

City of Meadowlakes

RESOLUTION 2015-002

February 10, 2015

A RESOLUTION BY THE CITY OF MEADOWLAKES, BURNET COUNTY, TEXAS, RE-ADOPTING THE CITY OF MEADOWLAKES INVESTMENT POLICY ATTACHED HERETO AS EXHIBIT "A"; PROVIDING A REPEALING CLAUSE; PROVIDING A SEVERABILITY CLAUSE; AND PROVIDING FOR AN EFFECTIVE DATE.

WHEREAS, Chapter 2256 of the Government Code, commonly known as the "Public Funds Investment Act," requires the city to adopt an investment policy by rule, order, ordinance, or resolution; and

WHEREAS, said Code requires the governing body of and investing entity to review its investment policy and investment strategies not less than annually;

WHEREAS, the Public Funds Investment Act requires the treasurer; the chief financial officer, if not the treasurer; and the investment officer of the city to attend investment training; and

WHEREAS, the City of Meadowlakes has previously appointed the City Manager as the Investment Officer of the city; and

WHEREAS, the City of Meadowlakes has approved investment training courses sponsored by the Texas Municipal League, the Government Finance Officers Association of Texas, the Government Treasurer's Organization of Texas, the Association of Public Treasurers of the United States and Canada, the University of North Texas Center for Public Management, the Texas State University, and the Houston-Galveston Council of Governments; and

WHEREAS, the investment officer of the City has attended investment training courses as required by said Code; and

WHEREAS, the City Council has reviewed the attached investment policy and investment strategy, and the incorporated revisions comply with the Public Funds Investment Act, as amended, authorize the investments of city funds in safe and prudent investments.

NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF MEADOWLAKES, TEXAS:

Section 1. That the City of Meadowlakes has complied with the requirements of the Public Funds Investment Act, and the Investment Policy, as amended, attached hereto as

"Exhibit A," is hereby adopted as the investment policy of the city effective the 10th day of February, 2015.

Section 2. That the City Council of the City of Meadowlakes has completed its review of the investment policies and investment strategies and any changes made to said policy is recorded in Exhibit "A" hereto.

Section 3. That all provisions of the resolution of the City of Meadowlakes, Texas in conflict with the provisions of this resolution are, and the same are hereby, repealed, and all other provisions not in conflict with the provisions of this resolution

Section 4. It is hereby declared to be the intention of the City Council of the City of Meadowlakes, Texas that the phrases, clauses, sentences, paragraphs and sections of this ordinance are severable, and if any phrase, clause, sentence, paragraph, or section of this ordinance shall be declared unconstitutional by a valid judgment or decree of any court or competent jurisdiction, such unconstitutionality shall not affect any of the remaining phrases, clauses, sentences, paragraphs, and sections of this ordinance, since the same would have been enacted by the City Council without incorporation in this ordinance of any such unconstitutional phrase, clause, sentence, paragraph or section.

Section 5. This resolution shall take effect immediately from and after its passage.

Section 6. It is hereby officially found and determined that the meeting at which this ordinance is passed was open to the public as required and that public notice of the time, place, and purpose of said meeting was given as required by the Texas Open Meetings Act.

PASSED, ADOPTED AND APPROVED by the City Council of the City of Meadowlakes this the 10th day of February, 2015.

APPROVED:


Mary Ann Raesener, Mayor

ATTEST:


Christy Fath, City Secretary

ATTACHMENT "A"
RESOLUTION 2015-002

INVESTMENT POLICY

City of Meadowlakes

Approved: February 10, 2015

DRAFT

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CITY OF MEADOWLAKES INVESTMENT POLICY

I. POLICY STATEMENT

It is the policy of the City of Meadowlakes (City) that the administration of its funds and the investment of those funds shall be handled as its highest public trust. Investments shall be made in a manner which will provide the maximum security of principal invested through limitations and diversification while meeting the daily cash flow needs of the City and conforming to all applicable state statutes governing the investment of public funds.

The receipt of a market rate of return will be secondary to the requirements for safety and liquidity. It is the intent of the City to be in complete compliance with local law and the Texas Public Funds Investment Act (the "Act"). The earnings from investment will be used in a manner that best serves the interests of the City.

II. SCOPE

The Investment Policy applies to the investment and management of all funds under the direct control of the City of Meadowlakes.

- A. These funds are accounted for in the City's Annual Financial Report and include the following:
 - 1. The General Fund
 - 2. Capital Project Funds
 - 3. Enterprise Funds
 - 4. Debt Service Funds, including reserves and sinking funds to the extent not required by law or existing contract to be kept segregated and managed separately
 - 5. Any new fund created by the City unless specifically exempted from this policy by the City or by law

This Investment Policy shall apply to all transactions involving the financial assets and related activity of all foregoing funds.

