one individual performs the functions of both the county attorney and the district attorney.

As with all elected county officials, the county attorney has ultimate authority over the operations of the office, including the authority to hire and fire personnel and direct their daily activities. The county attorney also has authority to determine how to use all other resources allocated to the office during the budget process.

The main duties of the county and/or district attorney are to represent the state in criminal cases. The county and/or district attorneys work with law enforcement officers to investigate and prepare cases for criminal courts. When requested in writing, the county attorney provides legal counsel to county officers.

The importance of prosecuting attorneys is the power to determine whether prosecution in any given case shall be inaugurated or if inaugurated, pushed to a successful conclusion.

Other duties include prosecution of juvenile offenders, representation of victims of violence in protective orders and representing the Texas Department of Protective & Regulatory services in removing children from abusive households.

### **Sheriff**

The sheriff is the chief law enforcement officer in the county and has a range of duties that include criminal investigations, traffic enforcement, and operation of the jail, including the safekeeping of inmates and operation of the jail commissary. The sheriff also provides security for the courthouse, including the county and district courts, assists with service of subpoena and other process and accepts bail for prisoners in his custody. In a county without a Bail Bond Board, the Sheriff sets bail bond policy for the county. Finally, the sheriff may conduct sales of forfeited property, property being sold at auction for failure to pay property taxes and property sold to satisfy judgments in civil cases.

### **District Clerk**

The district clerk has a duty to keep the records of the district court safe and properly arranged. The district clerk must, among other things record the acts and proceedings of the district court, enter all judgments of the court under the direction of the judge, record all executions issued and the returns issued on the executions, administer child support payments, administer trust accounts for minors ordered by the courts keep an index of the parties to all suits filed in the court, and make reference to any judgment made in the case and keep an account of all funds collected by the office, including fines and fees, [Table of Contents](#)

## **County Clerk**

The county clerk administers all the county and state elections unless the commissioners' court has transferred those duties to the tax assessor-collector or a county election administrator. The county clerk may contract with local political subdivisions to conduct their elections. The county clerk conducts the primary early voting and, at the party's request, may contract to conduct the general primary and the runoff primary elections.

The county clerk also serves as clerk of the court for all misdemeanor county criminal and civil courts including commissioners' court and probate court; maintaining the official records of the courts they serve. The county clerk records the acts and proceedings of each of these courts, entering all judgments, recording all executions issued and the returns issued on the executions as applicable, and administers trust accounts for minors and registry accounts; additionally, the clerk must keep an index of the parties to all suits filed in the court, and make reference to any judgment made in each case. As clerk of the county courts, the county clerk collects and is responsible for money paid in court costs, fines and fees and for the payment of juror fees.

The clerk is the custodian of all county records including birth, death, cattle brands, hospital liens, deeds, deeds of trust, liens, Certificates of Release or Discharge from Active Duty (DD 214), and a variety of other important records both public and non-public. The county clerk also issues and maintains marriage licenses and records assumed name certificates.

In Texas counties with a population of fewer than 8,000, unless there has been a special election, the county clerk also serves as the district clerk, assuming all constitutional and statutory duties of the district clerk, along with those of county clerk.

As with all elected county officials, both the county clerk and the district clerk have ultimate authority over the operations of the office, including the authority to hire and fire personnel and direct their daily activities. Both the county clerk and district clerk also have authority to determine how to use all other resources allocated to the office during the budget process.

## **Justice of the Peace**

The justice of the peace presides over the court that is most accessible to the average citizen. Justices of the peace hear misdemeanor cases punishable by fine only and can hear most civil cases in which the amount in controversy does not exceed \$10,000.

The justice of the peace also performs the functions of a magistrate and conducts inquests. In addition, a justice of the peace may issue warrants for search and arrest. Justices of the peace also issue civil process, conduct preliminary hearings, administer oaths, perform marriages and serve as a coroner in counties where there is no medical examiner. The justice of the peace may also conduct inquests.

## **Constable**

Constables are certified peace officers; they have the same enforcement powers as other peace officers, as defined by the Texas Code of Criminal Procedure Article 2.12. They often participate actively in criminal investigations and assist other law enforcement agencies.

In many communities constables may focus on truancy cases and work closely with their courts. In addition to performing traditional law enforcement functions, the constable also serves as bailiff for the justice courts and serves subpoenas and papers necessary to the functioning of both the civil and criminal justice systems.

The constable also plays an important role in making sure the judgments rendered in civil cases are satisfied. The constable also must keep accounts of the financial transactions of the office and is responsible for property seized or money collected through law enforcement action or by court order.

Constables' offices vary in size, from one to over 400 employees, and their responsibilities to the community likewise vary depending on the needs of their community.

## **Tax Assessor-Collector**

It is the duty of the assessor-collector to assess (calculate) taxes on each property in the county and collect that tax, but the tax assessor-collector does not appraise property. That function is performed by the Appraisal District, which is not a part of county government. On behalf of the Texas Department of Transportation, the assessor-collector also is responsible for the registration and licensing of motor vehicles owned by residents of the county.

In most Texas counties, the tax assessor-collector also serves as the voter registrar. In some counties though, either the county clerk or an elections administrator performs this function. The voter registrar's responsibilities include accepting applications for voter registration, issuing voter certificates, maintaining voter registration lists, verifying petitions for local option elections and submitting required reports to the Secretary of State's Office.

The county tax assessor-collector is also responsible for the collections of special fees imposed by the county and state on coin-operated vending machines, alcoholic beverage permits and registration and titling boats.

## **County Treasurer**

The county treasurer, as the chief custodian of all county funds, including the general fund and special funds, such as those dedicated to a certain purpose and those under the control of an elected official other than the commissioners court. The treasurer has a duty to receive all money received by the county from any source and place it in the appropriate county depository. All county money received by any official must be delivered promptly to the county treasurer for proper handling.

The county treasurer is also responsible for disbursing county funds as directed by the commissioner's court consistently with the law. The county treasurer often acts as the chief liaison between the county and all depository banks. In this capacity, he or she maintains records of all deposits and withdrawals, and reconciles all bank statements, thus assuring their accuracy and the safety of county funds. The county treasurer, who may be designated as the county's investment officer, is required to submit regular reports to the commissioners court about the county's finances.

### **County Auditor**

The county auditor maintains the integrity of financial administration of county government by overseeing the county's financial record-keeping and assuring that all expenditures comply with the county budget and the law. The county auditor has continuous access to all books and financial records of every elected official and conducts detailed reviews of all county financial operations.

The office of county auditor is not subject to the control of the commissioner's court or any other county official, but is appointed by the district judge(s) serving the county. Both the county auditor and commissioner's court are required by law to approve claims for disbursement of county funds. The integrity of county financial administration is entrusted to a dual control system of "checks and balances." The county auditor has general oversight of all the books and records of all county officials and is charged with strictly enforcing laws governing county finances.

### **Human Resources**

A Human Resources Department may exist at the direction of Commissioner's court and administer a comprehensive Human Resource Program for the County to:

- Provide job line for applicants.
- Give new employee orientation and processing.
- Administer a job classification and compensation plan.
- Administer benefits programs such as health and dental, retirement, vision, life insurance, deferred compensation and employee assistance programs (EAP).
- Process and test applicants.
- Development of personnel policies and programs and compliance to policies.
- Administer Loss Control programs.
- Maintain compliance with Federal and State rules and regulations regarding employment.
- Administer property and liability insurance for the county.
- Administer workers compensation and unemployment.

### **Budget Officer**

The primary duties and responsibilities of a budget officer include:

- Preparation of the annual county budget:
  - Distributing a budget manual to all county departments.
  - Holding departmental budget workshops and on-line budget training sessions.
  - Gathering and processing budget requests from all county departments.
  - Preparing a recommended budget to present to commissioner's court.

- Holding departmental budget hearings to discuss funding levels and other policy issues.
- Implementing the adopted budget.
- Maintenance of the adopted budget throughout the fiscal year:
  - Processing of budget amendments.
  - Processing of intra-departmental operating transfers.
- Preparation and distribution of budget documents, adopted budget, operating budget and budget in brief.

### **Purchasing Agent**

County purchasing agents are appointed officials who hold a two-year term of appointment that is made by a board defined by state law. The composition of the board is defined in the Local Government Code and may differ for counties with certain population levels. Duties of the purchasing agent are defined in Section 262.011 of the Local Government Code.

These duties include purchase of all supplies, materials and equipment required or used by the county. In addition, contracts for all repairs to property used by the county, its officers and employees are made by the purchasing agent. Purchases, which includes any kind of acquisition, including lease, of an “item” exceeding \$25,000 during the fiscal year for the county, must be made using formal bid or proposal procedures as outlined in the law under the supervision of the purchasing agent. An “item” is defined as any service, equipment, good or other intangible personal property, including insurance and high-technology items. Purchase of an item may not be split into separate, sequential or component purchases in order to avoid complying with the \$25,000 formal bid limit.

In addition to purchasing responsibilities, the purchasing agent is responsible for an inventory of all the property on hand and belonging to the county. In most counties, the purchasing agent supervises or conducts the physical inventory each year, in addition to tagging acquisitions throughout the year. In some counties, the purchasing department staff members also maintain the computerized records of fixed assets.

### **County Veterans Service Officer**

The commissioner’s court is granted the authority by Section 434.032 of the Local Government Code to create the county Veterans service office and to appropriate funds in the budget for operations of that office. A county Veterans service officer may be appointed by the commissioner’s court to serve at the pleasure of the commissioner’s court. This individual must have served in the active military and received an honorable discharge or be a widowed Gold Star Mother or a widow, who is not remarried, of a serviceman whose death resulted from service.

The Veterans county service officer must be experienced in the law, regulations and rulings of the United States Department Veterans Affairs. The primary responsibility of this office is to assist residents of the county who have served in the United States Armed Forces in filing claims for compensation, hospitalization, pensions, educational loans, insurance and other benefits. The Veterans county service office can also advise surviving widows and dependents of deceased veterans concerning benefits due to them. Claims may be filed by this office for the beneficiary. No fees are collected from claimants for services rendered by the Veterans county service office.

### **Fire Marshal**

Fire Marshals, through the Office of Emergency Management Services, provides for, supervises, supports and trains all Fire and EMS departments within unincorporated areas of a county. Additionally, a fire marshal will strive to provide for the health, safety and welfare of the citizens of their respective counties in accordance with Chapter 352 of the Texas Local Government Code.

### **Adult Probation Officer**

An adult probation officer is an official appointed by the state district judges to serve single or multicounty districts. An adult probation officer enhances the protection of the community through the use of risk control management. Assessment of the offender will determine the use of appropriate sanctions aimed at rehabilitating the offenders, as well as determining suitable punishment to deter crime in the community. Typical goals of an adult probation department are to:

- Increase local involvement and responsibility in developing sentencing programs that will prove effective sanctions for felony offenders.
- Provide increased opportunities for felony and misdemeanor offenders to make restitution to victims of crime through financial reimbursement, as determined during pre-sentence investigations, and through community service restitution.
- Provide an increased use of community penalties designed specifically to meet local needs such as specialized caseloads, electronic monitoring, super intensive supervision, additional fines and short-term incarceration.
- Promote efficiency and economy in the delivery of community-based correctional programs, so that it is consistent with the objectives defined by law by avoiding duplication of services and improving communication between agencies.

### **Juvenile Officer**

A jurisdiction's juvenile probation department may range in size and scope. Juvenile probation departments focus on holding juvenile offenders, and frequently their parents, accountable for their actions, while protecting the community from continued acts of delinquency. Rehabilitation services provided by juvenile probation departments may include teen court programs, first offender programs, counseling programs, deferred prosecution probation, formal court adjudication probation, residential placement services and specialized offender programs, including sex offender treatment/supervision and intensive supervision probation. The scope of services provided in each jurisdiction is usually determined by the county juvenile board and available funding provided by the county commissioner's court. The juvenile board is typically composed of all district court judges, county court judges and statutory county court judges.

### **Public Health Officer**

The Texas Legislature has delegated counties and municipalities the power to appoint one physician as the county health authority within their jurisdiction. Counties and municipalities with health departments appoint the medical director as the local health authority. Those without health departments appoint a local physician in private practice as the health authority. The director of a regional office of the Texas Department of Health may serve as the health authority of a municipality or county within the region, at the request of the Texas Board of Health (Board). The county health authority is appointed by the county commissioner's court to a two-year renewable term of office.

The health authority performs these general duties:

- Establishes, maintains and enforces quarantine in the health authority's jurisdiction.
- Aids the board in relation to local quarantine, inspection, disease prevention and suppression, birth and death statistics and general sanitation.
- Reports the presence of contagious, infections and dangerous epidemic diseases to the board in the manner and at the times prescribed by the board in the manner and time prescribed by the board.
- Reports to the board on any subject on which it is proper for the boards to direct that a report be made.
- Aids the board in enforcing the following within the jurisdiction of the health authority: proper rules, requirements and ordinances; sanitation laws; quarantine laws; and vital statistics collections.

Ultimately, the county health authority is responsible for establishing, maintaining and enforcing laws related to the general welfare and health of the local public.

### **County Extension Agent**

Texas AgriLife Extension Service's mission is "to provide quality, relevant outreach and continuing education programs and services to the people of Texas." Critical to Extension's capability is a corps of skilled educators called County Extension Agents. In Texas, these resident educators are positioned in 248 counties to serve families, youth and communities in all 254 counties. This local presence is supported by a group of Extension Specialist and other professionals at Texas A&M University and 12 district offices across the state. Together, the agents and specialist have expertise and conduct public programs related to the broad areas of food and fiber systems, environment, natural resources, family and consumer sciences, 4-H and youth development, and community economic development. Depending on local circumstances, county Extension offices have one or more agents, hired by the commissioner's courts in collaboration with an Extension supervisor. Today's Texas AgriLife Extension Service was established in 1915 when the Texas Legislature passed House Concurrent Resolution No. 2 to accept the federal provisions and assign Extension functions to both the state's land-grant colleges, namely Texas A&M University and Prairie View A&M University. In 1917, as indicated in Article 164 of Vernon's Civil Statutes, county commissioner's courts became cooperators with the Texas AgriLife Extension Service, thus forming the county, state and federal partnership that continues today. Nationally, this unique structure is known as the "Cooperative Extension System."

**Counties, Distinctly Texas - [Click this link to watch video](#)**



## **Chapter II**

### **OFFICE OF COUNTY TREASURER IN TEXAS**

The county treasurer occupies an important role in the fiscal operations of almost every county in Texas. As the county's banker, the treasurer is the chief custodian of all county finances.

Article XVI, 44 of the Texas Constitution states, "the Legislature shall prescribe the duties and provide for the election by the qualified voters of each county in this State, of a county treasurer.... Who shall have an office at the county seat, and hold their office for four years and until their successors are qualified; and shall have such compensation as may be provided by law"

County treasurers must secure a bond before executing their official duties of office. The amount of this bond is determined by the commissioner's court, but may not exceed more than ½ of 1% of the total of all maintenance and operation funds. The bond is payable to the county judge. In addition to these requirements, county treasurers are required to obtain twenty hours of continuing education annually that is sponsored by an institution of higher learning.

All funds belonging to the county received by any county official must be turned over to the county treasurer daily, although counties under 50,000 in population may relax this requirement up to thirty days. Certain funds, such as child support payments or money in the registry of a court, are handled according to specific court orders. All other fines, forfeitures and related fees are to be paid over to the county treasurer. Any monies owed to the county not collected by the other county officials may also be paid to the county treasurer.

The county treasurer is required to keep all county funds in the county depository. Most counties maintain funds in a local bank and the county treasurer acts as the chief liaison between the county and all depository banks. In this capacity, the treasurer maintains records of all deposits and withdrawals, and reconciles all bank statements, thus assuring their accuracy and the safety of all county funds.

Some duties fall to the county treasurer regarding the registration and custody of the proceeds of certain bonds issued by the county. They serve as the financial manager and coordinator of all revenue bonds and funds, including initial issuance establishment of accounts, acceptance of original funds and payment of accounts. An account of the principal and interest paid on courthouse, jail, road and related improvements bonds must also be maintained by the treasurer. The treasurer also serves as custodian of the sheriff's bail bond collateral.

Many county treasurers are also the county's investment officer. The county treasurer may, at the instruction of the commissioner's court, withdraw county funds and invest in and purchase securities. These funds are invested in accordance with the direction of the commissioner's court's required Investment Policy and Investment Strategy for the

county, provisions of the depository contract, and the provisions of law. As revenue is realized by prudent management of investment funds, it is the county treasurer's responsibility to keep and account of those funds.

It is the responsibility of the county treasurer to disburse all money belonging to the county. After expenditures have been approved by the court, the treasurer processes payments. Then, the county treasurer and county clerk or county auditor join together to sign warrants drawn on the county treasurer or checks drawn on county funds. Jury checks are prepared by the county and district clerks on order of the court's judge and are countersigned by the county treasurer; in some counties, this may also be a duty of the county treasurer. The county treasurer is the proper official authorized to make delivery of county checks to the payee.

In most counties, the treasurer is charged with payroll responsibility, and may also serve as facilitator for social security, county retirement, group health insurance, credit union, deferred compensation, garnishments and savings bond deductions for county employees.

Regular reports on county finances are submitted by the treasurer to the members of commissioner's court to inspect and verify. By statute, the court must approve the treasurer's report and the county judge and all commissioners must file an affidavit with the county clerk as well as publish in the newspaper a statement reflecting the court's compliance with the statute. The county treasurer performs no direct role in determining the fiscal policy of a county; this is set by the commissioner's court. However, the county treasurer may aid the court in its fiscal decisions.

The office of county treasurer can have many miscellaneous duties. If a county does not have an auditor, the county treasurer is vested with the responsibility of examining the accounts, dockets and records of the sheriff, justices of the peace, constables, tax assessor-collector and clerk's offices. The county treasurer may be permitted or required at times to act as the treasurer for other districts or local government entities. Some examples include navigation districts, drainage districts, levee improvement districts and hospital districts.

A county treasurer also has limited authority to institute a lawsuit on behalf of the county to recover or collect county money. This authority to sue in the name of the county is an unusual and significant discretionary power vested in the treasurer's office. The county treasurer may direct prosecution to recover any debt that may be due to the county.

As the fiscal officer of Texas counties, the county treasurer plays a key role in successful management of county government.

[Continuing Education for County Treasurers](#)

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# Chapter III

## ASSUMING OFFICE/ELECTION REQUIREMENTS/ OFFICE MANAGEMENT

In Texas, county treasurers are elected to hold offices for a term of four years and until their successors are qualified. [Article XVI, Section 1](#) of the Texas Constitution requires all newly (since December 5, 1989) elected and appointed officers of the state or its subdivision to file a bribery statement with the Secretary of State before taking the Oath or Affirmation of Office and entering upon the duties of the office.

