

CITY OF SANDY OAKS, TEXAS

RESOLUTION NO. 2023-174

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF SANDY OAKS, TEXAS APPROVING AN INVESTMENT POLICY, DELEGATING RESPONSIBILITY AND AUTHORITY AND PROVIDING FOR AN EFFECTIVE DATE.

WHEREAS, Chapter 2256 of the Government Code, known as the “Public Funds Investment Act” (the “Act”), requires the City of Sandy Oaks (“City”) to, at least annually, adopt an Investment Policy by rule, order, ordinance or resolution; and

WHEREAS, the goal of the City is to create an Investment Policy to insure the safety of all funds entrusted to the City, while making available those funds for the payment of all necessary obligations of the City and providing for the investment of funds not immediately required; and

WHEREAS, the City Council of the City has reviewed the Investment Policy attached hereto as Exhibit “A” and does hereby approve the Investment Policy, including all appendices thereto, effective immediately.

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

SECTION 1. FINDINGS INCORPORATED. The findings set forth above are found to be true and correct and incorporated into the body of this Resolution as if fully set forth herein.

SECTION 2. APPROVAL. That the City Council hereby reviewed and adopts the attached Investment Policy, which includes the investment policy as well as investment strategies for the City. The attached Investment Policy includes the following changes made to either the investment policy or investment strategies of the City:


No changes.

SECTION 3. DELEGATION OF RESPONSIBILITY AND AUTHORITY. Management responsibility for the investment program is delegated to Tom Repino, who is hereby designated as the Investment Officer. No person may engage in an investment transaction or the management of funds except as provided under the terms of the Investment Policy as approved by the City Council. All participants in the investment process shall seek to act responsibly as custodians of the public trust.

SECTION 4. EFFECTIVE DATE. That this resolution shall take effect immediately from and after its final date of passage, and it is accordingly so ordered.

PASSED and APPROVED on the 12th day of January 2023.

CITY OF SANDY OAKS, TEXAS



Michael Martinez, Jr., Mayor

ATTEST:



Katherine Yelton, City Clerk

INVESTMENT POLICY

GENERAL STATEMENT

This policy serves to satisfy the statutory requirements of Chapter 2256 of the Texas Government Code (the "Public Funds Investment Act") to define and adopt a formal investment policy.

1. POLICY

It is the policy of the City of Sandy Oaks to invest public funds in a manner which will provide the highest investment return with maximum security while meeting the daily cash flow demands of the City and conforming to all state and local statutes governing the investment of public funds in accordance with Chapters 2256 and 2257 of the Texas Government Code.

2. SCOPE

This investment policy applies to all financial assets of the City of Sandy Oaks at the present time and any funds to be created in the future, unless prohibited by law or unless it is in contravention of any depository contract between the City and any depository bank. These funds are accounted for in the Independent Annual Financial Audit Report.

3. STANDARD OF CARE AND GENERAL OBJECTIVES

In accordance with Texas Government Code Section 2256.006, 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 probable income to be derived.

The City is concerned about the return of its principal, about liquidity, and about yield; therefore, safety of principal, liquidity, and yield are the primary objectives in any investment transaction.

The City's investment portfolio must be structured in conformance with an asset/liability management plan which provides for liquidity necessary to pay obligations as they become due.

4. DIVERSIFICATION

It will be the policy of the City to diversify its portfolio to eliminate the risk of loss resulting from overconcentration of assets in a specific maturity, a specific issuer or a specific class of investments. Investments of the City shall always be selected that provide for stability of income and reasonable liquidity.

5. YIELD AND MATURITIES

It will be the objective of the City to earn the maximum rate of return allowed on its investments within the policies imposed by its safety and liquidity objectives, investment strategies for each fund and state law governing investment of public funds.

Portfolio maturities will be structured to meet the obligations of the City first and then to achieve the highest return of interest. When the City has funds that will not be needed to meet current year obligations, maturity restraints will be imposed, based upon the investment strategy for each fund. The maximum allowable stated maturity of any individual investment owned by the City is five years.

6. INVESTMENT MANAGEMENT

The City's Investment Officer is designated as the person responsible for investment of City Funds consistent with this Investment Policy.

In accordance with Texas Government Code Section 2256.008, the City Treasurer, the City's Chief Financial Officer (if not the Treasurer), and the City Investment Officer shall attend at least one training session relating to the responsibility of such person under the Public Funds Investment Act within 12 months after assuming duties and must receive not less than ten hours of investment training at least once in a two-year period that begins on the first day of the fiscal year of the City and consists of the two consecutive fiscal years after that date. The City Investment Officer shall attend a training session not less than once each state fiscal biennium and may receive training from any independent source approved by the City Council. The City Council hereby approves as an independent training source any independent training service endorsed or approved by the Government Finance Officers Association or the Texas Municipal League. Such training shall be from an independent source approved or endorsed by either the Government Finance Officers Association of Texas or the Texas Municipal League in order to insure the quality capability and currency of such City officials in making investment decisions.

In accordance with Texas Government Code Chapter 2256, the Investment Officer may invest City funds that are not immediately required to pay obligations of the City. The City Council shall designate by resolution one or more officers or employees as Investment Officer.

If the Investment Officer owns 10% or more of the voting stock or owns more than \$5,000 of the fair market value of a business organization, or received more than 10% of his gross income in the previous year from a business organization, or has acquired during the previous year investments with a book value of \$2,500 or more from a business organization, or if the Investment Officer or is related within the second degree of affinity or consanguinity to an individual seeking to sell an investment to the City and if such business organization offers to engage in an investment transaction with the City, then the Investment Officer must file a statement disclosing that personal business interest or relationship with the Texas Ethics Commission and the City Council in accordance with Government Code 2256.005(i).