- B. Review and Amendment
The City Council is required by state statute and by this investment policy to review this investment policy not less than annually and to adopt a resolution stating the review has been completed and recording any changes made to the policy.

III. OBJECTIVES AND STRATEGY

It is the policy of the City that all funds shall be managed and invested with four primary objectives, listed in order of their priority: safety, liquidity, diversification and yield.

Investments are to be chosen in a manner which promotes diversity by market sector, credit and maturity. The choice of high-grade government investments and high-grade money market instruments is designed to assure the marketability of those investments should liquidity needs arise. To match anticipated cash flow requirements, the maximum weighted average maturity of the overall portfolio may not exceed six months.

A. Safety of Principal

Safety of principal is the foremost objective of the City. Investments of the City shall be undertaken in a manner that seeks to assure the preservation of capital in the overall portfolio.

B. Liquidity

The City's investment portfolio will be based on a cash flow analysis of needs and will remain sufficiently liquid to enable it to meet all operating requirements that can reasonably be anticipated.

C. Diversification

Diversification of the portfolio will include diversification by maturity date and market sector and will include the use of a number of broker/dealers for diversification and market coverage. Competitive bidding will be used on each sale and purchase.

D. Yield

The City's investment portfolio shall be designed with the objective of attaining at least market rate of return, taking into account the City's risk constraints and the cash flow needs of the portfolio. "Market rate of return" shall be defined as the average yield of the current six month U.S. Treasury Bill.

- E. Effective cash management is recognized as essential to good fiscal management. Cash management is defined as a process of managing monies in order to ensure maximum cash availability. The City shall maintain a comprehensive cash management program which includes prudent investment of its available cash, disbursement of payments in accordance with invoice terms, and the management of banking services.

IV. LEGAL LIMITATIONS, RESPONSIBILITIES AND AUTHORITY

Direct specific investment parameters for the investment of public funds in Texas are found in the Public Funds Investment Act, Chapter 2256, Texas Government Code, (the "Act") and the Public Funds Collateral Act, Chapter 2257, Texas Government Code, which specify collateral requirements for all public funds deposits. All investments will be made in accordance with these statutes.

V. DELEGATION OF INVESTMENT AUTHORITY

The City Manager, acting on behalf of the City, is designated as the Investment Officer of the City and is authorized to execute investment transactions on behalf of the City. The investment authority is hereby granted to the Investing Officers is effective until rescinded by the Council.

The Investment Officer is responsible for investment management, decisions and activities. The Investment Officer is also responsible for considering the quality and capability of staff, investment advisors, and consultants involved in investment management and procedures. All participants in the investment process shall seek to act responsibly as custodians of the public trust.

The Investment Officer shall develop and maintain written administrative procedures for the operation of the investment program which are consistent with this Investment Policy. Procedures will include reference to safekeeping, including "Bond Market Master Repurchase Agreements" (as applicable), wire transfer agreements, banking services contracts, and other investment related activities.

The Investment Officer shall be responsible for all transactions undertaken and shall establish a system of controls to regulate the activities of subordinate officials and staff. The Investment Officer shall designate a staff person as a liaison/deputy in the event circumstances require timely action and the Investment Officer is not available.

No officer or designee may engage in an investment transaction except as provided under the terms of this Policy and the procedures established herein.

VI. STANDARD OF CARE

A. Prudence

The standard of prudence to be used in the investment function shall be the "prudent person" standard and shall be applied in the context of managing the overall portfolio.

The "prudent person" standard states that.

"Investments shall be made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion, and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the expected income to be derived."

B. Limitation of Personal Liability

The Investment Officer and those delegated investment authority under this Policy, when acting in accordance with the written procedures and this Policy and

in accord with the Prudent Person Rule, shall be relieved of personal liability in the management of the portfolio, provided that deviations from expectations for a specific security's credit risk or market price change or portfolio shifts are reported in a timely manner and that appropriate action is taken to control adverse market effects.

C. Ethics and Conflicts of Interest

Officers and employees involved in the investment process shall refrain from personal activity that could conflict with the proper execution and management of the City's investment program, or that could impair their ability to make impartial investments decisions. Employees and investment officials shall disclose any material interest in financial institutions with which they conduct business. Disclosure shall be made to the City. They shall further disclose any personal financial/investment positions that could be related to the performance of the City's investment portfolio. Employees and officers shall refrain from undertaking any personal investment transactions with the same individual with whom business is conducted on behalf of the City.