The county treasurer, before beginning to perform the duties of office, must execute a bond with a surety company authorized to do business in this state as a surety. The bond must be:

- (1) Approved by the commissioners court;
  - (2) made payable to the county judge in an amount established by the commissioners court not to exceed one-half of one percent of the largest amount budgeted for general county maintenance and operations for any fiscal year of the county beginning during the term of office preceding the term for which the bond is to be given except that the amount may not be less than \$5,000 or more than \$500,000; and
  - (3) Conditioned that the treasurer will faithfully execute the duties of office.
- (b) The treasurer must take and subscribe the official oath, which must be endorsed on the bond. The bond and the oath shall be recorded in the county clerk's office. The commissioners court may, at any time, require the treasurer to obtain a new or additional bond if the court considers the existing bond insufficient or doubtful. The bond may not exceed the maximum amount provided by Subsection (a). The bond must be acquired within 20 days after the date notice of the requirement has been given by the commissioner's court. The failure of a treasurer to obtain a bond required by this subsection subjects the treasurer to removal under Section 83.004.

[Local Government Code Chapter 83.003](#)

### **Qualifications**

To be a candidate for county treasurer, one must be at least 18 years of age, mentally competent and a resident of Texas for the preceding 12 months and of the county for at least six months preceding the election. Additionally, one must be a citizen of the United States and eligible to hold such office under the Texas Constitution and laws of the State of Texas. [Election Code Chapter 114.001](#)

### **Appointment of Campaign Treasurer and Application for Place on Ballot**

Each candidate shall designate a campaign treasurer by a written appointment filed with the county clerk or the election administrator. There is no law that prohibits one from appointing oneself as the campaign treasurer. Before a candidate can accept any campaign contributions or make any expenditures, including paying a filing fee, the candidate must designate their campaign treasurer. [Election Code 252.001](#)

For a candidate to have his/her name placed on the election ballot for county treasurer, the candidate should obtain and complete an application in writing, indicating a full term of office on his/her application. The application may not be filed earlier than 30 days before the deadline prescribed by the Texas Election Code for filing the application. The application, with a loyalty affidavit, must be filed with the candidate's political party county chairperson. The application must be accompanied by either the filing fee or a nominating petition signed by a certain number of qualified voters. The filing fee is determined by the county population as defined by the [Texas Election Code 172.024](#).

In a campaign for the office of county treasurer, any political advertising must be labeled as such and state the person paying for same. According to the [Texas Election Code Section 253.003](#), a person shall not receive a cash contribution in excess of \$100 from any one person in a reporting period.

### **Assuming Office by Appointment**

#### **Filling Office of County Treasurer Vacated Before End of Term**

In case of vacancy in the office of the county treasurer, the law provides that the commissioner's court of the county in which such vacancy occurs shall fill such vacancy by appointment. Such appointment is to be made by a majority vote of the court members present, at a regular or special term of the commissioner's court. Such appointment shall continue in force until the next general election. Before beginning the duties, the person appointed to fill the vacancy will take the oath and give the bonds required, as in an election, to the office.

#### **Appointment of Person to Act in Treasurer's Place**

According to [Local Government Code 83.005](#), in a county in which the county treasurer does not have a deputy, the county treasurer may appoint a person, subject to the approval of the commissioner's court, to act in the treasurer's place. The appointed person may act in the treasurer's place only if the treasurer is absent, unavoidably detained, incapacitated, or unable to act. The treasurer shall provide the commissioner's court with the details justifying an appointment. The commissioner's court may require proof of any details, which will be provided by the treasurer. The appointed person may act for the treasurer only after:

- the commissioner's court approves the appointment,
- the appointment is recorded in the minutes of the court and
- the appointed person gives a surety bond in favor of the county and the county treasurer, as their interests may appear, in an amount determined by the commissioner's court.

If the treasurer appoints a person other than a regularly employed county employee, the appointed person may not receive any compensation from the county.

### **Reporting Requirements for Campaign Finance Reports**

Incumbents as well as candidates must keep records of all financial activity and periodically file reports using the Texas Ethics Commission Candidate/Officeholder form to report contributions and expenditures. For non-election years, reports must be filed on January 15 and July 15, reporting contributions and expenditures for the previous 6-month period. In election years, reports are filed more frequently as prescribed on the

Candidate/Officeholder form. Forms can be obtained from <http://www.ethics.state.tx.us/>. Reports are filed in the county election office.

### **Recordkeeping Required**

According to Election Code Section 254.001, each candidate and each officeholder shall maintain a record of all reportable activity. Each campaign treasurer of a political committee shall maintain a record of all reportable activity. The record must contain the information that is necessary for filing the reports required. A person required to maintain a record shall preserve the record for at least two years beginning on the filing deadline for the report containing the information in the record. A person who violates this requirement is subject to a Class B misdemeanor offense.

## **New to Office Kit – Welcome to County Government**

### **FIRST STEPS FOR NEW ELECTED OFFICIALS**

#### **OFFICE MANAGEMENT**

##### **County Treasurer's Staff**

Employees are the front line of the county treasurer's Office and must be knowledgeable, courteous and professional. The treasurer must make sure the employee understands the concept of public service in county government and the scope of the county treasurer's responsibilities under state law. The employee also needs to know the specific duties of his/her job and the benefits available to him/her under the county's employment plan. The county treasurer should delegate appropriate responsibilities to staff members rather than attempt to micromanage.

##### **County Treasurer Employee Handbook**

A handbook that includes the policies and procedures pertaining to the office is important for better management. This handbook should be compiled with great care and updated regularly, so it remains current. Instructions should stress the importance of accuracy in work. The handbook should give instructions for performing routine and special duties. A separate handbook, containing sample forms and instructions for completing the forms, is also helpful.

##### **Improving Productivity**

The challenge is to use time effectively to fill the demands inherent to the work. Time management skills should be practiced.

Efficient filing systems, appointment books, tickler lists and prioritizing tasks are tools that should be effectively utilized to improve work productivity. Calendars should be used to preplan and prepare for activities that will occur in coming months. Weekly staff conferences can serve to define what tasks are completed and the status of works in progress.

A library of reference materials serves as a resource for pertinent or frequently needed information.

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# Chapter IV

## COUNTY TREASURERS ASSOCIATION OF TEXAS CTAT



The CTAT assists in providing educational opportunities, legislative updates, and a general support system to the County Treasurers ' across the State of Texas. The primary focus of CTAT is on education. In addition, our membership is frequently called upon to serve as Board members for investment firms and to serve on committees formed to solve some of the most difficult administrative issues facing Texas counties.

[www.ctatx.org](http://www.ctatx.org)

[County Treasurer Directory](#)

[CTAT Bylaws](#)

### **The County Treasurers Creed**

Charity, we believe, is life's greatest virtue;  
The Public Good its noblest motive;  
And Liberty under Law its richest legacy.  
Our Creed is actually molded by what we love;  
Thus, we believe that love toward God and our  
Fellow Man fulfills the highest Purpose of Life.

### **A Taxpayer**

A Taxpayer is not dependent on us –  
We are dependent on him.  
A Taxpayer is not an interruption of our work –  
He is the purpose of it.  
A Taxpayer is doing us a favor by letting us  
Serve his needs.  
A Taxpayer is not an outsider to our business –  
He is a part of it.  
A TAXPAYER is the most important person in the world to us.

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# Chapter V

## Texas Association of Counties (TAC)

[www.county.org](http://www.county.org)



In 1969, Texas counties joined together to improve and promote the value of county government statewide.

The Texas Association of Counties (TAC) is the representative voice for all Texas counties and county officials and, through TAC, counties communicate the county perspective to state officials and the general public. Understanding the way county government works and the value of county services helps state leaders preserve counties' ability to serve their residents effectively.

This cooperative effort is managed by a Board of county officials. Each county office is represented on the Board. This group of local officials, each of whom is currently serving his or her community, establishes policy for TAC. The Board establishes the scope of TAC services and the Association's budget.

### **TAC's Mission:**

The mission of the Texas Association of Counties is to unite counties to achieve better solutions.

### **The Association's constitution spells out its purpose:**

- To coordinate and augment the efforts of county officials to provide a responsive form of government to the people of Texas;
- To further the interest of local government for the people of Texas; and
- To assist the people and the counties in accomplishing their goals toward meeting the challenge of modern society.

Through TAC, counties join together to respond to the needs of Texans by finding solutions to challenges faced by all counties. Through TAC, county government's leaders offer a variety of services that support county officials' work to provide vital services to local residents as efficiently as possible.

**Services TAC members can count on:**

- Toll-free TAC Helpline, (888) 275-8224
- [TAC Legal Resources](#)
- [TAC Education and Training](#)
- [TAC CIRA: Technology Solutions for Counties](#)
- [TAC Health and Employee Benefits Pool](#)
- [TAC Risk Management Pool](#)
- [TAC Unemployment Compensation Group Account Fund](#)
- [County Magazine](#)

**[A Guide to TAC Services](#)** – [click this link to watch video](#)



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**Chapter VI**



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## **National Association of Counties (NACo)**

[www.naco.org](http://www.naco.org)

### **MISSION**

**Strengthen America's counties.**

### **VISION**

**Healthy, safe and vibrant counties across America.**

NACo membership is an investment in your county's future because the association works to ensure that counties have the resources, skills and support needed to successfully lead their communities into the future. Your county's membership with NACo saves you and your county time and money and helps you grow professionally.

- [NACo's Programs and Services](#) offer your county unique opportunities to help your residents, your employees and your county meet the needs of the future.
- [NACo's advocacy](#) represents you and your county in Washington, DC and speaks with one voice representing the interests of the nation's counties and their residents.
- [Education and personal development](#) helps you better serve your county by giving you countless opportunities to learn and grow through conferences, webinars, forums, and other networking opportunities.
- [Research materials and data](#) provide information about counties and what they do including demographics, sample ordinances and model county programs, as well as data of all kind.
- [Communications](#) allow you to stay current about essential information. NACo can save you time and provide you with exactly what you need through the NACo web site, *County News*, [blog posts](#), [podcasts](#), issue specific newsletters, and social networking sites such as [Facebook](#), [Twitter](#), [LinkedIn](#), and [YouTube](#).
- The National Association of Counties (NACo) unites America's 3,069 county governments. Founded in 1935, NACo brings county officials together to advocate with a collective voice on national policy, exchange ideas and build new leadership skills, pursue transformational county solutions, enrich the public's understanding of county government and exercise exemplary leadership in public service (2019)
- <https://www.naco.org/about/membership>

## **Chapter VII**

# National Association of County Collectors, Treasurers & Finance Officers (NACCTFO)

[www.nacctfo.org](http://www.nacctfo.org)



## **Promoting Excellence in Tax Collections & Treasury Management in County Government**

Established in 1954, the National Association of County Collectors, Treasurers and Finance Officers is a professional organization whose objective is to assist our members to better serve local, state, and national government. We do this by education programs and through the exchange of information and ideas at conferences or other meetings. Working together, NACCTFO members exchange ideas and build partnerships. Part of this cooperative effort includes working with businesses who share our commitment to good government.

NACCTFO is a national organization similar to your state treasurer, tax collector or finance officers associations. It provides you with a great experience to gain diverse and differing methodologies and opens your thought process to a wider range of problem solving techniques.

When state legislatures pass new laws, they many times mirror laws that have been passed in other states. Thus you can benefit from other peers from across the country who may have already faced those circumstances. Many NACCTFO members have benefited from the talented background and wide-range of ideas that come out of group discussions and educational seminars.

For more information, you may contact one of our very own Texas County Treasurers, Dolores Ortega Carter; Travis County Treasurer is an active member.

[Dolores.Carter@traviscountytexas.gov](mailto:Dolores.Carter@traviscountytexas.gov)

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# Chapter VIII

## STATUTES GOVERNING COUNTY TREASURERS/COUNTY TREASURY

Description of Office	Authority (Link to Statute)
Creation of office and term	<a href="#">Texas Constitution Art. XVI, Section 44</a>
Before assuming duties must make a bond payable to County Judge in amount set by commissioners court	<a href="#">Local Government Code Section 83.002</a>
Must make another bond or bonds if required by commissioners court;	<a href="#">Local Government Code Section 83.002</a>
Must complete continuing education courses	<a href="#">Local Government Code Section 83.003</a>
May appoint person to act in Treasurer's place with Commissioners Court approval	<a href="#">Local Government Code Section 83.005</a>
Failure to provide required bonds results in removal from office	<a href="#">Local Government Code Section 83.002</a>
Vacancy filled by Commissioners Court by majority vote	<a href="#">Local Government Code Section 87.041</a>
Appointed Treasurer must take oath and make bond within 20 days of notification	<a href="#">Local Government Code Section 83.004</a>
Must execute surety bond to cover assistants	<a href="#">Local Government Code Section 83.008</a>
Appointment of assistant or deputy must be in writing	<a href="#">Local Government Code Section 83.009</a>
Keep office at county seat	<a href="#">Local Government Code Section 291.002</a>
No branch office outside county seat	<a href="#">Local Government Code Section 292.003</a>
Removal from office by District Judge for incompetence	<a href="#">Local Government Code Section 83.003</a>
With voter approval may register dogs, issue tags, and collect tax	<a href="#">Health and Safety Code Chapter 822.027 - 822.029</a>
<b>Responsibility for Monies Collected</b>	
Must notify the County Auditor of the receipt of all revenue from intergovernmental contracts not previously included in special or annual budget	<a href="#">Local Government Code Section 111.0707</a>

Must notify the County Auditor of the receipt of all revenue from all unanticipated sources not included in special or annual budget	<a href="#">Local Government Code Section 11.07075</a>
Responsibility for receiving all money due to the county from whatever source	<a href="#">Local Government Code Section 113.003</a>
Responsibility for all money coming into the treasury	<a href="#">Local Government Code Section 113.001 et seq</a>
Chief custodian of county funds	<a href="#">Local Government Code Section 113.001</a>
Issue receipt to tax collector for monies deposited into treasury	<a href="#">Local Government Code Section 112.032</a>
Recovery of legal fees and other costs incurred by county in prosecution to collect debt	<a href="#">Local Government Code Section 113.902</a>
Issue receipts to tax collector for monies deposited into treasury from occupation tax	<a href="#">Local Government Code Section 112.035</a>
Issue receipt for money collected by sheriff in judgments, fines, forfeitures, and penalties and deposit into treasury	<a href="#">Local Government Code Section 112.051</a>
Issue receipt to Justice of the Peace for deposit of collected fines into treasury	<a href="#">Local Government Code Section 112.052</a>
Issue receipts for money received in sale of estray and keep records of transactions	<a href="#">Local Government Code Section 112.053</a>
Issue or require receipts for all transactions	<a href="#">Local Government Code Section 113.062</a>
Fees, commissions, funds and other money belonging to county must be deposited with County Treasurer, County Treasurer must deposit money in the proper fund in the county depository	<a href="#">Local Government Code Section 113.021</a>
Procedure for receipt of money for deposit in treasury	<a href="#">Local Government Code Section 113.023</a>
Collect fees for returned checks, stop payment orders, copies of certain records	<a href="#">Local Government Code Section 118.141-118.144</a>
May accept gift or donation of salary of county or precinct official	<a href="#">Local Government Code Section 152.002</a>
Serve as custodian of funds collected from tax levy to retire bonds funding seawall construction	<a href="#">Local Government Code Section 571.010</a>
Issue receipt of fee payment for license to operate ferry	<a href="#">Transportation Code Section 342.103</a>

Receive jury fees and fines collected by county clerk	<a href="#">Government Code Section 51.402</a>
Receive bond from County Judge	<a href="#">Government Code Section 26.001</a>
Direct donations of prospective juror donations of reimbursement to specified agencies and programs	<a href="#">Government Code Section 61.003</a>
Investment training for County Treasurers	<a href="#">Government Code Section 2256.008</a>
Receive money from sale of bonds for public hospital district	<a href="#">Health and Safety Code Section 282.078</a>
Serve as Treasurer of Wind Erosion Conservation District when created by county	<a href="#">Agriculture Code Section 202.021</a>
Deposit and disburse funds from the sale of impounded animals	<a href="#">Agriculture Code Section 142.013</a>
Accept filing fee application for permit to excavate sand, marl, gravel or shale	<a href="#">Natural Resources Code Section 61.214</a>
Serve as Treasurer of navigation district	<a href="#">Water Code Section 61.078</a>
<b>Disbursement of Funds</b>	
The County Treasurer is responsible for disbursement of all funds in county treasury	
All warrants issued against treasurer must be signed and attested by clerk of judge of issuing court	<a href="#">Local Government Code Section 113.042</a>
All warrants on County Treasury except warrants for jury services must be counter-signed by Auditor	<a href="#">Local Government Code Section 113.043</a>
Responsible for expending money from the treasury in accordance with the directions of the Commissioners Court and honoring warrants issued by authorized county officials	<a href="#">Local Government Code Section 113.041</a>
Shall not pay any money out of treasury except by a check or order of payment authorized from authorized county officials	<a href="#">Local Government Code Section 113.041</a>
Prohibited from making a payment if treasury doubts the legality of propriety of order. Must report to Commissioners Court	<a href="#">Local Government Code Section 113.41</a>

