

RESOLUTION NO. 502

A RESOLUTION OF THE CITY OF GRANITE SHOALS, TEXAS, TO REPEAL AND REPLACE RESOLUTION NO. 461 AND TO ADOPT THE CITY INVESTMENT POLICY.

WHEREAS, the City Council of the City of Granite Shoals, Texas (“Council”) seeks to provide for the health, safety and welfare of its citizens; and

WHEREAS, it is the policy of the Council that the administration of city funds and the investment of those funds shall be handled as its highest public trust;

NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF GRANITE SHOALS, TEXAS, THAT:

ARTICLE I – SCOPE

All listed funds will be pooled for investment purposes. The strategy developed for this pooled fund group will address the varying needs, goals and objectives of each fund.

ARTICLE II – OBJECTIVES AND STRATEGY

The Investment Officer shall attend at least one Investment Training Session annually for a total of eight hours of training in each two year period. The City will encourage its Investment Officers to obtain professional credentials.

ARTICLE III – ETHICS AND CONFLICTS OF INTEREST

The Investment Officer shall disclose to the Texas Ethics Commission and the City Council, any personal business relationship or material financial interests with anyone attempting to sell an investment to the City.

ARTICLE IV – AUTHORIZED FINANCIAL DEALERS AND INSTITUTIONS

SECTION 1: Any Vendor with whom the City transacts investment transaction, including Brokers, Pools, Funds and Banks, must receive and review the City’s Policy and provide a certificate with acceptable language that the policy will be followed.

SECTION 2: Vendors will be selected by the procedure described in its Investment Policy, including the bidding process which may include vendors located outside of the city but within the state of Texas.

ARTICLE V – INVESTMENT REPORTS

Detail and summary reports will be prepared and presented to the City Council and the Mayor no less than quarterly. Reports will comply with Section 2256.023 of the PFIA at a minimum.

ARTICLE VI – INVESTMENT POLICY ADOPTION

This policy attached hereto as Exhibit A, which includes strategies for each fund, shall be reviewed and adopted by Resolution by the City Council of Granite Shoals, Texas annually. Any modifications made thereto must be approved formally by the City Council.

ARTICLE VII – REPEAL

Resolution No. 461 is hereby repealed and replaced in its entirety.

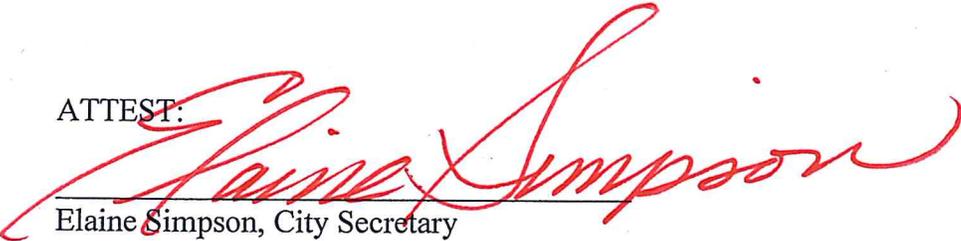
EFFECTIVE DATE. This RESOLUTION shall be in full force and effect from and after its date of approval.

PASSED AND APPROVED this 1st day of December, 2015.



Carl Brugger, Mayor

ATTEST:



Elaine Simpson, City Secretary

Investment Policy
City of Granite Shoals, Texas
Adopted December 1, 2015

I. POLICY STATEMENT

It is the policy of the 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 investments will be used in a manner that best serves the interests of the City.

II. SCOPE

This investment policy applied to all the financial assets and funds of the City. The City may commingle its funds into several investment funds for investment purposes for efficiency and maximum investment opportunity. These funds are defined in the City's Comprehensive Annual Financial Reports (CAFR) and include:

- Customer Deposit Funds
- General Funds
- Utility Funds
- Debt Service Funds

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 the 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 instruments 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.

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 insure the preservation of capital in the overall portfolio.

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 which might be reasonably anticipated.

Diversification

Diversification of the portfolio will include diversification by maturity 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.

Yield

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

Effective cash flow management is recognized as essential to good fiscal management. Cash management is defined as the process of managing monies in order to ensure maximum cash availability. The City shall maintain a comprehensive cash management program which includes collection of accounts receivable, prudent investment of its available cash, and disbursement of payments in accordance with invoice terms and 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"). The Public Funds Collateral Act, Chapter 2257, Texas Government Code, specifies collateral requirements for all public funds deposits. All investments will be made in accordance with these statutes.

V. DELEGATION OF INVESTMENT AUTHORITY

The Director of Finance, acting on behalf of the City, is designated as the Investment Officer of the City and is responsible for investment management, decisions, and activities. The Director of Finance 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, require and include the "Bond Market Master Repurchase Agreement (as applicable), wire transfer agreements, banking service contracts, and other investment related activities.

The Investment Officer shall be responsible for all transactions undertaken. 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 procedure established.

VI. PRUDENCE

The standard of prudence to be used in the investment function shall be the “prudent person” standard and shall be applied in the contest of managing the overall portfolio. The standard states:

“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.”

Limitation of Personal Liability

The Investment Officer, 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 actions is taken to control adverse market effects.

VII. INTERNAL CONTROLS

The Investment Officer shall establish a system of written 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.

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, it agencies and instrumentalities, and Government sponsoring enterprises not to exceed two years to stated maturity, excluding collateralized mortgage obligations (CMOs); and
- B. Fully insured or collateralized certificates of deposit from a bank doing business in the State of Texas and under terms of a written depository agreement with that bank, not to exceed one year to stated maturity; and

- C. No-load, SEC registered money market funds, each approved specifically before use by the City; and
- D. Constant dollar Texas Local Government Pools as defined by the Public Funds Investment Act; and
- E. FDIC insured or collateralized interest bearing and money market accounts from any approved FDIC insured bank in Texas.

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

Competitive Bidding Requirement

All securities, including certificates of deposit, will be purchased or sold after three (3) offers/bids are taken to verify the City is receiving fair market value/price for the investment.

Delivery versus Payment

All security transactions entered into by the City shall be conducted on a delivery versus payment (DVP) basis.

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 Security Dealers (NASD) and provision of CRD number,
- proof of current registration with the State Securities Commission; and
- completion of a City questionnaire.

X. SAFEKEEPING AND COLLATERALIZATION

The laws of the State and prudent treasury management require that all purchased securities be bought on a delivery versus payment basis and be held in safekeeping by either the City, an independent third party financial institution, or the City's designated 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 for certificates of deposits 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 whom the securities are pledged.

Collateralization

Collateralization on time and demand deposits over the FDIC insurance coverage of \$250,000, and repurchase agreements.

In order to anticipate market changes and provide a level of additional security for all funds, the collateralization level required will be 102% of the market value of the principal and accrued interest. Collateral will be held by an independent third party safekeeping agent.

XII. PERFORMANCE EVALUATION AND REPORTING

The Investment Officer shall submit quarterly reports to the City Manager and 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 Act. Market prices for market evaluations will be obtained from an independent source.

XIII. DEPOSITORIES

The City will designate one banking institution through a competitive process as its central banking services provider at least every five years. This institution will be used for normal banking services including disbursements, collections, and safekeeping of securities. Other banking institutions from which the City may purchase certificates of deposit will also be designated as a depository after the institution provides its latest audited financial statements to the City. The City may consider banking institutions located outside the City, but within the state of Texas in its competitive bidding process.

XIV. INVESTMENT POLICY ADOPTION

This policy shall be reviewed and adopted by Resolution by the City Council annually. Any modifications made thereto must be formally approved by the Council.