All participants in the investment process will seek to act responsibly as custodians of the public trust and will avoid any transactions that impair public confidence in the City.

VII. INTERNAL CONTROLS

The Investment Officer shall establish a system of written internal controls which will be reviewed annually with the independent auditor of the City. The controls shall be designed to prevent loss of public funds due to fraud, employee error, misrepresentation by third parties, unanticipated market changes, or imprudent actions by employees of the City. All trade transactions shall be reviewed for compliance with the investment policy by a separate government official as assigned by procedures prior to the officer executing the trade.

Cash flow forecasting shall be utilized in consideration of investment of City funds in order to protect and sustain adequate cash flow for the operation of the City. Supplemental to the financial and budgetary systems, the Investment Officer will maintain a cash flow forecasting process designed to monitor and forecast cash positions for investment purposes.

VIII. AUTHORIZED INVESTMENTS

Acceptable investments under this policy shall be limited to the instruments listed below and as further described by the Public Funds Investment Act.

- A. Obligations of the United States Government, its agencies and instrumentalities, and government sponsoring enterprises, not to exceed two years to stated maturity, excluding collateralized mortgage obligations (CMO's).
- B. Fully insured or collateralized certificates of deposit from a bank doing business in the State of Texas and under the terms of the written depository agreement with that bank, not to exceed one year to stated maturity.
- C. Repurchase agreement and reverse repurchase agreements as defined by the Act, not to exceed 180 days to stated maturity, provided an executed Bond Market Master Repurchase Agreement is on file with the City and the counterparty bank or primary dealer.
- D. No-load, SEC-registered money market funds, each approved specifically before use by the City.
- E. Constant dollar Texas Local Government Investment Pools as defined by the Public Funds Investment Act; and

If additional types of securities are approved by state statute for investment by public funds, they will not be eligible for investment by the City until this Investment policy has been amended and the amended version approved by the City Council.

Competitive Bidding Requirement

All securities, excluding certificates of deposit, shall be purchased or sold after three (3) offers/bids are taken to verify that the City is receiving fair market value/price for the investment. The Investment officer may purchase certificate of deposits without soliciting offers/bids when deemed economical feasible.

IX. AUTHORIZED FINANCIAL DEALERS AND INSTITUTIONS

All investments made by the City will be made through either the City's banking services bank or a primary dealer. A list of at least three broker/dealers will be maintained in order to assure competitive bidding.

Securities broker/dealers must meet certain criteria as determined by the Investment Officer. The following criteria must be met by those firms on the list:

- provision of an audited financial statement each year
- proof of certification by the National Association of Securities Dealers (NASD) and provision of CRD number
- proof of current registration with the State Securities Commission, and completion of a City questionnaire

Every broker/dealer and bank with which the City transacts business will be provided a copy of this Investment Policy to assure that they are familiar with the goals and

objectives of the investment program. A representative of the firm will be required to return a signed certification stating that the Policy has been received and reviewed and that controls are in place to assure that only authorized securities are sold to the City.

X. DIVERSIFICATION AND MATURITY LIMITATIONS

It is the policy of the City to diversify its investment portfolio. Invested funds shall be diversified to minimize risk or loss resulting from over-concentration of assets in a specific maturity, specific issuer, or specific class of securities. Diversification strategies shall be established and periodically reviewed. At a minimum, diversification standards by security type and issuer shall be:

<u>Security Type</u>	<u>Max % of Portfolio</u>
U.S. Treasury obligations	100%
U.S. Government agencies and instrumentalities	not to exceed 50%
Fully insured or collateralized CDs	not to exceed 30%
Repurchase Agreements	100%
Money Market Funds	100%
For Bond Funds	80%
Local Government Investment Pools	
Liquidity Pools	100%
Maximum percent ownership of pool	not to exceed 20%
For Bond Funds	not authorized

The Investment Officer shall be required to diversify maturities. The Investment Officer, to the extent possible, will attempt to match investment with anticipated cash flow requirements. Matching maturities with cash flow dates will reduce the need to sell securities prior to maturity, thus reducing market risk. Unless matched to a specific requirement, the Investment Officer may not invest more than 20% of the portfolio for a period greater than one (1) year. Unless matched to a specific requirement, the Investment Officer may not invest any portion of the portfolio for a period greater than two (2) years.

XI. SAFEKEEPING AND COLLATERALIZATION

Safekeeping

The laws of the State and prudent treasury management require that all purchased securities including repurchase agreements be bought on a deliver versus payment basis and be held in safekeeping by either the City, an independent third party financial institution, or the City's designated banking services depository.