Authorized to issue duplicate instrument if satisfied that original is lost and applicant has filed affidavit stating they are the true owner and the instrument is lost or destroyed	<a href="#">Local Government Code Section 113.41</a>
Follow specified procedure for handling warrants	<a href="#">Local Government Code Section 113.042</a>
Maintain claim register of all claims against county, no payment until register	<a href="#">Local Government Code Section 113.061</a>
<b>Recordkeeping and Reporting</b>	
The County Treasurer is responsible for accounting for all funds in the county treasury and submits periodic reports to the Commissioners Court for approval	<a href="#">Local Government Code Section 115.003</a>
Make available to auditor on request records and cash in custody of treasurer for inspection	<a href="#">Local Government Code Section 114.061</a>
File monthly report in clerk's office showing amount of claims and classification	<a href="#">Local Government Code Section 114.021</a>
Presentation to Commissioners Court of tabular statement, if no county auditor	<a href="#">Local Government Code Section 114.022</a>
If no County Auditor, publish exhibit reflecting amounts paid from county funds as well as indebtedness	<a href="#">Local Government Code Section 114.022</a>
Issue receipt for report of claims required to be submitted to Treasurer	<a href="#">Local Government Code Section 113.063</a>
Report of claims must state the party whom claim was issued, receipt number name and party paying claim, amount received and purpose for payment	<a href="#">Local Government Code Section 113.063</a>
Keep detailed accurate accounts showing all transactions of the office, vouchers accompanying report Commissioners Court for comparison	<a href="#">Local Government Code Section 113.002</a>
Treasurer's reports to be approved by Commissioners Court each	<a href="#">Local Government Code Section 114.026</a>

regular term and affidavit filed with the clerk and record in minutes	
Keep true account of receipts and expenditures of money and of debts due to and from county	<a href="#">Local Government Code Section 113.002</a>
Provide detailed report of all monies received and disbursed to Commissioners Court each regular term	<a href="#">Local Government Code Section 114.26</a>
Examine accounts, dockets and records of clerks, sheriff, justices of peace, constables and tax collectors and make report Commissioners court	<a href="#">Local Government Code Section 115.901</a>
Keep accounts of all monies accruing to office	<a href="#">Local Government Code Section 114.041</a>
Report to Commissioners Court at each regular term on all money collected and expended	<a href="#">Local Government Code Section 114.044</a>
Classify funds into three classes	<a href="#">Local Government Code Section 113.004</a>
Transfer money from one fund to another at direction of Commissioners Court	<a href="#">Local Government Code Section 113.004</a>
Maintain separate fund for county library	<a href="#">Local Government Code Section 323.007</a>
Maintain separate County Law Library Fund	<a href="#">Local Government Code Section 323.023</a>
Deliver all money, securities and other property of county to successor	<a href="#">Local Government Code Section 83.004</a>
Not responsible for loss of funds due to negligence of depository	<a href="#">Local Government Code Section 113.005</a>
Receive and reconcile canceled checks and warrants from county depository; must reconcile all treasury accounts	<a href="#">Local Government Code Section 113.008</a>
County depository required to provided statement of all bank activity and documentation supporting all transactions net less than once a month to the County Treasurer	<a href="#">Local Government Code Section 113.008</a>
Authorized officials to request County Treasurer to be responsible for reconciliation of checks and orders payable from funds under officials control	<a href="#">Local Government Code Section 113.008</a>

Place court fees and interest in trust funds in general fund, in not done by auditor	<a href="#">Local Government Code Section 117.054 -117.055</a>
Transfer funds to designated depository	<a href="#">Local Government Code Section 116.113</a>
May collect reasonable research fee relating to collection of overdue county warrants and checks	<a href="#">Local Government Code Section 112.120</a>
Account of County Treasurer charged with amount of each fund for which a receipt is issued and for money paid out	<a href="#">Local Government Code Section 112.054</a>
Classify claims and maintain register of all claims against county; flow specified procedure for registration of claims	<a href="#">Local Government Code Section 113.061</a>
Register bonds issued by county before delivery and keep account of the amount of principal and interest paid on each	<a href="#">Government Code Section 1301.002</a>
Keep bond records for levee improvement districts	<a href="#">Water Code Section 57.212</a>
<b>PAYROLL/EMPLOYEE DEDUCTIONS</b>	<a href="#">Local Government Code 151</a> <a href="#">Local Government Code 152</a> <a href="#">Local Government Code 153</a> <a href="#">Local Government Code 154</a> <a href="#">Local Government Code 155</a> <a href="#">Local Government Code 156</a>
<b>INVESTMENTS</b>	<a href="#">Government Code 2256</a> <a href="#">Government Code 2257</a>
<b>DEPOSITORY CONTRACTS</b>	<a href="#">Local Government Code Section 116</a>
<b>UNCLAIMED FUNDS</b>	
Enforcement of escheat law	<a href="#">Property Code Chapter 76</a>
<b>BAIL BONDS</b>	
Enforcement of Bail Bond Companies	<a href="#">Occupation Code Chapter 1704</a>

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## DEPOSITORY AND SUB-DEPOSITORY CONTRACTS

Depository and sub-depository contracts are governed primarily by chapters 116 and 117 of the Local Government Code and have been enacted by state legislation to govern the process of contractual agreements between counties and banks organized under the laws of the state of Texas, another state, or federal law that has its main office or a branch office in this state.

(116.001)

This sub-chapter is compiled to assist Treasurers throughout the contract process by providing statutes, time lines of completion, exhibits, and other pertinent information that may be used as resources in the preparation and execution of depository and sub-depository contracts.

[Local Government Code Chapter 116](#)

[Local Government Code Chapter 117](#)

[Government Code Chapter 2257](#)

### **Bid Samples:**

[Burnet County](#)

[Houston County](#)

[Jefferson County](#)

[Llano County](#)

[Midland County](#)

[Tom Green County](#)

[VanZandt County](#)

### **Presentations:**

**Go to [www.county.org](http://www.county.org) and sign-in with your TAC Username and password. Go to Education & Training\Event Presentations**

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# Chapter IX

## PUBLIC FINANCING

This handbook is designed to explain the bond issuance process, especially for counties that do not issue bonds on a frequent basis. A county that is not familiar with the process may feel that a financial advisor and bond counsel will come with stacks of documents to be approved with the instruction to “sign here.” The documents are signed with little or no explanation of what is being done or opportunity for questions. Then, in about a month, the county receives funds from the sale of its bonds.

A Texas county can finance projects in several ways. The most common are the issuance of General Obligation Bonds, Certificates of Obligation, Tax Notes, and Contractual Obligations. Generically, all of these methods can be called bonds. Other financing methods used by counties are Time Warrants and Lease Purchase Obligations.

A county issues bonds in order to finance something over a period of time. A county cannot simply go to a bank and take out a loan, unless the loan is to be repaid within the current fiscal year. To borrow money beyond the current fiscal year, the county must issue a debt obligation - a security known as a bond which will be exchanged for cash in return for the county’s promise to repay the debt obligation with interest, generally a favorable tax-exempt interest rate.

In order to sell bonds a county must first retain consultants to assist in the process. A financial advisor will structure the transaction and arrange the sale of the bonds to an underwriter or a bank. A bond counsel will prepare the bond order and other documents, including the actual bond, and provide an opinion as to the bond’s validity, and if applicable, an opinion that the bond is a tax-exempt obligation for federal income tax purposes. A paying agent will be appointed to accept payment for the bonds, register the bonds in the name of the purchaser, and distribute the proceeds from the sale to the county and other persons involved in the issuance process. For the life of the bonds, the paying agent will receive the county’s debt service payments and transmit them to the bondholder. Bond insurance and a bond rating may also be a part of the process.

The process can seem complex, but it is one that can be readily explained and understood. Hopefully, this handbook will assist you in understanding the process.

**[Texas Association of Counties – Public Finance Handbook](#)**

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# Chapter X

## HUMAN RESOURCES

*(The text herein is a combined content from various publications on behalf of Texas Association of Counties staff, Richard Slagle, Manager of Loss Control Service, Mary Ann Saenz, Human Resources Specialist and Michele Arseneau, Personnel Specialist.)*

### **JOB DESCRIPTIONS, DEFINITION AND FUNCTION**

- Job descriptions are simply written descriptions of the significant aspects of a job.
- Areas frequently covered by job descriptions include job identification, a job summary, a list of essential of job functions, a description of the working conditions, a list of the minimum qualifications and requirements for performing the job and information on the amount of contact with others.
- Job descriptions can be an extremely useful management tool by:
  - Serving as a basis in determining the best qualified applicant to fill an open position and justifying the selection decision.
  - Helping identifying training needs for employees.
  - Setting performance expectations for employees.
  - Developing job classification and compensation programs.

### **JOB DESCRIPTIONS AND ADA**

When the ADA was passed, the role of the job description became even more important. While job descriptions are not required under ADA, well written job descriptions can be a useful tool in helping ensure compliance.

- By identifying the essential job functions and specific physical requirements necessary for the job, the supervisor is in a better position to determine if an applicant meets the qualifications for the job.
- A well written job description can also help identify areas where accommodation may be necessary to assist an otherwise qualified disabled individual to perform the essential job functions.

### **IDENTIFYING THE JOB**

Normally, the first section of a job description identifies the job and gives additional information pertinent to the job status. Information generally found in this section includes the department, job title, job number, title of supervisor, exempt or nonexempt status under FLSA, positions supervised, pay grade, and normal work schedule.

### **JOB SUMMARY**

This section normally consists of a few sentences and is not intended to give an in depth look at the job.

### **ESSENTIAL JOB FUNCTIONS**

Traditionally, job descriptions seemed to include a list of duties that covered everything currently being done in the job, everything that had ever been done in the job and anything that might ever be done in the job in the future. Under ADA, however, these

“all inclusive” lists should not be used and the essential job functions should be very obvious.

- Basically, essential job functions are those duties for which the job exists and, if they weren't performed, there would be no need for the job.
- Other duties that it might be desirable to have performed with the job, but which are really not essential, are called marginal duties.
- Under ADA, only the essential functions can be considered in determining if a person is qualified for a job. (While ADA does not prohibit the listing of marginal job functions on a job description, it is important that these not be represented as essential functions to applicants.)

In determining if a job duty is essential, the following should be considered:

- Is the employee actually required to perform the duty?
- Did former employees in this job actually perform the function?
- Does the position exist to perform this specific task?
- How many employees are available to perform the job function?
- How much time is spent doing the function?
- What would be the consequences if the function was not performed?

Each job duty should begin with an action verb followed by information which further describes the duty. Examples of action verbs include types, repairs, reviews, drives, cleans, files, prepares and other similar verbs that tell specifically what is to be done. The term “responsible for” should not be used in listing the essential job functions. This is a vague term which does not give a real indication of what the duty entails. For example, “Responsible for preparation of quarterly reports” could mean that the job involves actual preparation of the report.

### **PHYSICAL REQUIREMENTS**

This section lists the actual physical actions necessary to perform the essential job functions. To help ensure compliance with ADA, this section should be stated in specific terms rather than broad, general statements.

- Actions should show exactly what is to be done such as, “lifting 50 pound sacks of sand to a height of three feet” rather than just “lifting.”
- In listing physical requirements, such things as amount of exertion involved, frequency of the action, length of time necessary to perform the action, and percentage of time spent performing it should all be taken into consideration.

While all significant physical requirements for the job should be shown, it is important not to overstate or inflate them.

### **WORKING CONDITIONS**

Working conditions include the environmental and other conditions which might affect the desirability of the job. Such things as exposure to hazards, adverse weather conditions, odors and other unpleasant surroundings, frequent overtime, extensive travel and other related factors should be included in this section. Being thorough and honest in this section can help prevent employees from saying that they did not know that an undesirable condition was part of the job when they apply for unemployment benefits after resigning.

## **MINIMUM QUALIFICATIONS**

This section is normally separated into several sections including education, experience, special skills, knowledge and abilities; and licenses and certifications.

- “Education” means the minimum amount of education that is normally required to perform the essential job functions. This could include everything from a basic ability to fill out forms up to advanced college degrees or other specialized training.
- “Experience” should show the minimum amount of prior related work experience necessary to reasonably indicate that an individual has the skill necessary to perform the job.
- “Skills, knowledge and abilities” is a catch-all category used to list other requirements that do not reasonably fit another part of the job description.
  - Examples of items that might be included in this section are ability to operate specific pieces of equipment, proficiency levels in a skill such as word processing, or knowledge in a technical or professional field.
  - Some items listed in this section may be subjective such as the ability to interact effectively with individuals with differing backgrounds, or the ability to organize and prioritize work.
- “Licenses and certifications” is a listing of any license or other specific documentation required to prove that an individual is able and/or qualified to operate certain equipment or to perform certain job functions requiring such proof.

In listing job qualifications, care should be taken to ensure that the qualification is a valid one and is not inflated.

## **CONTACT WITH OTHERS**

This section gives an overview of the nature, frequency, level and importance of contact with others. This contact can be with outsiders, co-workers, employees supervised or with employees in other departments. This section is especially important for jobs involving a great deal of contact with others where that contact is important for the effective operation of the department, or where that contact could have a significant impact on how the employer is perceived.

## **GATHERING INFORMATION**

The most frequently used methods of gathering information include:

- Observation of the job by trained observers.
- Input from the supervisor’s knowledge of the job.
- Input from both the supervisor and the employees in the job.

While using individuals who are trained in observing and gathering information about jobs will normally produce high quality job descriptions, it is a fairly costly process. Input from supervisors generally gives a good picture of a job but this process may miss some essential job duties. Gathering information from both supervisors and employees in the job is the most popular method of obtaining information and generally produces good results.

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## **WRITING JOB DESCRIPTIONS**

Once the information is gathered, the actual job descriptions should be written by someone familiar with the style and language of job descriptions. When the first drafts are completed, they should be reviewed both by the supervisor who oversees each job and the employee in that job before a final draft is prepared. This can identify significant aspects of the job that may have been overlooked and help ensure a complete and thorough job description. Once adopted, the date of adoption should be shown on each job description. In addition to its initial preparation, a job description should be updated whenever there is a significant change in the duties or the requirements for the job.

## **PERIODIC REVIEW**

A job description should be reviewed periodically to help ensure that there are no changes in the job that have not been updated. The date of the review or the date that updates are made to a job description should always be shown on the job description.

## **PROBLEM AREAS**

While well written job descriptions can be a tremendous tool for a manager, poorly written ones can create serious liability in some instances. Some of the more significant problem areas include:

- Inflated job titles.
- Failure to list the entire essential job functions.
- Listing marginal duties as essential functions.
- Failure to accurately show working conditions.
- Not giving a complete and accurate listing of the physical requirements for the job.
- Inflating job requirements.

## **HIRING**

The most important aspect of any good HR program is hiring. This is the foundation upon which the organization is developed. If you do a good job here, your job becomes much simpler.

This begins with recruiting the right people. This can be done in a number of ways and in today's tight labor market you may have to avail yourself of many or all of them. It is also important to make certain that there is enough coverage that your advertising does not put you in the position of creating (or appearing to create) a disparate impact on any protected class of individuals.

Using current employees to recruit is usually the best way to get the best and most qualified people, but this does not always work and sometimes doesn't produce enough qualified applicants.

Advertising in the newspaper, by signs and even radio can also be useful as long as the cost is justified by the results. Another resource can be your customer or service base (this may work well in the Tax Assessors or Clerks office, but might not be a good idea in the Sheriff's office).

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Applications must be within the bounds of legality and should be short enough to allow the applicant to complete in the office in a reasonable period of time, yet long enough to collect as much legal information as possible about the prospective employee.

## **INTERVIEWING**

What is your date of birth?

Are you married?

Where does your spouse work?

Have you ever filed a workers' compensation claim?

These are examples of questions that were asked in almost every employment interview 30 years ago - and they were perceived as being perfectly acceptable interview questions. Prior to the mid 60's, you could ask almost any question in an interview without fear of any repercussion. It's a different world now.

In today's world, the process of interviewing prospective employees is very much like crossing a minefield. Each question asked is like taking one step across that minefield. If you ask "safe questions" everything is okay. If you ask a wrong question, you step on one of the mines. If it turns out to be a live mine, you will probably see an explosion in the form of an expensive lawsuit.

These "mines" are the result of federal, state and local laws designed to protect certain classes of individuals from discrimination in the workplace. The best known of these laws is Title VII of the Civil Rights Act of 1964 which prohibits discrimination on the basis of race, color, religion, sex or national origin. While pre-employment inquiries into these areas are not considered to be a violation of the Act, such inquiries may constitute evidence of discrimination. In addition to Title VII, the Age Discrimination in Employment Act (ADEA) prohibits discrimination on the basis of age, and the Americans with Disabilities Act (ADA) prohibit discrimination on the basis of disability. Other legislation has also increased the degree of protection afforded individuals in the protected categories. Our big question is, "what are safe interview questions?"

Questions relating directly to an individual's qualifications and ability to perform the essential job functions are generally viewed as safe questions. Specific questions about education, experience, special training, and ability to operate certain equipment and licenses or certifications required for the job are acceptable as long as there is a direct relationship between the information sought and the job requirements. Careful wording of questions, however, is important. For example, it is appropriate to ask if an individual can perform the essential job functions listed on the job description, but it is not appropriate to ask if the individual has any disability that would prevent him or her from performing the essential job functions.

In addition to direct questions that reveal an individual's status in a protected category, indirect questions which reveal that information should also be avoided. In very limited situations, sex, religion or national origin may be a bona fide occupational qualification (BFOQ) and it is acceptable to obtain information which would otherwise be

inappropriate. However, before declaring such a BFOQ for a job, there should be strong evidence to support that decision.

The following is designed to give guidance as to what types of questions may be asked and which should be avoided. It is only intended to be an overview of such questions and should not be viewed as an all-inclusive list.

Questions about race, color or national origin should not be asked. This includes questions such as country of birth, what country is your parents from, were you born in the United States or what is your race. It is acceptable to ask if applicants are citizens of the United States and, if not, are they authorized to work in the United States. However, keep in mind that failure to provide equal employment opportunities to non-citizens who can legally work in the United States is also discrimination under the law.

Do not ask questions about a person's religion. This also includes related questions such as church attendance, need for time off for religious observances or whether they are a Christian.

Under the Age Discrimination in Employment Act, discrimination against people over 40 is unlawful. Generally asking questions about age is not appropriate, but asking if an individual is over 18 to ensure compliance with child labor requirements is appropriate. Questions which indicate a person's age, such as the date of high school graduation, should also be avoided.

Women are often asked questions which are not asked of male applicants. Questions about family size, future plans to have children, marital status, spouse's occupation, child care arrangements and similar questions have been viewed as discriminatory.

Questions about past medical problems, disability or prior workers' compensation claims are never acceptable. While there is no protection for an active drug user, a former drug user who is rehabilitated does have protection under the ADA.

Inquiry into languages a person speaks should be made only if the ability to speak another language is essential to the job. Asking about a person's native tongue or how they acquired proficiency in a language is not acceptable.

General inquiries into an individual's arrest record should not be made. While questions about convictions are currently acceptable, do not disqualify an applicant solely on the basis of a former conviction. Factors such as the number of convictions, their nature, when they occurred and their relationship to the position must all be taken into consideration before making a decision about an individual's suitability for a job.

Questions about military service in the Armed Forces of the United States are acceptable, but questions about military service in the armed forces of another country should not be asked. Also, refusing to hire an individual because of receiving a less than honorable discharge might also be viewed as discriminatory.

Questions about personal characteristics such as hair color or eye color have no bearing on person's ability to do a job and should not be asked. If height and weight are asked,

the employer needs to be able to prove, by statistical evidence, that any standards based on height or weight are essential to the safe performance of the job. In addition, applicants should not be asked to submit a photograph with resumes or applications.

General inquiries about organizations of which an individual is a member are inappropriate because the answers may indicate an employee's inclusion in a protected class. However, asking the applicant to list membership in professional organizations which the applicant feels would help evaluate his or her qualifications for a position is acceptable.

After a person is hired, it may be necessary to obtain information that should not be sought during the pre-employment process. This information may be needed for government reports or for the administration of benefit programs. It is acceptable to obtain information for these purposes but this information should be kept in confidential files that are separate from the files normally used in making decisions affecting the employee.

The stance of the Equal Employment Opportunity Commission is, "If the question is asked, it will be used in making the decision." Questions asked during interviews should relate only to the applicant's meeting the requirements for the job and his or her ability to perform the essential job functions. Questions outside these limits put you in the middle of the mines and, if one blows, you may be facing a long, tedious and expensive lawsuit.

### **PRE-EMPLOYMENT QUESTIONS**

(The following are examples of questions that are generally considered to be appropriate and inappropriate to ask during the pre-employment process. This list is only intended to provide guidance in what questions may be asked and should not be viewed as an all-inclusive list of such questions. It must also be remembered that, as new legislation is passed and decisions are made in the courts, there may be changes in what questions are considered appropriate.)

#### **National Origin**

Appropriate:

None unless national origin is a bona fide occupational qualification (BFOQ).

Inappropriate:

What is your nationality? Were you born in the United States? What country are your parents from? Where were you born?

#### **Race or Color**

Appropriate:

None

Inappropriate:

What is your skin color? What is your race?

#### **Religion**

Appropriate:

None unless religion is a BFOQ.

Inappropriate:

Are you a Christian? What is your religious denomination? Do you attend church? What religious holidays do you observe?

**Age**

Appropriate:

Are you at least 18 years of age? If not what is your age?

Inappropriate:

How old are you? What is your date of birth?

**Sex**

Appropriate:

None unless sex is a BFOQ.

Inappropriate:

Are you male or female? Do you plan to have children? Do you practice birth control? Do you feel like a woman can handle this job?

**Disability**

Appropriate:

None

Inappropriate:

Are you disabled? Have you ever been treated for any of the following injuries or illnesses (followed by a list)? Have you ever filed a workers' compensation claim? Have you ever had any mental or psychological problems? How long have you been in a wheelchair?

**Marital Status**

Appropriate:

None

Inappropriate:

Are you married? Do you prefer to be called Miss? Mrs? Ms? What is your spouse's name? Have you ever been divorced?

**Arrest Record**

Appropriate:

Have you ever been convicted of a felony? (NOTE: In most jobs, a felony conviction cannot be the sole basis for failure to hire.)

Inappropriate:

Have you ever been arrested?

**Driver's License**

Appropriate:

Do you have a current driver's license (if driver's license is required for performance of the job)?

Inappropriate:

Do you have a driver's license (where a driver's license is not required for the job)?

**Citizenship**

Appropriate:

Are you a citizen of the United States? If not a citizen, are you legally authorized to work in the United States?

Inappropriate:

Of what country are you a citizen? Are you a native born or naturalized U.S. citizen? Are your parents citizens?

**Languages**

Appropriate:

Do you speak Spanish (or other language required for the job)?

Inappropriate:

What foreign languages do you speak or write? How did you learn those languages? What is your native tongue?

**Military Experience**

Appropriate:

Have you served in the Armed Forces of the United States? If so, what were your duties?

Inappropriate:

Have you ever served in the Armed Forces of a country other than the United States? Have you ever received a discharge under less than honorable conditions?

**Education**

Appropriate:

Any questions pertaining to educational requirements that are truly a requirement for the job.

Inappropriate:

Any questions about an applicant's educational background that is not a true requirement for the job.

**Photograph**

Appropriate:

None

Inappropriate:

Any requirement that an individual provide a photograph before being hired.

**Personal Characteristics**

Appropriate:

None

Inappropriate:

What color are your eyes? What color is your hair? What is your height and weight?

**COMMENTS**

Generally, any question that has direct bearing on an applicant's ability to do the job is acceptable. However, questions asked of only certain applicants, and not of all applicants, can make an otherwise valid inquiry appear to be discriminatory. An example would be asking a woman if she could meet the physical requirements of the job but not asking the same question of male applicants. The key to staying out of trouble in the interview and selection process is to ask questions that pertain only to the job and avoid any questions that pry into an applicant's personal background.

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Once an employee is hired, it may be necessary to obtain information for benefit programs or government reporting that should not be sought during the pre-employment process. This is okay but, before obtaining any such information, be sure that there is truly a need to have it and, once obtained, keep it separate from the employee's personnel file.

### **EXAMPLES OF OPEN-ENDED INTERVIEW QUESTIONS**

- Why do you want to work for the county?
- What hours are you available to work?
- What are the things you look for in a job?
- How did your previous jobs prepare you for the position for which you are applying?
- Describe (or show me) how you would perform the functions of this job.
- In what areas do you feel that additional training would be beneficial to you in performing the duties of this job?
- Tell me about your qualifications for this job and how you developed them.
- What machinery (equipment, tools) do you operate that would be used in this job?
- How do you keep your knowledge current in your profession?
- Why do you want to change jobs at this time?
- Describe your duties in previous jobs.
- What did you like most and least about your last job?
- If you could have changed something in your last job, what would it have been?
- What were you doing from the time before you started your most recent job and the time you left your previous job?
- Tell me about your level of responsibility in previous jobs.
- What do you feel are the safety considerations in the job for which you are applying and how would you handle them?
- What do you feel you accomplished in your previous jobs?
- Describe your relationship with your supervisors in previous jobs.
- What makes a job interesting to you?
- What irritates you in the workplace?
- What do you expect from your supervisor?
- What are your long term career goals?
- What do you think an employer should expect from an employee?
- Why do you feel you are the best qualified applicant for this job?
- What information haven't we discussed that would help in considering your application for this job?

### **DISCIPLINE AND DOCUMENTATION**

One of the most dreaded tasks a supervisor must face is dealing with problem employees. Confronting an employee who is not meeting performance standards or who is failing to meet other workplace requirements and expectations, is never any fun. To further complicate this issue, disciplinary action taken against problem employees can often lead to charges such as discrimination or wrongful discharge which in turn, can result in costly

settlements. In the case of termination, the fact that a supervisor has a good job related reason for taking the action does not automatically guarantee success for the employer if a law suit is filed. Without dependable proof of the reason for the termination, an employer's position is very weak in a hearing or courtroom. Well written, thorough, accurate and objective documentation of the incidents leading up to the termination, or less severe form of discipline in some cases, can greatly enhance the employer's case if charges are filed. The following are elements that should be contained in good documentation.

### **DATES**

Dates and, where significant, time of day are key elements in effective documentation. Dates should always be shown for the following:

- When a significant incident occurred
- When information is received about the incident from another source
- When a document is prepared.
- When individuals actually sign any documentation.

### **FACTS**

Documentation is intended to be an accurate record of specific incidents. Therefore, only supportable facts should be included in documentation. Personal observations, observation by reliable witnesses or physical evidence of a situation, are examples of factual information that can be an effective element of documentation. The assumption that "something happened" does not qualify as a fact.

### **OBJECTIVITY**

In preparing documentation, objectivity is extremely important. Emotional statements or personal feelings can greatly dilute the effectiveness of documentation. Statements such as "Joe is lazy" or "Joe's attendance record shows that he does not care much about his job" are statements of opinion, not fact, and should not be included in documentation. "Joe produces 40% less widgets than his quota during the last six months" or "Joe was fifteen or more minutes late for work on the following dates in September" are objective, specific, observable and measurable facts that should be included in documentation.

### **SPECIFICS**

In preparing documentation for disciplinary purposes, it is just as important to be specific in establishing expectations as it is in recording past occurrences. Telling "Joe" that he must work harder really doesn't tell him anything. However, if "Joe" is told that he must be producing widgets at 95% of his quota by October 30, a specific, measurable standard has been set for Joe that must be met within an established time frame.

### **DISCIPLINE TYPES**

Information discipline, which is usually the first step in addressing minor problems when they initially occur, normally consists of a counseling session with the employee. The supervisor meets with the employee, discusses his concerns, tells his expectations, and talks it over with the employee. Since most minor workplace problems are the result of employees not fully understanding what the supervisor's expectations are. While it is not customary to place documentation of this meeting in the employee's personnel file, the supervisor should maintain a record of it to be used if the discipline goes to a higher level.

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Formal discipline is normally administered when an employee fails to respond to informal discipline or the severity of the situation is such that a higher level of discipline is required. At this level, carefully designed documentation is important. The elements normally found in a disciplinary statement include the following:

- A statement of the problem - state the problem in terms of specific situations or occurrences. It is important that this information be supportable by first hand observation or physical evidence.
- A statement of "why" the problem is a problem - What could be no problem, or a minor problem, in some jobs could be a major problem in other jobs. Therefore, this section should identify why the problem, in this situation, is significant enough to warrant this level of action.
- What has been done to resolve the problem - Any prior counseling sessions, or other actions taken in the past, to address this problem with the employee should be shown here.
- What expectations must be met - Here the supervisor should list any performance standards or other expectations that must be met. These should be specifically stated so that there will be no doubt if they have been met or not.
- By when must the standards be met - This should be a specific date. The length of time should be reasonable. If it is too long, however, the employee may not feel a pressure to begin immediate improvement.
- What will the supervisor do to help the employee meet the expectations - If there are steps the supervisor can, and will, take to assist the employee to meet expectations, they should be shown here. This could be in the form of extra training for the employee having production problems; an early phone call to wake up an employee with a tardiness problem, etc. This extra effort can show a good faith effort to salvage an employee, if later charges are filed, but can backfire if something is listed that the supervisor is unable, or unwilling to do.
- Consequences - This section tells the specific consequences that will occur if the employee fails to meet the established expectations within the established time frame. However, no statement of consequence should be made unless the supervisor fully intends to follow through.

When formal discipline is administered, the employee involved should sign the disciplinary document. The employee's signature generally is viewed as showing the employee has read and understands the document, not that he necessarily agrees with its contents. If an employee refuses to sign, a neutral third party should be brought in to serve as a witness. The employee should again be requested to read and sign the document and, if he refuses, the witness should record what he or she observed. Most employees are good, hardworking individuals who cause us no headaches. However, that small percentage of employees who cause almost all of our problems will continue to cause problems until appropriate disciplinary action is taken. They can also continue to be a major problem even after being disciplined unless discipline is handled properly. The following type will help minimize the potential for those later problems:

- Be sure there is a valid, work related reason for discipline.
- Be consistent in administering discipline.

- Be sure the "punishment fits the crime."
- Make your decision on documented facts, not hearsay.
- Be objective. Don't let personal bias or prejudice affect your decision.
- Don't take adverse action against an employee because of the fact that they have exercised a legal right such as filing a workers' compensation claim or filed a wage and hour complaint with the Department of Labor.
- DOCUMENT! DOCUMENT! DOCUMENT!

### **TYPES OF DISCIPLINE**

There are three basic types of discipline - preventative, corrective and coercive.

Preventative discipline includes all steps to be taken to help eliminate the potential for problems with employees.

- Included in the preventative discipline process are work rules, job performance standards and other expectations to be communicated to employees.
- Preventative discipline begins with the employee orientation process and continues throughout the employment relationship as expectations from the employer change.
- Preventative discipline is the mildest form of discipline and is normally not even seen as discipline by the employees.

Corrective discipline occurs after an employee's performance, or other job related expectations, does not meet the standards set by the employer.

- Usually, corrective discipline is fairly informal and only involves basic consultation with the employee.
- In meeting with the employee, the supervisor discusses the problem, why it is a concern, and what must be done to meet expectations. The employee should also be given a chance to respond.
- Normally, documentation is not prepared for the employee's personnel records at the consultation level of corrective discipline, but the supervisor should make a note of everything that transpired in case the information is needed later.
- A somewhat higher level of corrective discipline is a written reprimand which is placed in the employee's records.

Coercive, or punitive, discipline is the severest form of workplace discipline and is used when the other approaches to discipline have not produced the desired result. In most cases, disciplinary problems are taken care of at the corrective level. Often, the problem is the result of the employee not being aware of what is expected. When corrective discipline fails to solve the problem, the supervisor should move up to the next level which is coercive discipline.

Coercive, or punitive, discipline normally comes into play when the milder forms of discipline have not been effective. Coercive discipline involves a formal process which includes preparation of a disciplinary document and a formal consultation with the employee.

At this level, the employee is made aware of specific consequences that will occur if he or she fails to meet defined expectation standards within a given time frame. It is

important that the disciplinary document be carefully prepared to reduce the potential for later liability. Any statements about the problem should be based on provable facts. Emotional statements, personal opinions and vague or unsubstantiated accusations should not be included in a disciplinary document. (See DISCIPLINE TYPE to find a description of the disciplinary document).

During the disciplinary conference, the supervisor needs to discuss all parts of the disciplinary document and be sure that the employee understands what is expected and what the consequences will be if the expectations are not met.

- The employee should be given a chance to discuss the content of the document and ask any questions to clarify its content.
- At the close of the disciplinary conference, the employee needs to sign a statement at the bottom of the disciplinary document saying that he or she has read it and understands it. It is not necessary to have the employee say that he or she agrees with it; only that it is understood.
- If the employee refuses to sign it, have a neutral third party witness this refusal (someone in a managerial or supervisory capacity) and then document the refusal for the record.

If the employee meets the standards you have set, this should be recognized. If not, the consequences should be immediately carried out at the end of the time frame that was set.

## **TERMINATION**

While our first goal in dealing with a problem employee should be to salvage the employee, there are times when the employee does not respond to attempts to do so and it becomes necessary to terminate the employee. If not handled carefully, a termination can create a tremendous liability. Prior to any termination, you need to consider the following questions.

- What are my real reasons for wanting to terminate this employee?
- Are these reasons work related?
- How would a jury view these reasons? (valid, fair, etc)
- Do I have specific, objective documentation supporting my reasons for this action
- Does the employee fall into a protected status and is that status any part of my reason for taking this action? Also, have I done anything that would make it appear that this status may be part of my reason for this action even though it is not?
- Is this decision consistent with current policy and past practice?
- Have reasonable steps to help the employee identify and resolve the problem?
- Have I warned, or do I intend to warn, the employee that his or her job is in jeopardy?
- What does the personnel files contain that could be a problem if a lawsuit is filed? (Remember that glowing performance review you gave the employee three months ago because you didn't want to hurt his feelings?)

If significant problems are expected from the termination, such as the high probability of a lawsuit, you should consult with an attorney knowledgeable in employment law before taking action. To facilitate the actual termination process, these preparatory steps should be taken:

- Decide when and where the employee will be told of the termination.

- Have the personnel department prepared to advise the employee of any benefits or rights he or she may have and to have any paper work ready to be completed.
- Whenever possible, have the final paycheck ready.
- Have boxes ready for the employee to pack up personal items.
- Have security personnel available if problems are expected.
- Where necessary, have a neutral third party available to take the employee home.
- During the termination session, it is important that the supervisor or manager retain control.
- Immediately state the purpose of the meeting. This is not a time for small talk.
- State the effective date and time of the termination and that the decision is final.
- In stating the reason for the termination, it is best to give only one valid documented work related reason for the decision. The potential for problems increases with the amount you say.
- Keep the meeting on track. If the employee tries to talk about the performance or problems with other employees, firmly let the employee know that the only purpose of the meeting is to discuss his or her situation, not that of others.
- Remain objective and avoid emotion. In some situations, an employee may show anger, depression, make slurs or cry. You must remain in control by not overreacting to these emotional displays.
- Explain what the exit procedure will be and begin it at the close of the interview.

It is also important that you help the employee retain his or her dignity during the termination process.

### **IMMEDIATE TERMINATION**

In some instances, an employee's actions may be so severe that immediate termination is necessary. When this occurs, some action should be taken as soon as you become aware of the situation. The longer you delay taking action, the more difficult your defense becomes that it was a terminable offense.

- If you need to consult with an attorney or other officials before taking final action, you should suspend the employee until you finish the follow-up work.
- It is important to show that you were not willing to keep the employee in an active status until a final decision had been made concerning the situation.

As with all terminations, it is important that thorough, specific documentation be prepared.

### **ONGOING RESPONSIBILITY**

Termination of an employee is a management issue, and is not to be shared with other employees. Using an employee's termination as "an example to other employees" can possibly lead to a slander lawsuit. Providing references on terminated employees can also create a liability. Any reference requests should be handled by someone who is familiar with these exposures.

### **AT WILL-REALLY?**

At this point, a brief discussion of the "at will" doctrine should be discussed. Texas has always been known as an "at will" or "right to work" state, however, this has been undermined by a number of statutes and court decisions. It is very important that nothing

in the application, personnel policies, interview or any other paperwork be construed to be a contract.

This can happen by comments, statements in literature and policies or other statements. They become implied contracts or create a property interest in the job for the employee and carry the weight of law.

The truth is, you can terminate any employee, anytime, for any reason, but you may pay a big price, including back pay, interest, penalties and possibly even forced reinstatement.

It is therefore, extremely important to make certain that you avoid treading on an employee's civil rights and avoid "implied contracts." The best way to avoid the former is to stay abreast of the laws and statutes, and to avoid the former, do not make any statements that may be construed as contracts and include a disclaimer in your personnel policies, application, and other documents which clearly states that employment is at will and the county or the employee may terminate the employment at any time for any legal reason.

It is best to provide a statement for the employee to sign and be kept with their employment records.

### **HOUSE CLEANING TIME**

It's January 1. I am the newly elected county official and I've just been sworn in. Now it's time to clean house. I am going to get rid of all (or most) of those scalawag employees in my new office who served my opponent -- the incumbent -- so well all those years. Yes, there is going to be a new look in that office now.

Two questions arise from this scenario. The first question is, "Can the new official do this?" The second is, "If so, are there any potential repercussions?"

The answer to the first question is "yes." An elected county official has control over who works in his or her office. The official can select whomever he or she wishes to fill an approved position. Under employment at will, the official can terminate any employee at any time, with or without notice, and for any reason (good reason, bad reason or no reason), except for an illegal reason or unless the employee has a property interest in his or her job. Sounds pretty simple, doesn't it. You can fire the former official's employees without any problems -- right?

"Are there any potential repercussions from such action?" Three types come to mind -- monetary, quality of service and legal. First, let's look at a basic monetary liability that will be created when a new official terminates current employees. Most will not be able to readily find a new job so they will apply for unemployment compensation. When a new official terminates current employees upon entering office, the county has no defense for challenging the granting of benefits. GREAT! Let them have unemployment benefits. The state pays for it anyway. WRONG! Counties are reimbursing employers. This means that for every dollar paid out to a former county employee which is charged back to the county (and this would be all benefits paid to long time employees who have been recently terminated), the county must reimburse the Texas Employment Commission for the full amount. Depending on the number employees involved and how

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long it takes them to find new jobs, the cost could run into thousands of dollars for the county.