All safekeeping arrangements shall be designated by the Investment Officer and an agreement of the terms executed in writing. The third party custodian shall be required to issue safekeeping receipts to the City listing each specific security, rate, description,

maturity, cusip number, and other pertinent information. Each safekeeping receipt will be clearly marked that the security is held for the City or pledged to the City.

All securities pledged to the City, certificates of deposit or demand deposits shall be held by an independent third party bank doing business in Texas. The safekeeping bank may not be within the same holding company as the bank from which the securities are pledged.

Collateralization

The City shall require full collateralization of all funds on deposit with a depository bank, other than investments. In order to anticipate market changes and provide a level of security for all funds small be collateralization at 102% of market value of principal and accrued interest on the deposits or investments less any amounts insured by the FDIC. At its discretion, the City may require a higher level of collateralization for certain investments securities. Securities pledged as collateral shall be held by an independent third party.

The City shall accept only the following types of collateral:

- Obligations of the United States or its agencies and instrumentalities
- Direct obligations of the State of Texas or its agencies and instrumentalities
- Obligations of states, agencies, counties, cities, school districts and other political subdivisions of the State of Texas with investment quality by a nationally recognized rating firm of not less that "A" or its equivalent and with a remaining maturity of ten (10) years or less

XII. PERFORMANCE EVALUATION AND REPORTING

The Investment Officer shall submit quarterly reports to the City Council containing sufficient information to permit an informed outside reader to evaluate the performance of the investment program and consistent with statutory requirements. All reports shall be in compliance with the Texas Public Funds Investment Act. Market prices for market evaluations will be obtained from an independent source.

XIII. DEPOSITORIES

The City, as required by state law, must designate a banking institution as the City's "primary" depository for the monies and funds of the City. Selection of the depository shall be based primarily on "solvency and stability" and secondly on rate of interest available or cost of banking services compared to the return on investments. The depository shall be selected through a formalized bidding process in response to a City request for proposals outlining all services required. The depository service contract must be bid not less than every three (3) years. The depository contract may be extended for one additional three (3) term after the initial three year period. The designation of the "primary" depository does not preclude the City from entering into

other depository contracts for the purpose of providing a place to deposit the City's funds and does not restrict the City to the depository bank for investment services.

XIV. INVESTMENT POLICY ADOPTION BY COUNCIL

The City's Investment Policy shall be adopted annually by resolution of the Council. The City's investment policy shall be subject to revisions consistent with changing laws, regulations, and the needs of the City. The Council shall annually adopt by resolution stating that it has reviewed the policy and approving any changes or modifications.

XV. ADOPTING CLAUSE

This Investment Policy for the City of Meadowlakes, Burnet County, Texas was adopted this the 10th day of February, 2015.

Mary Ann Raesener, Mayor

Attest:

Christy Fath, City Secretary

Attachment #1-Certification of Business Organization

TEXAS PUBLIC FUNDS INVESTMENT ACT CERTIFICATION BY BUSINESS ORGANIZATION

This certification is executed and delivered to City of Meadowlakes (City) pursuant to the Public Funds Investment Act, Chapter 2256, Texas Government Code (the "Act"), in connection with investment transactions conducted between the City and _____ (the "Business Organization")

The undersigned Qualified Representative of the Business Organization hereby certifies on behalf of the Business Organization that:

1. The undersigned is a Qualified Representative of the Business Organization offering to enter into an investment transaction with the City;
2. The undersigned Qualified Representative of such Business Organization has received and reviewed the investment policy of the City;
3. The Business Organization has implemented reasonable procedures and controls in an effort to preclude investment transactions conducted between the City and the Business Organization that are not authorized by the City's investment policy, except to the extent that this authorization is dependent upon an analysis of the makeup of the entity's entire portfolio or requires an interpretation of subjective investment standards.

Name of Business Organization

Signature of Qualified Representative

Printed Name: _____

Title: _____

Date: _____

Attachment #2-Broker/Dealer Questionnaire

City of Meadowlakes, Texas

Broker/Dealer Questionnaire

Firm:	
Date Established:	
Main Office:	
Representative:	
Primary Dealer?	
Qualified HU Business	
Publicly Traded? Which Exchange?	
Member NASD?	
SIPC Insured?	
Equity Position:	
Annual Revenues:	
Agency Selling Group Memberships:	
Pertinent Rankings:	
Representative Public Sector Clients:	
Revision Date of Investment Policy:	
Date Certification Received:	