The second problem area is loss of quality of service. The responsibilities and duties of elected county officials are quite complex. Very few incoming officials have a full grasp of what their job is on day one. By terminating the current employees, the new official loses years of experience and knowledge that could be valuable in helping prevent costly mistakes. The “old timers” are also familiar with the functions and procedures of the office. This helps ensure better service to the citizens of the county -- the ones who put the new official in office to provide those services. Just because employees worked for the former office holder does not mean that they won't do a good job for the new office holder. Experience has shown that a majority of county employees are loyal to the county and will do their best for whoever is in office.

The third problem area is legal. As pointed out earlier, you can terminate an employee for any reason except an illegal reason. The scope of these illegal reasons has greatly expanded during recent years thus eroding an employer's “at will” rights. The most widely known illegal reason for personnel actions is discrimination. Basing a work related decision on a person's race, color, national origin, sex, age, religion or disability is violation of federal and state anti-discrimination law. Other protected areas include, but are not limited to, exercising a legal right such as voting or free speech, filing a valid workers' compensation claim, reporting alleged illegal acts of the employer to the proper authority (whistle blowing), or retaliation for filing a discrimination charge. A decision to terminate, or refuse to hire, does not have to be based entirely on an illegal reason for it to be a violation of an individual's protected status. If an illegal reason is even part of the basis for the decision, there is a violation. Even the appearance of an illegal reason for making an adverse decision concerning an employee or applicant places the burden of proof on the employer. If charges are filed for violation of an individual's protected status, the county will be facing some major costs for legal defense and, if the judgment is against the county, settlements of hundreds of thousands of dollars are not uncommon in such cases.

Yes, the new official has the right to terminate, (or not hire, if that term is preferred) the current employees in his or her new office. However, there is a potential for major liability in doing so. A better approach to the situation is to give the current employees a chance. Let them know what you expect when you come into office. Set standards of performance and then evaluate the employees on how well they are meeting those standards over a reasonable period of time. If they are unable to meet your standards, then you have a work related basis for taking action. However, you will probably find that you are pleasantly surprised at what an effective work force you inherited when you took office.

### **FAIR LABOR STANDARDS ACT**

The Fair Labor Standards Act of 1938 including amendments has been impacting counties for many years. This law states essentially that:

- A minimum wage must be paid to covered non-exempt employees for all hours worked.
- Time and one half must be paid for all hours worked above 40 during the workweek (governments have the option of offering comp time).
- Child labor standards must be observed.
- Recordkeeping requirements must be maintained.
- Exemptions from overtime are limited to those who meet the test of executives, administrative or professional.

### **AMERICANS WITH DISABILITIES ACT**

The Americans with Disabilities Act of 1990 affects all supervisors with at least 15 employees and all government entities. The major points are:

- Qualified individuals with disabilities are protected from employment discrimination.
- To be qualified, the individual must have a record of or be regarded as having a substantial (as opposed to a minor) impairment, which significantly limits or restricts a major life activity such as hearing, seeing, breathing, performing manual tasks, walking, caring for oneself, learning or working.
- Qualified individuals must be able to perform the essential functions of the job with or without a reasonable accommodation.

The ADA does not prevent an employer from hiring the best qualified candidate nor does it impose any affirmative action obligations. It does prevent supervisors' from discriminating in the recruiting, application, interviewing or hiring of a qualified applicant or employee because of his or her disability.

### **FAMILY AND MEDICAL LEAVE ACT**

Click here for complete overview of current law:

<http://www.dol.gov/whd/regs/compliance/posters/fmlaen.pdf>

#### **Eligibility Requirements**

Employees are eligible if they have worked for a covered employer for at least 12 months, have 1,250 hours of service in the previous 12 months\*, and if at least 50 employees are employed by the employer within 75 miles.

#### **Overview**

The FMLA entitles eligible employees of covered employers to take unpaid, job-protected leave for specified family and medical reasons with continuation of group health insurance coverage under the same terms and conditions as if the employee had not taken leave. Eligible employees are entitled to:

Twelve workweeks of leave in a 12-month period for:

- the birth of a child and to care for the newborn child within one year of birth;
- the placement with the employee of a child for adoption or foster care and to care for the newly placed child within one year of placement;

- to care for the employee’s spouse, child, or parent who has a serious health condition;
- a serious health condition that makes the employee unable to perform the essential functions of his or her job;
- any qualifying exigency arising out of the fact that the employee’s spouse, son, daughter, or parent is a covered military member on “covered active duty;” or
- Twenty-six workweeks of leave during a single 12-month period to care for a covered service member with a serious injury or illness if the eligible employee is the service member’s spouse, son, daughter, parent, or next of kin (military caregiver leave).

## **SEXUAL HARASSMENT**

This material was developed as part of a workshop for supervisors on the issues of sexual harassment in the workplace. It is intended to be an overview of the significant areas of a very complex topic and should not be viewed as an all-inclusive discussion of this issue. The material contained herein is not intended to be, nor should it be construed as, legal advice. If legal advice or assistance is needed, you should consult a qualified attorney.

### **Is sexual harassment illegal?**

Yes. [Under Title VII of the Civil Rights Act of 1964](#), it is unlawful to discriminate against an individual with regard to terms and conditions of employment based on that individual’s race, color, sex, religion or national origin. Any adverse treatment in the workplace that is based on a person’s gender is sex discrimination under Title VII.

Early court cases found sexual harassment to be unlawful sex discrimination under Title VII. These cases involved male supervisors who asked for sexual favors from female employees. A woman who did not give in to the demands of the supervisor would be terminated, forced to quit or suffer some other adverse work related action. Some employers said that such actions were not the result of the employee being a woman, but because she did not yield to the demands of the supervisor. The courts rejected this argument stating that such demands were not placed on male employees by those supervisors so, therefore, the action was based on the sex of the employee.

### **Is gender harassment the same as sexual harassment?**

While both sexual harassment and gender harassment are prohibited under Title VII, there are some differences between the two. Sexual harassment involves some conduct of a sexual nature. Gender harassment is abusive conduct that is not sexual in nature, but is based on an employee’s gender. It can take the form of sexist slurs, negative stereotyping, abusive language, threatening or hostile acts, or other actions intended to demean an individual because of their gender. Statements such as, “Of course a woman couldn’t understand this” or “This job is too hard for a woman to do” or jokes or pictures depicting women in subservient roles would be examples of gender harassment.

### **Exactly what is sexual harassment?**

The [Equal Employment Opportunity Commission \(EEOC\)](#), the federal agency which enforces Title VII, defines sexual harassment as unwelcome sexual advances, requests for sexual favors or other verbal or physical conduct of a sexual nature when:

- Submission to such conduct is made either explicitly or implicitly a term or condition of a person's employment.
- Submission or rejection of such conduct is used as a basis for employment decisions affecting that person.
- Such conduct has the purpose or effect of creating an intimidating, hostile or offensive work environment.
- Such conduct has the purpose or effect of unreasonably interfering with a person's work performance.

Sexual harassment falls into two categories. One category is quid pro quo which is Latin phrase meaning something for something. This form of harassment occurs when the supervisor offers the individual something of value, such as a job or promotion, in return for sexual favors or other sexual conduct. This type of sexual harassment only occurs when a supervisor-subordinate relationship exists. For example, it can involve adverse action against an employee because she refuses to wear revealing clothing to work or because she refuses to date a client. The key element in quid pro quo harassment is that something of value is offered or taken away, based on the individual's acceptance or rejection of sexual conduct.

The other form of sexual harassment is hostile environment. Hostile environment sexual harassment is not a matter of offering something of value in return for sexual conduct. It involves situations where the workplace atmosphere is so sexually pervasive that it affects the employee's ability to work effectively or creates an abusive or intimidating environment.

A key word in the definition of sexual harassment is "unwelcome." By the EEOC definition, the conduct must be unwelcome before it is considered to be sexual harassment. If an employee is a willing participant in sexual conduct or in acceptance of such conduct, it would appear that there is no basis for a claim of sexual harassment. This, however, is not always the case.

Before there can be a claim of sexual harassment, three criteria must be met. The first criterion is behavior, either verbal or physical. The second is that the behavior must be sexual or gender based. The third criterion is that the behavior must be unwelcome. Unless all three criteria are present, there is no sexual harassment as defined by the EEOC.

### **What creates hostile environment sexual harassment?**

Hostile environment sexual harassment is harassment that falls into the last two elements of the EEOC definition. It is unwelcome sexual advances, requests for sexual favors or other physical or verbal conduct of a sexual nature that has the purpose or effect of creating an intimidating, hostile or offensive work environment; or that has the purpose of unreasonably interfering with a person's work performance.

While quid pro quo harassment is based on a supervisor-subordinate relationship, hostile environment can be created by the employee's supervisor, other employees or by outsiders. Here, the issue is not a matter of requiring some form of sexual conduct in exchange for something of value. It is an atmosphere in the work setting that is so pervasive in its sexual nature that the employee finds it abusive and hostile to the extent

that he or she cannot function effectively in her job. A hostile environment can be gender based as well as a sexually based harassment.

In many ways, it is more difficult to determine a hostile environment situation than it is a quid pro quo harassment situation. In determining whether a situation is hostile environment sexual harassment, the approach used by the EEOC is to view the situation in its entirety. Some of the factors considered are:

- Was there verbal and/or physical conduct of a sexual or gender based nature?
- How frequently was it repeated?
- Whether the conduct was hostile and patently offensive?
- Whether the alleged harasser was a coworker, supervisor, or outsider?
- Whether others joined in perpetuating the harassment?
- Whether the harassment was directed at more than one individual?
- Was the conduct unwelcome?
- Did the conduct unreasonably interfere with the employee's work performance?

Hostile environment sexual harassment can exist even where the conduct is not directed to the complainant. The exposure to sexually orientated behavior directed toward others can also be sexual harassment. It is the overall pervasiveness and offensiveness of the situation that is critical in determining if there is sexual harassment.

Generally, verbal conduct requires many instances before it is viewed as sexual harassment. The isolated offensive statement or joke is normally not considered to be pervasive enough to create a hostile environment. Also, innocent social advances are not viewed as sexual harassment under most circumstances. Asking a coworker to join a social group, or even asking for a date, would not be sexual harassment unless the requests persisted after the employee showed that she was not interested. Socially acceptable compliments to a coworker on her appearance are also viewed as acceptable. However, the way in which the compliment is stated or the expression or other physical conduct of the person making the compliment can make it offensive.

While a single incidence of offensive verbal conduct is not sufficient to create a hostile environment, a single incident of offensive touching (intimate body areas, kissing, caressing buttocks, etc.) is all it takes to be considered sexual harassment.

Other factors that can be contributed to a hostile environment include pinups, sexually explicit language, vulgar gestures, offensive jokes, lewd looks and comments.

In determining if there has been sexual harassment, the perspective of the claimant must be considered. Whether a similarly situated reasonable person would have found the conduct offensive is often crucial in deciding if there has been sexual harassment. Under the current standard of assessing the existence of sexual harassment, it is not required that the complainant suffer psychological harm. As the Supreme Court has pointed out, "Title VII comes into play before the harassing conduct leads to a nervous breakdown."

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### **What about the issue of welcome versus unwelcome conduct?**

As was pointed out earlier, for sexual conduct to be harassment, it must be unwelcome. If an employee is freely and willingly participating in the conduct, there is no violation of the law. Workplace sexual conduct is unwelcome when:

- The employee does not solicit or initiate the conduct.
- The employee regards the conduct as undesirable and offensive.

The question arises as to how an employer can determine if sexually oriented conduct in the workplace is unwelcome. An obvious sign is if the employee complains or protests about the conduct. Even though there may be long delay from the time the conduct started until the employee complained, it still does not indicate that the conduct was welcome. The delay in complaining may have been the result of fear of retaliation. Any time an employer becomes aware of a complaint of sexual harassment, the employer should take immediate action to investigate the claim and stop any harassment that is discovered.

It must also be kept in mind that acceptance of sexual conduct does not always mean welcomeness. An employee may tolerate such behavior for fear of retaliation if he or she complains. It may finally reach the point where the employee can no longer deal with the situation and file a complaint or lawsuit. If it can be shown that the employer knew or should have known about the situation and took no action to stop it, the employer's liability is greatly increased.

Obviously, the best way to eliminate the question of whether such conduct is welcome or unwelcome is to prohibit all sexually orientated conduct in the workplace.

### **What if the employee joins in the conduct and then complains about it?**

Employees may sometimes join in the sexual joking and banter and then later complain that it is offensive. While such actions on the part of the employee may indicate that the conduct is welcome, the employer and other employees should never rely on this assumption. Past use of sexually explicit language or innuendo cannot be used to show that such conduct is generally welcome. An employee, at one point, may participate in such activity but later stop. If the employee later complains that such conduct is no longer welcome and the conduct persists, it may be found to be sexual harassment. An employee who was once willingly participating in such conduct may also later complain that he or she now feels that it has gone too far.

Another issue involved is the employee who occasionally uses vulgar or sexually explicit language. This does not necessarily indicate that such conduct is welcome. Such conduct by other employees can become escalated and more abusive until they reach the point of being no longer acceptable to the employee. It then could be viewed as sexual harassment.

Even though an employee has or is currently using sexual language or is engaging in other sexually orientated conduct in the workplace, it is never an excuse for an assault or for a supervisor to offer job benefits in exchange for sexual favors.

### **What is involved in determining if there has been sexual harassment?**

As was mentioned earlier, for sexual harassment to occur, there must be three elements. There must be a behavior. The behavior must be sexually or gender oriented. The behavior must be unwelcome.

Behavior means either a verbal or physical action. It is not a behavior until it manifests itself by some action on our part. This could be in something said or in some gesture made, but our thoughts by themselves do not create a harassment situation simply because no one knows what they are.

The second element is that the behavior must be sexually or gender based. Even though a person's actions, appearance or words may be obnoxious and repulsive to us, they cannot be considered part of a sexual harassment situation unless they are sexually or gender based.

The third element is unwelcomeness of the behavior. Even though the first two elements are there, it still is not sexual harassment if the behavior is invited and welcomed by the recipient.

In the absence of any one of these elements, there is no sexual harassment.

### **Can there be same sex harassment?**

This question gets into an area in which the answers are not that clear. Some courts have not recognized same sex harassment while others have said that a sexual harassment victim does not have to be a member of the opposite sex. The EEOC's stance on this issue is that if the harassment is based on the victim's sex and the harasser does not treat members of the opposite sex the same way, then it can be sexual harassment. The following example is given in the EEOC Compliance Manual:

- If a male supervisor of male and female employees makes unwelcome sexual advances toward a male employee because the employee is male but does not make similar advances toward female employees, the male supervisor's conduct may constitute sexual harassment since the disparate treatment is based on the male employee's sex.
- In one case, a male manager was abusive to male and female employees. A female employee filed a hostile environment suit. The manager claimed there was not sexual harassment because both male and female employees were harassed - basically "equal employment harassment." The court said that even though the manager was abusive to both males and females, the abuse of women (which included sexual epithets, explicit references to women's bodies, and sexual conduct) was different because it centered on the fact that they were females.

### **What is an employer's liability for sexual harassment?**

There can be a tremendous liability for employers in the area of sexual harassment depending on who the harasser is and what actions the employer takes to eliminate harassment.

Quid pro quo harassment is potentially the most damaging for an employer. The stance on this is that the employer is liable for the actions of its supervisors and managers, even though the other managers had no knowledge of the harassing behavior.

In hostile environment situations, the employer's liability begins when the employer knows or should have known of the harassing conduct. Hostile environment harassment can result from the actions of managers, supervisors, fellow workers or outsiders. Liability can be eliminated or reduced if the employer takes quick action to control, investigate and eliminate the harassment. A well written and consistently applied policy on sexual harassment can also reduce the liability under hostile environment harassment.

Where harassment may be the result of actions of outsiders such as vendors, clients or service people, the employer needs to take action to control and eliminate the employee's exposure to the harassing action. In some cases, this could even mean having the harassing individual removed from the premises.

### **Can I be personally liable for sexual harassment?**

The courts are not consistent on this issue. Some courts contend that the liability is only with the employer. Other courts say that managers and supervisors may be personally liable for their harassing conduct when they are acting as agents for the employer.

Managers and supervisors, however, can be held directly liable for their sexually harassing behavior in situations where it is found to be a common law tort such as assault, battery or intentional infliction of emotional distress. Employees and others engaging in harassing conduct may also be held liable for such conduct.

### **How costly can sexual harassment be?**

If an employer is found to be responsible for sexual harassment under Title VII, the employer can be required to rehire the employee if she was fired or forced to quit, pay back wages to the employee for the period he or she was out of work and pay for the employee's attorney and expert witness fees. The employer can also be ordered to pay compensatory and punitive damages. The [Civil Rights Act of 1991](#) set a cap on compensatory and punitive damages of \$50,000 for employers with 15 to 100 employees, \$100,000 for employers with 101 to 200 employees; \$200,000 for employers with 201 to 500 employees; and \$300,000 for employers with more than 500 employees. It should be noted that these caps are per victim and not per lawsuit.

In some states, there is no cap on the amount of award that can be given under state anti-discrimination law. There have been instances of multimillion dollar awards given under some states' laws.

While the dollar cost to the employer in sexual harassment cases is significant, there are also many hidden costs and losses usually associated with sexual harassment situations. Included among these are low employee morale, employee absenteeism, loss of good employees and harm to the employer's reputation.

### **What can an employer do to control sexual harassment?**

Employers should take active steps to eliminate sexual harassment in the workplace. It is better to prevent a sexual harassment claim than to try to defend one in court. Actions that an employer should take include:

- Developing a well written policy on sexual harassment.
- Communicating the policy to all supervisors and employees.
- Train supervisors and employees on sexual harassment issues.
- Establish an effective complaint procedure.
- Take all claims of sexual harassment seriously and quickly investigate them.
- Document investigations.
- Maintain confidentially during and after the investigation.
- Determine if relief is necessary for the claimant during the investigation.
- If it is determined that there has been sexual harassment, act immediately to remedy the situation.
- Take steps to ensure that there is no retaliation against an employee who has filed a sexual harassment claim in good faith.

In almost all sexual harassment situations, the claimant is only trying to have the harassment stopped. If the employer quickly investigates claims and takes prompt appropriate action to eliminate any sexual harassment that is discovered, that usually is the end of the matter. It is when the employer ignores the complaint or delays taking action that the employee seeks relief outside of the work-setting. This is what leads to the high dollar lawsuits.

#### **What should be included in a sexual harassment policy?**

An effective sexual harassment policy should contain the following:

- A statement that sexual harassment will not be tolerated in the workplace.
- A definition of sexual harassment.
- A well-defined procedure for filing a complaint of sexual harassment.
- A statement that all claims will be taken seriously and investigated.
- Assurance that the employer will attempt to keep all investigations confidential.
- A statement that no adverse action will be taken against an employee who files a complaint of sexual harassment in good faith.
- A statement that an employee who engages in sexual harassment shall be subject to discipline, up to and including termination.

In designing a complaint procedure, it is important to have more than one route for an employee to follow in making a complaint. If all complaints must be made through the employee's supervisor, the whole procedure breaks down if the supervisor is the alleged harasser. It is also a good practice to have one route of complaint where the complaint is made directly to a female manager or official.

While the employer should attempt to keep all investigations of sexual harassment complaints confidential, complete assurance of confidentiality should not be given in the policy. Realistically, even though the employer takes all reasonable steps to assure such confidentially, absolute confidentiality cannot be guaranteed.

It is also important to determine exactly what actions will be taken when a complaint is filed. Advance planning on how to deal with a complaint of sexual harassment can make

the investigation move much more smoothly and rapidly, thus reducing the employer's liability. Things to consider include:

- Who will conduct the investigation?
- How will it be conducted?
- What statements will be made to the complainant, the alleged harasser and anyone else questioned during the investigation?
- What steps will be taken to help ensure confidentiality?
- Who will be responsible for making the final determination as to whether there has been sexual harassment?

### **What initial steps should be taken when a sexual harassment claim is filed?**

As was pointed out earlier, take every complaint seriously and let the employee know that this is the policy. Take time immediately to meet with the complainant and provide assurance that all attempts will be made to keep the investigation as confidential as possible. Also, assure the complainant that it is the employer's policy to prevent retaliation for complaints filed in good faith. Ask the employee to provide a written statement of the complaint, but don't require it if he or she does not want to give one.

In talking with the complainant, try to gather facts and information that will help with the investigation, and don't make judgments at this point. The role of the investigator should be neutral with the goal being to find out "who, what, when, where, why and how."

Let the complainant know that swift action will be taken to investigate the complaint, and that immediate action will be taken to remedy any misconduct that is found. Also, let the employee know that he or she may be liable for defamation if any false or malicious statements are made during the investigative process.

It is a good practice to ask if the employee feels he or she needs some form of relief while the investigation is being conducted. This could be in the form of separation of the complainant and alleged harasser, immediate removal of offensive items or offering to pay for counseling for the employee.

### **How should the investigation be conducted?**

The actual investigation is a very sensitive process. Care must be taken to assure that it is handled as discretely as possible. The investigator, and anyone who is questioned in the process of the investigation, must understand the importance of confidentiality, and the potential for personal liability for defamation of character if any false or malicious statements are made.

The role of the investigator must be a neutral one. No assumption of guilt or innocence should be made prior to all the facts being gathered.

During the investigation, a number of individuals will usually be interviewed. In addition to the complainant and the alleged harasser, others who might have first-hand knowledge of the situation, such as supervisors and coworkers, will also be interviewed. It is important that the investigator ask questions that are designed to get facts. Asking leading questions or indicating an opinion about the alleged harasser's guilt or innocence can greatly affect the accuracy of the investigation. It is also important for the

investigator to separate answers based on feelings from those that are a statement of actual fact.

As with all personnel activities, documentation of the investigation is important. A complete accurate record needs to be kept of all phases of the investigation. This will be used in making a final determination and for possible later reference if there are any repercussions of the decision resulting from the investigation.

Because of the importance of this phase of the sexual harassment process, it is recommended that investigations be conducted by someone experienced in the investigative process. This could be a staff attorney or management person trained in internal investigation techniques.

### **What happens after the investigation?**

If it is determined that there has been sexual harassment, appropriate disciplinary action needs to be taken against the harasser. If the harassment was not severe, the steps taken might include formal reprimanding and counseling with the employee. In this situation, the employee should also be told that no further incidents will be tolerated, and that if they occur, the employee will be subject to immediate termination.

Where the harassment has been severe, the disciplinary step would probably be discharge of the harasser. Somewhere in between these two extremes are other levels of discipline that would meet varying severities of harassment. As with all discipline, it is important that the employer try to “make the punishment fit the crime.”

Once a decision has been made on what action is to be taken, the employee filing the complaint should be notified of the action. The complainant should again be advised of the importance of continued confidentiality.

While there may be a tendency to use an employee who is guilty of harassment as an example to other employees to let them know that harassment will not be tolerated, to do so would be an increased liability to the employer. The investigation and results should remain confidential.

### **PERSONNEL POLICIES**

Essentially, personnel policies are simply a series of pre-determined decisions regarding the employer-employee relationship. They help establish an employer’s expectations of their employees and let employees know what they can expect from their employer.

Generally these policies include such items as:

- Rights and privileges of employees.
- Benefits programs
- Expectations the employer has of the employee.
- Legal requirements of the employer-employee relationship.
- Discipline.

Policy manuals should be dynamic, since employment law changes often and the relationship may necessarily be redefined from time to time. It is vital that manuals be reviewed periodically and updated to insure compliance with current legislation and court decisions. Policies should be carefully written to address what they are intended to

address and not be misunderstood. Personnel policy manuals should be written to accommodate the entire county's employees and it is then up to each officeholder to adopt them for use within their office. This cannot be required by the commissioner's court even though employees are employed by the county, not just the official. There is therefore, a tremendous liability for the county and individual officeholders when personnel policies are not uniform and not followed by each office.

## **TEXAS COUNTY AND DISTRICT RETIREMENT SYSTEM**

**Link to website:** <https://www.tcdrs.org/Pages/Home.aspx>

In accordance with governing laws and the individual elections of participating employers, the mission of the Texas County & District Retirement System is to provide and administer effective group pension plans for participating counties and districts. The Texas County & District Retirement System is the primary source for group pension plans for all counties and districts in Texas. Its excellent reputation is based on solid concepts and valued benefits, effective service delivery, and efficient operations. The system is respected nationally for its high integrity, consistent performance and customer service.

Each Texas County & District Retirement System (TCDRS) plan has its own unique employee group, plan provisions and employer cost experience. Each county and district elects its own employee deposit level, benefit provisions and retirement eligibility standards within the range of options allowed by state law. Legal authority for these elections rests with each employer's governing board (county commissioner's court or district board of directors).

The governing board must authorize changes in a plan's deposit or benefit levels, optional credits, or retirement eligibility standards. Your organization also selects one or more employees to serve as liaisons to TCDRS. These liaisons will interact with TCDRS about monthly reporting, and day-to-day benefits administration and issues.

## **COMMUNICATION AND COOPERATION**

Above all else, the need for communication and cooperation between the employee and employer, as well as the various officials and departments within each county is crucial.

The relationship of employer-employee has changed drastically over the past few years and will more than likely continue for a long time. The day of the long-term employee may well be at an end. Current studies indicate that most people now have at least three and sometimes four or more careers throughout their lifetimes. Many baby-boomers are nearing retirement and the labor market is being strained by this change. Additionally, the strong economy, overall, has created an employees' market and all employers are having difficulty retaining their best people, but the cost of the "brain-drain" of losing these people can be almost incalculable. It is therefore, worth the time and expense to try to retain as many as possible.

The next generation does not seem to have some of the same values and the generation beyond has even less loyalty to employers. It sometimes seems that you need to be a parent/psychologist/employer/buddy to get a good days work from your employees. Communicating in an open and honest way may be the best way to get and keep good

employees. The best advice here is consider what you want and expect for yourself and try to do the same with your employees and with your coworkers.

### **FINAL WORD**

Sexual harassment is not about a loving, caring relationship. It is not about respect and admiration of fellow employees. It is about power and control over others. It is about trying to enhance one's self image by demeaning others and attacking their dignity.

Control of sexual harassment in the workplace is important to protect the employer from the potential costs that come with related lawsuits. It is, however, more important to control sexual harassment so that no employee will have to put up with such degrading behavior, so that each employee will be treated with the level of dignity and respect everyone deserves.

### **AFFORDABLE CARE ACT**

The **Patient Protection and Affordable Care Act** (PPACA) 2010 HR3590, or Affordable Care Act (ACA) for short, is the new health care reform law in America and is often called by its nick-name Obamacare. The Patient Protection and Affordable Care Act is made up of the *Affordable Health Care for America Act*, the *Patient Protection Act*, and the health care related sections of the *Health Care and Education Reconciliation Act* and the *Student Aid and Fiscal Responsibility Act*. It also includes amendments to other laws like the Food, Drug and Cosmetics Act and the Health and Public Services Act.

What is the Affordable Care Act? – Read the Law

[Fact Sheet: Celebrating the Affordable Care Act | HHS.gov](#)

Additional Information:

<http://www.cms.gov/cciiio/resources/fact-sheets-and-faqs/index.html>

Affordable Care Act Tax Provisions for Employers

<https://www.irs.gov/government-entities/federal-state-local-governments/affordable-care-act-aca-information-for-government-entities>

# Chapter XI

## CONTACTS

[Texas Association of Counties](#)

[State of Texas Searchable Agency Directory](#)

[County Judges and Commissioners](#)

[County and District Clerks Association](#)

[Sheriff's Association of Texas](#)

[Justice of the Peace and Constables Association](#)

[Texas District and County Attorney's Association](#)

[County Treasurers Association of Texas](#)

# Chapter XII

## GLOSSARY OF TERMS

**Account Analysis Statement** - Statement usually prepared monthly for the corporation by each bank summarizing a company's activities, average balances and service charges.

**Accrual Bond** - Also known as Z-Bonds, these tranches pay no principal and no interest in their initial accrual period, but then accrue principal at a specific coupon rate. After the accrual period has expired, these bonds typically pay down like sequential tranche bonds.

**Accrued Interest** - Interest due from the last interest payment to the present day. When you buy a bond between interest payments, you must pay the seller the accrued interest, and when you sell on the interim, the buyer pays you accrued interest.

**Accrual Rate** - The percentage rate used to calculate the investor's principal and interest payments.

**Adjustable Rate** - A variable interest rate, as opposed to a fixed interest rate, that fluctuates according to the average interest rate on a specified security or market index.

**Adjustable-Rate Mortgages (ARMs)** - A mortgage that features predetermined adjustments of the loan interest rate at regular intervals based on an established index.

**Agency Bond or Note** - The IOU of an agency of the federal government, sometimes guaranteed by the government itself.

**Amortization** - The reduction of premium on principal at regular intervals.

**ANSI (American National Standards Institute)** - Organization that sets and supervises standards in the U.S., including those for electronic transaction formats that are used in EDI.

**Arbitrage** - The simultaneous purchase in one market and sale in another of a security or commodity in hope of making a profit on price differences in the different markets.

**ARM** - Adjustable rate mortgage.

**Asked** - The price at which bonds are offered to potential buyers; or the price sellers offer to take.

**Assumed Bond** - A bond on which a corporation other than the original issuer has assumed interest and principal payments.

**Automated Clearing House (ACH)** - A domestic electronic payment system involving over 20,000 financial institutions. Essentially it provides an electronic parallel to the Fed's check clearing system. While the majority of payments it processes are relatively

small-dollar consumer credits or debits, the ACH is important in corporate applications, particularly cash concentration.

**Availability** - The use of deposited funds granted to the clearing bank if the check reaches the endpoint (or location established by the clearing agent) prior to a prearranged deposit deadline.

**Availability Float** - The time from the deposit of the check until the depositor's account is credited with available funds. This is a component of collection float.

**Availability Schedule** - Specifies when a bank (or the Fed) grants credit for deposited checks in the form of an increase in the depositor's available balance.

**Available Funds** - Funds in a bank account to which the account holder has free access.

**Average Life (mortgage backed securities)** - the point at which half of the principal is paid off.

**Average Life (non-mortgage backed, fixed income securities)** - The average number of years the principal is expected to remain outstanding.

**Balance Compensation** - Compensation for bank services in the form of collected balances.

**Balloon Payment** - The final payment of principal under a balloon note; commonly representing the entire principal.

**Banker's Acceptance (BA)** - Time draft for which a bank has committed to making the payment to the holder at maturity.

**Basis Point** - 1/100th of 1% or .01%.

**Bearer Bond** - A bond which is presumed to be owned by the person who holds it; the owner's name is not on record with the issuer. Such a bond carries detachable interest coupons. Interest is collected by presentation of a coupon to the issuer's agent or the bondholder's bank.

**Bid** - The price buyers offer to pay for bonds; the price at which sellers may dispose of them.

**Blue List** - The trade offering sheets of bond dealers, listing dealers' offerings of municipal bonds for sale all over the country.

**Bond** - A written promise by the issuer to repay a fixed amount of borrowed money on a specified date and to pay a set annual rate of interest in the meantime, generally at semiannual intervals.

**Bond Discount** - Sale of bonds on the market at a price less than the face amount of such.

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Bond Equivalent Yield (BEY) - A yield that equates monthly pay mortgage-backed securities to semiannual payment bonds.

Bond Premium - The excess of the price of bonds over their face value; generally reflects the difference between the nominal interest rate borne by such bonds and the actual or effective rate of return determined by the current market.

Bond Sinking Fund - A sinking fund is accumulated by the issuing corporation specifically for the repayment of bonds at maturity. A sinking fund may be created voluntarily or required by provisions of the bond issue.

Book-entry - An electronic system of accountability, custody, transfer and settlement of securities. Book-entry systems allow rapid and accurate transfers of securities with simultaneous cash settlement.

BPS - Basis Points.

Broker - A person or firm acting as an agent for buyers and sellers.

Cafeteria Plan - Type of fringe benefit plan whereby employee, in addition to receiving certain basic fringe benefits, is permitted to also select and structure certain other types or benefits up to a specified dollar amount.

Call Option - A derivative security that gives the holder the right, but not the obligation, to purchase the underlying asset at a given (exercise) price. Call options are actively traded on corporate equities, debt instruments and foreign currencies.

Call Provision - A bond with a call provision may be redeemed at the option of the issuer before maturity usually at a premium.

Callable - A security is callable if the security issuer, under terms designated prior to the sale, reserves the right to "call" or redeem the security prior to its maturity.

Cap - A ceiling on the maximum interest rate for a variable-rate security.

Capitalization - The total amount of all the securities issued by a corporation

Cash Flow - The total amount of principal and interest paid to an investor.

Cash Forecasting - Longer-term (one month or longer) prediction of cash flows, typically focusing on the aggregate cash position. In contrast, cash scheduling focuses on shorter-term predictions, emphasizing cash position management.

Central Paying Agent - Fannie Mae's central paying agent, The Federal Reserve Bank of New York, wires monthly payments to depository institutions on behalf of registered security holders on the 25th of each month, or the first business day thereafter if the 25th is not a business day. This central paying agent concept simplifies accounting procedures because investors can receive just one payment monthly for all their book-entry Fannie Mae securities.

Certificates of Deposit (CDs) - Fixed-rate or variable-rate coupon instruments issued by banks with original maturities of at least 14 days. Domestic CDs are issued by U.S. banks in minimum \$100,000 amounts, but are usually traded in \$1,000,000 units.

Check 21 - The Check Clearing for the 21st Century Act is federal legislation that was passed in response to the need for a faster more efficient and more reliable check clearing process. Check 21 authorizes the use of a new negotiable instrument called a substitute check that can be used in place of the original paper check.

Class Code - A universal four-character code identifying the type of security issued, e.g. NOTE FHLB. Also known as alpha mnemonic.

Clearing Float - The delay between the time the payee deposits the check and the time it is presented to the payor's bank for payment (a part of disbursement float. It has two components— availability float and clearing slippage float).

Clearing House Automated Payment Service (CHAPS) - A London-based payment system for high-value, same-day settlement of transactions.

Clearing House Interbank Payment System (CHIPS) - Payment system operated in New York with members representing most of the major domestic and foreign banks in New York City. Transactions are typically large dollar with end-of-day settlement of net amounts through FedWire.

Clearing Slippage Float - The difference between the time the payee receives good funds and the time the payor's account is debited (a part of clearing and disbursement float).

COBRA - Cobra allows a terminated employee to carry health insurance up to 18 months after the effective terminated date. The employee must pay the insurance premium each month.

CMO - Collateralized Mortgage Obligation.

Collar - An upper or lower bound on interest rates or dividend yields.

Collateral - Property pledged as security for a debt.

Collateral Eligibility - Commercial paper with a maturity of not more than 90 days is eligible collateral for member banks borrowing from Federal Reserve Banks.

Collateral Mortgage Obligation - Multi-class security collateralized by whole loans or regular mortgage securities whose cash flows are paid through to meet debt service on the CMO bond.

Collected Balances (good fund balances) - These bank balances represent the difference between ledger balances and deposit float.

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Collection Float - The time lag between the payor's mailing a check and the payee's receiving available funds.

Commercial Paper (CP) - A promissory note issued for a specific amount (usually greater than \$1 million) with a short maturity (usually up to 270 days) structured to avoid S.E.C. registration.

Companion - A support tranche, with average life variability that absorbs much of the risks inherent in a CMO so that the supported tranches are protected from prepayment risk.

Compensating Balances - Collected balances held by corporations to pay for bank services.

Constant Maturity Treasury (CMT) - An average yield on various treasury securities having a specified period of time until maturity. Maturity indices are calculated and published by The Federal Reserve Board on a weekly basis.

Constant Prepayment Rate (CPR) - An annual historical prepayment percentage that accounts for the compounding effect of monthly prepayments a pool has experienced for future expectations. A measure of principal prepayments to the prior month's outstanding principal balance.

Construction Loan - A loan made to finance the construction of building and land. This is contrasted with a permanent loan which is made on the completed project, and generally takes over from the point where the construction loan is retired.

Consumption - The use of goods and services to satisfy current needs and wants.

Continuous Contract Repos - A series of overnight repurchase transactions.

Controlled Disbursement - A bank service that provides same-day notification (usually by early or mid-morning) of the amount of checks that will clear against the disbursement account that day.

Conventional Loan - A mortgage loan that is not insured or guaranteed by the government or government agency, but is underwritten to either FHLMC or FNMA standards.

Convertible - Identifies loans which give the homeowner an option to switch from an adjustable rate mortgage to a fixed-rate mortgage for the remaining term of the loan.

Convertible Bond - A corporate bond which may be converted into a stated number of shares of the corporation's common stock. Its price tends to fluctuate along with fluctuations in the price of the stock as well as with changes in interest rates.

Corporate Bond - Evidence of debt by a corporation, which differs from a municipal bond in various ways, but particularly in taxability of interest.

Corporate Trade Exchange (CTX) - Electronic payment format that contains additional addenda records in ANSI X 12 format.

Corporate Trade Payment (CTP) - Electronic payment format that contains additional addenda records (up to 4,990).

Cost of Funds Index (COFI) - The weighted average cost of funds is derived from interest paid on savings accounts, Federal Home Loan Bank advances and other borrowed money adjusted for variation in the number of days in each month.

Coupon - The stated interest rate on a security and evidence of interest due on a bond, usually every six months. With a bearer bond, the coupon is detached from the bond and presented for payment of interest to the issuer's agent or the bondholder's bank.

Coupon Bond - A bearer bond carrying coupons for future interest payments. Almost all municipal bonds are issued in this form.

Coupon Rate - The annual rate of interest, which the borrower promises to pay the bondholder.

Coupon under Book-entry (CUBE) - Treasury coupons (interest payments) that have been stripped or separated from the principal portion of physical treasury securities, and were converted into book-entry form during the treasury's one-time conversion effort during 1987. These paper coupons had been separated before stripped securities were officially available in book-entry form through the treasury.

CPU (Central Processing Unit) - The "brain" of the computer. It typically performs three types of functions: arithmetic and logical functions; decoding and executing program instructions; and providing temporary storage for data.

Credit - An advance of money, goods, or services in exchange for a promise to pay a definite sum at a future date, usually with interest.

Credit Transfer (ACH) - A transfer that is created by a payor's moving funds into payee's account.

Current Liability - Current debts of a firm that must be paid within the operating cycle of the firm or one year, whichever is longer.

Current Yield - The percent relation of the annual interest received to the price of the bond.

CUSIP Number (Committee on Uniform Security Identification Procedures) - A unique nine-character alphanumeric code often used with the standard security description to identify, report and transfer a specific securities issue. The CUSIP root is the first five or six digits of the number. The remaining numbers identify the specific issue of the security. CUSIP is part of the American Bankers Association.

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Daylight Overdrafts - An intra-day exposure occurring when an account is in an overdraft position at any point during the business day.

Dealer - A person or firm acting as a principal in buying and selling securities.

Debenture - An unsecured debt instrument backed only by the general credit standing and earning capacity of the issuer.

Debt - A financial obligation to be repaid by a borrower to a lender.

Debt Coverage Ratio - A ratio used by lenders to indicate the degree of risk or protection associated with a loan. Generally, the higher the coverage ratio, the less the risk and the greater the protection against default. The debt coverage ratio is computed by dividing net operating income by debt service.

Debt Service - The periodic payment made on a loan, including principal and interest.

Debit Transfer (ACH) - A transfer that is created by a payee's initiating a funds withdrawal from a payor's account.

Definitive Certificate - A security that is in the form of a paper certificate evidencing all or part of the undivided beneficial ownership interest in an MBS pool or REMIC class. Residual REMIC classes are issued in fully registered, certificate form.

Delayed Delivery Contract (TBA) - A To Be Announced Trade. (See TBA).

Demand Deposit Accounts (DDAs) - Bank accounts in which funds can be transferred to a third party on demand by presenting a check.

Deposit Float - The sum of items (checks) in the process of being collected that have been deposited in a bank account.

Depreciation - In accounting, the allocation of the cost of an asset over its economic useful life.

Disbursement Float - The delay between the time a check is mailed and when it is posted to the paying company's bank account. Its components are mail float, processing float and clearing float.

Direct Deposit - Electronic bank deposit into a bank account; can be used for payroll, savings accounts, payment for court order payments.

Discount—The difference between the value of a security at maturity and the amount originally paid (if less than par) for the security.

Discount Note - An unsecured general obligation, typically with a maturity of less than one year that is sold at a discount and has no stated interest rate.

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Dollar-Days - The usual measurement for float, calculated by multiplying the time lag in collections by the dollar amount being delayed.

Duration - The weighted average amount of time to return the present value of future cash flows for a given security.

Economic Exposure - The exposure created by expected future cash flows, inflationary expectations, exchange rate expectations and the firm's adaptive capabilities.

Effective Interest Rate - The actual rate of interest that the issuing corporation pays on the bond as evidenced by the relationship between the periodic interest payment and the issue price of the bonds.

Effective PAC Range - The range of upper and lower constant prepayment speeds at which the scheduled payment amounts will hold. A PAC range can change over time depending on the prepayment experience of the securities backing the REMIC and can widen or narrow in relation to the original stated PAC range.

Effective Tax Rate - An established rate of tax imposed by a governing body. The rate is in the form of a percentage and is imposed on the value of property.

Electronic Data Interchange (EDI) - The common language used by businesses to send and receive business documents electronically in a standard format.

Electronic Depository Transfer Check (EDTC) - An ACH transaction used for concentration. Also known as electronic depository transfers.

Electronic Funds Transfer (EFT) - The movement of funds by non-paper means ( i.e. electronically), usually through a payment system such as the automated clearing house network.

Electronic Funds Transfer Act 1978 - Law that spells out the rights and responsibilities of users and providers of EFT services (except wire transfers).

Electronic Lockbox - A bank service that consolidates EDT transmissions and, possibly, lockbox deposits into a selected standard format.

Equipment Trust Certificate - Many railroads use this type of security to finance the purchase of their cars and locomotives. A trustee holds title to the equipment for ETC owners until the debt is paid. Unlike most corporate bonds, ETCs offer serial maturities.

Equity - Paid in capital plus retained earnings.

Excess Balances - A condition that exists when the average collected balance in a bank account is above that required for compensation by the bank or the level that the corporation has chosen to leave at the bank.

Expedited Funds Availability Act (EFAA) - Law that mandated the Federal Reserve System to develop new regulations to override the Uniform Commercial Code in the treatment of payables through drafts and check availability to consumers.

Factor - The decimal number representing the proportion of the outstanding principal balance of a security to its original certificate amount. Multiply the factor by the original face to find out the dollar amount of principal that is outstanding.

Factoring - The sale or transfer of title of the accounts receivable to a third party (factor).

Federal Deposit Insurance Corporation (FDIC) - The regulatory authority primarily concerned with bank safety and protecting depositors from losses because of bank insolvency. The FDIC accomplishes this through its role in bank examination and supervision and as a lender of last resort.

Federal Reserve Banks - The Federal Reserve System (the Fed), the nation's central bank, comprised of 12 regional Federal Reserve Banks and 25 branches. These banks fulfill many roles for the government and the financial community, one of which is the electronic transfer of book- entry securities.

Federal Reserve Float (Fed Float) - The difference between the availability granted to a clearing bank and the time required for the Fed to present the item to the drawee bank.

Fed Funds - Funds that have immediate availability, (i.e., can be transferred with good value at any time). Wire transfers usually offer this. Sometimes called immediately available funds.

Federal Agency Securities (agencies) - Discount and coupon obligations of the federal agencies that were established by Congress to provide credit to specific sectors of the economy.

Fed Wire - The real-time system for funds transfer operated by the Federal Reserve System.

Fee Compensation - Compensation for bank services by direct explicit fee payment.

FHA - Federal Housing Authority.

Final Distribution Date or Maturity - A REMIC class final distribution date or maturity is often described both in terms of a stated final maturity or a projected final maturity. The stated final maturity is assigned to each class at the time the REMIC is issued. This maturity generally is the maximum time required to retire all classes under any possible prepayment scenario including no prepayments. A projected final maturity is calculated based on an assumed prepayment rate (see PSA prepayment speeds) to determine the final maturity of each class.

Financial Asset - A claim on or title to someone else's future income, money holdings, or other source of value.

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Financial Intermediary - A business organization that buys claims against others using funds obtained by selling claims against itself. This can be either a depository or non-depository institution.

Five Cs of Credit - Character, capacity capital, collateral and conditions.

Fixed Rate - A set interest rate, as opposed to an adjustable interest rate, that is determined when a security is issued and does not change throughout the life of the obligation.

Fixed-rate CDs - CDs that have an interest rate established at the time of issue.

Floater - A floating-rate tranche pays interest at a rate that adjusts periodically, relative to a spread over a specific benchmark or index. The London Interbank Offered Rate (LIBOR) and the 11th District Cost of Funds Index (11th COFI) have been used as indices for floating-rate tranches.

Floating Rate - See adjustable rate.

Floor - A minimum interest rate for a variable-rate security.

Flower Bond - A U.S. Treasury bond usually available at a discount from par that can be used at par in payment of federal estate taxes when the bond is included in the decedent's estate. Flower bonds are no longer issued, but old issues were available until 1998.

Foreign Exchange (FX) Rates - The rates at which one currency is exchanged for another. Rates are either forward or spot.

Forward Contract - A contract for the purchase or sale of a specified quantity of a real or financial asset at a price established now with delivery at a predetermined future date. For example, in foreign exchange, when the purchaser or seller agrees to deliver or purchase one foreign currency in exchange for another foreign currency at an agreed rate at a fixed future date.

FRD/ABA Number (Federal Reserve District/American Bankers Association) - Bank identification number or transit routing number.

Freddie Mac - Mortgage-backed issuer created in July 1970 that sells its own government-insured bonds and uses the proceeds to buy either insured or conventional mortgages from federally insured S&L's.

Free-Form Wires - Wire transfers that contain no prespecified information. Used for non-repetitive transactions, such as investing.

Futures Contract - A standardized exchange-traded contract for future delivery of a financial or real asset.

FX - Foreign exchange.

General Obligation - A municipal bond backed by the general taxing power of its issuer.

Geographic diversity - Investors in mortgage-related securities seek investments that offer geographic diversity in order to avoid the possible impact that regional economies or mobility may have on mortgage prepayments. Because of the large size of Fannie Mae REMIC issues, greater geographic diversity is possible.

Gilt-Edged - A slang term used loosely to describe securities of high quality.

Ginnie Mae - A real estate-oriented security, whose holders are guaranteed against loss by the U.S. government, representing portions of a pool of government-guaranteed FHA and VA mortgages. Unlike bonds, Ginnie Maes do not pay back the principal at maturity. Instead, they pay principal payments each month along with the interest. (Freddie Mac, like Ginnie Mae, sells its own government-insured bonds and uses the proceeds to buy either insured or conventional mortgages from federally insured S&Ls).

Government Bond - An IOU of the U.S. Treasury. Considered the safest security in the investment world.

Guarantee - The primary obligation of the acceptor bank and the contingent obligation of the drawer. In the many years of usage in the United States, no bankers' acceptance has resulted in a known principal loss to the investor.

Half Life - That point in time at which one half of the principal is retired.

Haircut - The difference between the amount of a repo and the market value of the securities.

Hedging - A variety of financial techniques employed to reduce the risk of loss due to future price changes.

High Dollar Group Sort (HDGS) - Program to expedite Federal Reserve System processing of high dollar checks. It has had significant impact on corporate disbursements.

Housing Authority Bond - A municipal bond issued by a local public housing authority and backed by a U.S. government guarantee.

Index - The benchmark upon which the payment rate and/or accrual rate are based. Federal regulations allow lenders to use any index as long as it meets two criteria: it must move independently and the borrower must be able to easily confirm it.

Interest—Money paid for the use of another's money.

Interest Only (IOs) - A strip of the total interest cash flow. These instruments are priced on an absolute yield basis.

Interest Rate - The percentage rate at which interest is computed, usually quoted on an annual basis.

Interest Rate Protection Program - Hedging programs that are available from banks and brokerages or that can be created using interest rate options.

Inverse Floaters - A tranche with a variable coupon that moves inversely with the coupon on the floater. A result of this type of structure is that the weighted average coupon rate of the Inverse and the Floater remains constant.

Investment - Spending intended to promote future production by adding to the stock of capital goods.

IO - Interest Only Security.

IOette - A REMIC tranche is similar to an IO (interest only) stripped mortgage-backed security; however, the IOette contains a small portion of principal payment along with the interest distribution.

IRD (Image Replacement Document) - a legal copy of your check that can be used the same way as the original item. The terms “substitute check and IRD” may be used interchangeably. IRD is the technical specification established by the American National Standards Institute (ANSI) for creating substitute checks.

Irrevocable - A term referring to letters of credit, which means that the bank is required to honor the terms of the agreement as long as the firm is not in violation of it.

Issuer - The bank that accepts the draft issues the acceptance for trading after acknowledging its obligation to honor the draft.

ITS (Interdistrict transportation system) - The Federal Reserve System’s transportation network for check clearing.

Junk Bond - A high-yield, low-grade bond with high investment risk. Junk bonds were widely used in the 1980s in corporate finance connected with takeovers and leveraged buy-outs. Subsequently, defaults and scandals dimmed much of their luster for investors.

Jump - An accrual class that can begin paying principal on the occurrence of a certain condition such as a paydown of the underlying securities exceeding a predetermined schedule or a published interest rate index exceeding a certain value.

Lambda - The ratio of the liquid reserve plus anticipated net cash flow to a measure of the variability in net cash flow.

Leading and Lagging - A technique for moving excess liquidity from one subsidiary to another.

Legal Opinion - An opinion about the legality of a bond issue under the laws that affect it, usually issued by a firm of attorneys specializing in public borrowing.

Ledger Balances - Bank balances that reflect all accounting entries that affect a bank account, regardless of any deposit float.

Letter of Credit (LOC) - A form of borrowing or credit guarantee in which a letter is sent from a bank to a potential payee (usually a supplier) specifying that payment will be made by the bank if a set of contingencies (e.g., delivery of goods) is met. Commonly used in international trade.

Leverage - The use of debt financing. Whenever debt is used to finance property, leverage exists. The greater the amount of debt financing in relation to the equity, the greater the leverage. Positive leverage occurs whenever the rate of return on total capital invested is greater than the cost of financing that capital. Negative or reverse leverage occurs whenever the rate of return on total capital invested is less than the cost of financing.

Liability - A liability is an obligation, which arises from a past transaction and is to be discharged at a future date by the transfer of assets or the performance of services.

LIBOR (London Interbank Offered Rate) - Rate at which major international banks in London are willing to lend Eurodollars to each other. It is used as a base rate for many types of corporate and bank lending.

Limited Tax Bond - A bond which is secured by a tax which is limited as to rate and amount.

Listed - Traded on the New York Stock Exchange or other major exchanges.

Local Area Network (LAN) - A linking together of one or more microcomputers to allow sharing of peripheral devices, data or programs.

Lockbox - A collection system in which a bank (or a third party) receives, processes and deposits a customer's mail receipts.

Lockbox Networks - Collection systems that offer multiple locations to receive customer remittances through one common organization, such as a single bank, third party or a consortium of independent institutions. There are seven possible structures for lockbox networks:

- *Multistate Bank Holding Company* - Through grandfathering or regional interstate banking reciprocity, a single bank holding company operates autonomous banks and collection sites in more than one state.
- *Consortium* - A group of independent banks operating under a contractual agreement provides lockbox services for each other's customers. The customer chooses a member of the consortium as its concentration bank to coordinate information and cash flow from the other consortium members on behalf of the firm.
- *Joint Venture* - A bank establishes a joint venture with a nonbank processor that has multiple collection centers, such as an insurance company or retail chain, and uses its processing capabilities. The bank concentrates the balances and the reporting data for the client.
- *Multistate Processing Centers* - A single bank establishes multiple processing locations across the country. Mail is picked up locally, processed at the center and

- deposited into correspondent bank accounts. These funds are then concentrated in the customer's account at the lockbox bank's headquarters.
- *Mail Intercept* - The bank contracts with couriers to pick up remittances at multiple locations across the country and transport them to its processing center. Some networks offer a combination of this structure and a multistate processing capability.
  - *Dual Point Intrastate Centers* - In some states (e.g., California, Missouri, Pennsylvania or Texas) banks offer two lockbox points with automatic concentration of funds into a central account. These arrangements produce small savings in mail and availability float. For example, Dallas and Houston combined may be more effective than either one alone. These are also called tandem systems; they were the earliest type of lockbox network.
  - *Nonbank* - These are similar to consortia, except that a single nonbank processor (often a retailer) is used. They have been used mostly for retail payments.

London Interbank Offered Rate (LIBOR) - The rate of interest that banks in Europe are willing to lend funds in U.S. dollars. Sometimes used as a floating or adjustable rate link.

Lookback/Lag - The period of time between when an index value is established and the payment rate and/or accrual rate is changed.

Magnetic Ink Character Recognition (MICR) Line - Lower part of a check that contains the special character information necessary to process checks by machine.

Mail Float - The time that elapses between the mailing date and the date the check is received at the processing site. This is a component of collection float.

Margin (Gross) - The amount, expressed in basis points, added to the index to determine the payment rate.

Margin (Net) - The amount, expressed in basis points, added to the index to determine the accrual rate.

Mark-to-Market - The process whereby the book value or collateral value of a security is adjusted to reflect current market value.

Market Price - Usually the last reported price at which the security actually changed hands.

Master Account - Account used to fund zero balance accounts automatically.

Maturity - The date on which the bond principal or stated value becomes due and payable in full to the bondholder.

Maturity Date - The date a security ceases to earn interest and is the same day that the principal amount of the obligation is due in full.

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**Maturity Value** - Maturity value constitutes the amount that the holder of a note is entitled to receive at the due date. This amount includes the principal plus any accrued interest.

**MBS** - Mortgage-backed security.

**Money Market Dealers** - Bank and nonbank firms that create a secondary market for short-term securities.

**Money Market Deposit Accounts** - Accounts that were created by the 1982 Garn-St. Germain Act and have the features of both time deposits and demand deposits, although the checkwriting aspects of these accounts are usually restricted.

**Mortgage Bond** - A bond backed by a lien on a specific property.

**Mortgage Yield** - The yield based on receipt of monthly cash flows of principal and interest.

**Municipal Bond** - The bonds of governmental units such as states, cities, local taxing authorities and other agencies. Unlike corporate bonds, municipals pay interest which is exempt from U.S.—and sometimes state and local—income tax.

**Municipal Notes** - The shortest-term municipal obligations, generally maturing in 5 years or less.

**Municipal Securities (munis)** - Interest-bearing notes and bonds issued by state and local governments and their agencies.

**NACHA (National Automated Clearing House Association)** - The organization that oversees the U.S. automated clearing house system.

**Negative Amortization** - An increase in outstanding principal balance of a loan due to a short-fall created when the accrual rate exceeds the payment rate.

**Net Liquid Balance (NLB)** - A liquidity ratio, defined as cash plus marketable securities minus notes payable.

**New Housing Authority Bonds** - Bonds issued by a local Public Housing Authority to finance public housing and backed by federal funds.

**New Issue** - Bonds offered to the public for the first time.

**Non-Redemption Period** - The time period prior to the first callable date.

**Noon Presentment** - Policy of the Fed whereby it can make a second presentment (often electronic ) of checks later in the morning (by noon). This program is officially known as High Dollar Group Sort.

**Note** - Incorporates, a short-term bond, generally maturing in 7 years or less.

Note (Signed Obligation) - A signed obligation in writing acknowledging the existence of a debt and promising repayment.

Note Payable - A written promise to pay a definite amount of money on demand or at some specified future date to the holder of the note.

OCC - Office of the Comptroller of the Currency.

Open Account (open book credit) - Type of trade credit in which the seller issues an invoice, which is formal evidence of the obligation, and records the amount sold as an accounts receivable.

Original Certificate Amount (or Face Value) - The initial principal amount of a mortgage-backed security pool as of its issue date.

Over-the-Counter - Unlisted securities; those not traded on a major exchange.

P&I (Principal & Interest)—The payment to the owner of a security of principal, interest and, in the case of mortgage-backed securities and other asset-backed securities, prepayments, if any.

PAC - Planned Amortization Class (PAC) tranches provide investors with scheduled payments (PAC Schedule) over a range of prepayment speeds (PAC band or range). PAC tranches typically are combined with companion tranches that reduce the risk of prepayments varying from a constant speed or range.

PAC bands or ranges - Range of constant PSA prepayment speeds defined by a minimum and maximum under which the PAC scheduled prepayment will remain unchanged. There can be multiple levels of PACs in a REMIC, each having successively narrower PAC bands. The widest band PACs are primary PACs, the next are secondary or tertiary PACs.

PAC P0 - A Principal Only (P0) tranche that has a predefined schedule of payments applicable over a range of prepayment speeds (PAC range). (also see PAC)

Pair Off - A process by which two parties offset a position in securities by buying an issue previously sold or selling an issue previously bought.

Par Remaining - The amount of principal remaining at any given time in the life of a pool.

Par Value - Face amount or 100% of the principal amount of a security at original issue.

Pass-Through Security – A system whereby the servicer of a pool of mortgages collects the borrowers monthly payments and, after deducting a fee, remits or passes them through to the security holders or investors. The pass-through is the most common structure for mortgage-backed securities.

Pay Card - A bank card given to employees who do not have their payroll checks direct deposited to be used to withdraw net payroll at the bank teller window or an ATM machine.

P-Card - Also known as a “Purchasing Card”, used to make small purchases, and functions like a credit card. Usually set up with a large bank or may be the depository bank.

Payer - A term used for any REMIC tranche that pays principal and interest currently.

Point – Value of \$1 in bond prices. When talking about percentages, one point is 1%. For instance, if a bond is purchased at par (\$100 per \$100 principal) and the market fell 20 points, it would be worth \$80 (for \$100 worth of principal).

Positive Pay - An electronic file provided to the bank by the owner to assist in deterring fraudulent activity of the account.

Preformatted Wires - Wire transfers that are used for repetitive transactions with the debit and credit parties prespecified.

Premium - The difference between the price of a bond and its value at maturity when the price is higher than the maturity value.

Price—Generally quoted either in terms of cost per \$100 of principal (\$98.5, \$103, etc.) or in terms of yield to maturity.

Primary Market - The new issue market.

Principal - The amount of debt remaining on a loan. On the date a loan is originated, or issued, the total amount equals the initial principal balance.

Principal Only (“P/O”) - The principal only portion of a stripped mortgage-backed security. For P/O securities, all of the principal distribution is due to the registered holder based on the current face of the underlying mortgage-backed security.

Processing Float - The delay between the time the payee receives the check and the time the check is deposited. It is a part of collection and disbursement float.

Public Securities Association (PSA) - The national association of banks, dealers and brokers that underwrite and sell municipal securities, mortgage-backed securities, money market securities and U.S. government and federal agency securities. PSA has developed standards and practices for mortgage securities trading, which have become accepted as industry standards. REMICs generally are priced using prepayment assumptions defined by PSA prepayment models. (see PSA prepayment speeds)

Quotation - The price quoted for a security.

Rate Caps - The maximum change, either up or down, allowed for the payment rate and/or accrual rate over the life of the loan or security.

Rate of Return - A measure of investment productivity relating the amount of return to the amount of capital invested. There are many rate of return measures.

Rating - A formal opinion by an outside professional service on the credit reputation of an issuer and the investment quality of its securities. This opinion is expressed in letter values (AAA, Baa-1, etc.).

Real Estate Mortgage Investment Conduit (REMIC) - A pass-through tax entity that can hold mortgages, secured by any type real property, and issue multiclass ownership interests to investors in the form of pass-through certificates, bonds, or other legal forms. Since the Tax Reform Act of 1986, most CMOs have been issued as REMICs.

Record Date—the date set by trustee for determining who will be paid principal and interest (and prepayment) on a security. The record date for most mortgage-backed securities is the last calendar day of the month (however, the last day on which they can be presented for transfer is the last business day of the month). The record date for CMOs and ABSs varies with each issue.

Redemption - Payment of a security on the maturity date stated by the issuer.

Redemption Protection - Few bonds are issued today without some protection against early redemption. However, only those specifically designated as nonsalable are exempt from any type of redemption before maturity.

Refunding Protection - The most common protection against early redemption. This prohibits for a period of 5 or 10 years redemption with funds raised through sale of an issue having an interest cost lower than that on the outstanding bond. It is important to note that bonds with refunding protection are still subject to regular redemption and call for sinking fund. Each kind or category of corporate bond has call features that may be considered typical. Within each category, there are also a number of individual issues with call features that are exceptions to the general rule. Here are a few examples:

*Long-term Public Utility Bonds* generally provide 5-year refunding protection and are subject to regular cash redemption on 30 days' notice. Most issues have sinking funds which begin sometime before the 5-year refunding protection expires. Some notable exceptions include all the debenture issues of the Bell System. They are noncallable for 5 years and have no sinking funds. Other exceptions include several major utility companies, whose bond issues typically have no sinking funds.

*Long-term Industrial Debentures* generally provide 10 years' refunding protection and are subject to regular redemption on 30 days' notice. Most issues have deferred sinking funds which begin before the refunding protection has expired, usually in the fifth or sixth year of lift. Since many industrial debentures are originally offered at par or at a discount, sinking-fund call prices are frequently at par.

*Long-term Finance Company Bonds:* Call features of long-term finance bonds typically fall into two categories: noncallable for 10 years and noncallable for 10 years, except for sinking fund. In nearly all cases, the provisions allow the issuing

corporation to begin to call bonds at earlier dates and at lower than regular call prices under conditions of declining receivables.

*Intermediate-term Corporate Note:* Call features also fall into two categories. Many are noncallable for life; others are noncallable prior to their last year of life, during which they are usually callable at par. Generally, 5- to 7-year notes do not have sinking funds.

*Equipment Trust Certificates* of serial maturity are noncallable prior to maturity. Equipment Trust Certificates with term maturities and guaranteed-loan certificates are generally noncallable prior to maturity except for their sinking funds. Sinking funds usually begin one year after the date of issue at a price of par.

**Registered Bond** - A bond registered in the name of the owner as to principal or interest or both. A bond registered as to principal can be transferred only with the endorsement of the registered owner, but interest is paid by presentation of the appropriate coupon. A fully registered bond provides that interest is paid to the owner by a check from the issuer's agent. Most new corporate bond issues are available only in fully registered form.

**Remote Disbursement** - Funding method that is designed to delay the collection and final settlement of checks by using bank locations where check presentment is difficult.

**REMIC (Real Estate Mortgage Investment Conduit)** - a multiple-class security backed by MBS and formed as a trust, corporation, partnership, or segregated pool of assets that elects to be treated as a REMIC for federal tax purposes. Fannie Mae REMICs are formed as trusts.

**Repurchase Agreement (repo)** - The sale of a security with an agreement by the seller to repurchase it at a specific time and price in the future.

**Reset Date** - The date on which the payment rate and/or accrual rate is changed.

**Reset Interval** - The amount of time between each reset date.

**Residual** - The cash flow available from the underlying collateral in excess of the required debt service and operating expenses.

**Residuals** - Forecast errors calculated as the series of differences between the actual value of the variable to be forecast and the predicted value. The size of these residuals indicates how accurately the model fits the data.

**Retirement of Bonds** - The process of redeeming bonds or repurchasing bonds in the open market.

**Revenue Bond** - A municipal bond backed by revenues produced from a particular project, such as a turnpike.

**Reverse Repurchase Agreement** - A repo initiated by the investor, not the seller.

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Reverse TAC - Tranches typically having long average lives to protect investors against extension risk. Reverse TACs, however, do not protect against prepayments in excess of the TAC schedule and can experience shortened average lives if prepayments exceed the scheduled speed.

Risk - The probability of not receiving the expected or required cash flows and rates of return on capital invested. The greater the range of possible investment returns, the greater the risk.

Rollback Tax Rate - A rate expressed in dollars per \$100 of taxable value and calculated according to the following formula:

$$\text{Rollback Tax Rate} = (\text{Effective Maintenance Rate} \times 1.08) + \text{Current Debt Rate}$$

Same-Day Presentment - The Federal Reserve System's proposal for same-day payment of checks presented to paying banks by private-sector collecting banks by 2:00 P.M.

Savings - Current income not spent on consumption.

SEC - Securities Exchange Commission.

Secured Bond - Bonds are secured by prior claim against specific assets of the business in the event that the issuing corporation is unable to make the required interest or principal payments.

Sequester - To separate or isolate. To sequester jurors is to isolate them from contact with the public during the course of a trial.

Serial Bond - Typically, a municipal or equipment trust issue that is segmented into a series of maturities.

Settlement Dates - Dates of ACH transactions that determine the availability of funds.

Settlement Date - The date agreed upon by the parties to a transaction for the payment of funds and the delivery of securities.

Single Monthly Mortality (SMM) - The percentage of principal prepaid in a month.

Special Tax Bond - A municipal bond backed by revenues produced from a particular tax.

Spread - The difference between what a dealer pays for a security and the price at which he offers to sell it.

Standard Security Description - A unique identifying description often used in conjunction with the CUSIP number to identify, report and transfer a specific securities issue. The description includes the class code and may include other information, such as the interest rate, date of maturity etc.

**Stated Maturity** - A predetermined final maturity date that cannot be altered by prepayments.

**Stripped Security** - A book-entry security where each interest payment has been separated (stripped from the principal). The interest payments and principal are then sold independently as new and separate securities usually with different CUSIP numbers.

**STRIPS** - U.S. Treasury acronym for “separate trading of registered interest and principal of securities.” On the bondholder’s request, certain registered U.S. Treasury securities can be divided into separate interest and principal components, which may then be traded as separate entities.

**Super floater** - A floating-rate tranche with a coupon set at a multiple of the benchmark index (less a constant). Accordingly, the rate on the super floater would increase very rapidly in a rising rate environment.

**Super PAC** - Planned amortization class that is structured with a very wide protected range (PAC band) of prepayment speeds (e.g., 50-500 PSA) under which the Super PAC scheduled repayment will remain unchanged.

**Super PO** - Tranches typically serving as support classes to PACs and TACs. Because the super PO supports the PACs and TACs, the yield can increase markedly if prepayments exceed the amount necessary to pay the PAC and TAC scheduled cash flows.

**Surcharge** - Premium charged by a bank for compensating by direct fees.

**Sweep Account** - A bank account that automatically transfers excess balances into an interest-earning account with the same bank.

**Syndicate** - A group of underwriters.

**TAC – (Targeted Amortization Class)** - Tranches providing investors with a predefined payment schedule applicable to a single prepayment speed. Prepayments in excess of the predefined prepayment speed are allocated to companion, or support, tranches and do not affect the TAC tranche. If prepayments fall below the predefined speed, however, the TAC tranche will have slower principal repayment and its average life will extend.

**Tail** - The portion of a GNMA pool that is not divisible by \$5,000. For physical GNMA the tail must remain intact. For example, on a GNMA with an original face of \$6,038,921.65 the tail equals \$3,921.65. For book-entry FNMA and FHLMC securities, tails may be split into multiples of one dollar (\$1).

**TBA** - A To Be Announced Trade. (Also see Delayed-Delivery Contract)

**Teaser** - Refers to the early stage of some ARMs when the payment rate is substantially below market levels (i.e. “teaser rate or “teaser period).

**Term Bond** - Typically applies to municipal bonds which have a single maturity.

Time Deposits - Deposits that must be held at a bank for a specified time period.

Tranche - Also, known as “class”. Each bond issued under the CMO is considered a separate tranche or class, each with different maturities and interest rates and/or accrual structures. CMOs generally have several tranches.

Transit Items - Checks drawn on banks that do not participate in local clearing houses or exchanges.

Treasury Bills (T-bills) - Discount instruments issued by the federal government in original maturities of 13 weeks, 26 weeks and 52 weeks.

Treasury Notes and Bonds - Coupon securities with interest paid semi-annually, issued by the Federal Government in original maturities of 2, 3, 4, 5, 7 and 10 years.

Treasury Securities - “Full faith and credit” obligations of the U.S. Government issued by sale at periodic auctions, delivered and cleared electronically.

Truncation - Term used for reducing the number of digits right of the decimal point by discarding the least significant ones.

Unbundling - An approach by banks to price bank services so that customers pay only for the services that they use.

Underwriter - The investment banker (or bankers) who buy the entire issue of securities from the issuer and then sell them to individual and institutional investors.

VA - Veterans Affairs.

Value-Added Networks (VANs) - Third-party communications providers that play a major role in EDI processing and serve as intermediaries between trading partners.

Vanilla - A straight sequential pay tranche.

Variable-Rate Demand Obligations (VRDOs) - Investment instruments, issued by municipalities, that have floating rates and put options.

Variable-Rate CDs - CDs that have an interest rate adjusted periodically to reflect prevailing market interest rates.

Vendor Express - The U.S. Department of Treasury program to pay vendors electronically through the ACH.

Variance - The permitted minimum or maximum quantity of securities that can be delivered to satisfy an outstanding TBA commitment. For GNMA, FNMA and FHLMC pass-through securities, the acceptable variance is plus or minus 2% per million of the par value TEA quantity.

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WAC Program (FHLMC) - The name given to FHLMC guarantor program pass-through that allow loans with different margins, reset dates, coupons and/or life caps to be grouped together. The name stands for Weighted Average Coupon and the related group data is expressed in dollar weighted average terms.

Warehousing - The ability of the ACH system to hold a transaction until its posting on a settlement date.

Warrant-Word used to mean a check in some Texas statutes; it is also a criminal justice system term.

Weekend ACH - A service that allows a customer to concentrate funds with an ACH tape deposited on Sunday evening.

Weighted Average Coupon (WAC) - An arithmetic mean of the coupon rate of the underlying mortgages that collateralize a security.

Weighted Average Life - The average amount of time that will elapse from the date of a security's issuance until each dollar of principal is repaid to the investor. The weighted average life of each class of REMIC is influenced by, among other factors, the rate at which principal, both scheduled and unscheduled, is paid on the mortgage loans underlying the MES that back the REMIC.

Weighted Average Maturity (WAM) - The weighted average of the remaining terms to maturity of the mortgages underlying the collateral pool at the date of issue, using as the weighting factor the balance of each of the mortgages as of the issue date.

Whole Loan-An unsecuritized residential or commercial mortgage.

Wholesale Lockboxes - Lockboxes characterized by a moderate number of large dollar remittances, usually from corporate payors.

Wire ability - Fannie Mae REMICs issued in book-entry form paid by wire transfer, which is both convenient and safe. (see book-entry)

Yield - The rate of return an investor earns on an investment over a specified period of time.

Yield to Maturity - The average annual return on an investment based on the interest rate, price and the length of time to maturity. It differs from Current Yield in that it takes into consideration the increase to par of a bond bought at a discount and the decrease to par of a bond bought at a premium.

Yield Curve - The relationship between current market interest rates (or yields) and maturity. A normal yield curve is upward sloping, (i.e., longer-term securities offer higher yields).

Z or accrual tranche -Tranche or accrual class having a stated interest rate, but not paying interest until earlier classes have been paid down. Interest accrues and is added to the

principal balance of the Z tranche. After all applicable tranches have been paid down, the Z tranche converts to an ordinary interest-paying class that pays both interest and principal until fully amortized.

Z-Bond - A bond on which interest accrues but is not paid currently to the investor but rather is accrued, with the accrual added to the principal balance of the Z and becoming payable upon satisfaction of all prior bond classes.

Z PAC - A Z tranche or accrual tranche that accrues interest similar to a standard Z tranche, but repays principal according to a schedule that is applicable so long as prepayments fall within the specified range.

Zero Balance Accounts (ZBAs) - Specialized bank accounts on which checks are written even though the balances in the accounts are maintained at zero. Debits are covered by a transfer of funds from a master account.

Zero Coupon - security that is sold at a discount, usually with a maturity of more than one year.

## Helpful Resources

### State Forms

[State Comptroller City/County Forms](#)

### HR/Payroll Forms/Publications

[IRS Publication 15, Circular E](#)

[IRS Fringe Benefit Guide.](#)

[Form I9](#)

[Form W4](#)

[W2 and W3 General Instructions](#)

[EEOC Report](#)

[About EVerify](#)

### Accounts Payable

[Form W9](#)

[Form 1099 Instructions](#)

### Other

[Official Oath of Office](#)

### Investment Policies

[Cooke County](#)

[Goliad County](#)

[El Paso County](#)

[Jefferson County](#)

[Chambers County](#)

[Travis County](#)

[Kerr County](#)

Legal Publications from TAC Website – **This is golden – many resources here:**

[Legal Publications \(county.org\)](#)

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## **Helpful Websites**

Texas County and District Retirement System

<https://www.tcdrs.org>

Texas Statutes

<http://www.statutes.legis.state.tx.us>

Texas Ethics Commission

<http://www.ethics.state.tx.us>

Internal Revenue Service

<http://www.irs.gov>

Records Retention Schedule

[Texas State Records Retention Schedule - 5th Edition | TSLAC](#)

Social Security Online Business

<http://www.socialsecurity.gov/bsowelwelcome.htm>

Texas Legislature Online

[TLO \(texas.gov\)](http://tlo.texas.gov)

National Association of Counties

<http://www.naco.org>

National Association of County Collectors, Treasurers and Finance Officers

<http://nacctfo.org>

[Texas Association of Counties – Legal Publications](#)

## **Final Words**

Bottom-line, we are all here to help one another succeed. Never hesitate to ask questions and seek advice. There is no question too small or too big and there is never a stupid question!

County Treasurers Association of Texas- [www.ctatx.org](http://www.ctatx.org)

Texas Association of Counties – [www.county.org](http://www.county.org)

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