7. INVESTMENT STRATEGIES AND AUTHORIZED INVESTMENTS

In accordance with the Public Funds Investment Act, Section 2256.005(d), a written investment strategy will be developed for all funds under the City's control. The investment strategy must describe the investment objectives for the funds using the following priorities of importance:

- (1) understanding of the suitability of the investment to the financial requirements of the City;
- (2) preservation and safety of principal;
- (3) liquidity;
- (4) marketability of the investment if the need arises to liquidate the investment before maturity;
- (5) diversification of the investment portfolio; and
- (6) yield.

In accordance with the above investment objections, the Investment Strategy of the City is to invest in the following authorized investments and types of securities:

- (1) US Treasury bills, notes, bonds or other securities that are guaranteed or insured by the Federal Deposit Insurance Corporation (the "FDIC") or secured in any other manner and amount provided by law for deposits of the City, including such securities as described in Section 2256.009(a) of the Texas Government Code but excluding securities described in Section 2256.009(b) of the Texas Government Code.
- (2) Obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than A or its equivalent.
- (3) Collateralized or fully insured Certificates of Deposit at FDIC insured state and national banks or at federally insured credit unions domiciled in this state, each in accordance with Section 2256.010 of the Texas Government Code.
- (4) Repurchase agreements if secured by US Treasury bills, notes or bonds, and if they otherwise are in compliance with Section 2256.011 of the Texas Government Code.
- (5) Eligible investment pools (as discussed in the Public Funds Investment Act, Sections 2256.016 and 2256.019 of the Texas Government Code) if the City Council by resolution authorizes investment in the particular pool. An investment pool shall invest the funds it receives from entities in authorized investments permitted by the Public Funds Investment Act and must be in compliance with all requirements of Sections 2256.016 and 2256.019 of the Texas Government Code. The City by contract may delegate to an investment pool the authority to hold legal title as custodian of investments purchases with its local funds. **Any investment in an eligible investment pool must be separately authorized by the City Council by resolution or ordinance separate from any resolution or ordinance adopting this Investment Policy.**

The Investment Officer may not enter into any installment sale obligation or lease-purchase agreement of \$1 million or more without Attorney General approval.

If a pooled fund group (as defined in Section 2256.002 of the Texas Government Code) is internally created by the City, then the maximum dollar-weighted average maturity allowed based on the stated maturity date for the portfolio shall simultaneously be determined.

Except for investment pool funds (if any) and mutual funds (if any), all transactions shall be settled on a delivery versus payment basis.

An investment that requires a minimum rating under Chapter 2256 of the Texas Government Code does not qualify as an authorized investment during any period when the investment does not have the minimum rating required. The Investment Officer shall monitor rating changes for any investments by the City for which a minimum rating is required by checking the rating of such investment at least monthly. The Investment Officer shall take all prudent measures consistent with this Investment Policy to liquidate an investment that does not have the minimum rating required.

In accordance with Public Funds Investment Act Section 2256.005(e) of the Texas Government Code, the Investment Policy and investment strategies will be reviewed and adopted by resolution by the City Council. The Investment Policy and Investment Strategy shall be reviewed annually by the City Council and any modifications made thereto must be approved by the City Council.

8. INVESTMENT RESPONSIBILITY AND CONTROL; INVESTMENT INSTITUTIONS DEFINED

The Investment Officer shall monitor the market price of investments acquired with public funds at least monthly by reviewing statements issued by the entity holding such investment or by any other method reasonably deemed reliable by the Investment Officer.

The City of Sandy Oaks Investment Officer shall invest City funds with any or all of the following institutions or groups consistent with federal and state law and the current Depository Bank contract.

- (1) Depository bank;
- (2) Other state and national banks or credit unions domiciled in this state, insured by the FDIC;
- (3) Public fund investment pools; or
- (4) Government securities brokers and dealers

9. BROKER/DEALERS

In accordance with 2256.005(k), a written copy of this Investment Policy shall be presented to any person seeking to sell to the City an authorized investment. The qualified representative of the business organization seeking to sell an authorized investment shall execute a written instrument substantially to the effect that the business organization has:

- (1) received and thoroughly reviewed the Investment Policy of the City; and
- (2) acknowledged that the business organization has implemented reasonable procedures and controls in an effort to preclude imprudent investment activities arising out of investment transactions conducted between the City and the organization and to preclude investment transactions that are not authorized by the City's Investment Policy.

As provided by Texas Government Code Section 2256.005(l), the Investment Officer may not buy any securities from a person who has not delivered to the City an instrument in substantially the form provided above.

At least annually, the City Council shall review, revise if desired, and adopt a list of qualified brokers that are authorized to engage in investment transactions with the City.

10. COLLATERAL OR INSURANCE

The City of Sandy Oaks Investment Officer shall insure that all City funds are fully collateralized or insured consistent with federal and state law (including, without limitation, Chapter 2257 of the Texas Government Code, the Public Funds Collateral Act) and the current Bank Depository Contract in one or more of the following manners:

- (1) FDIC insurance coverage;
- (2) Obligations of the United States or its agencies and instrumentalities; or
- (3) Securities pledged by Depository Bank.

11. SAFEKEEPING

All purchased securities shall be held in safekeeping by the City or a City account in a third party financial institution or with the Federal Reserve Bank.

All Certificates of Deposit, insured by the FDIC, purchased outside the Depository Bank shall be held in safekeeping by either the City Investment Officer or a third party financial institution. All pledged securities by the Depository Bank shall be held in safekeeping the City or a City account in a third party financial institution or with a Federal Reserve Bank.

12. AUDIT CONTROL

The City Investment Officer shall establish an annual process of independent review by the City auditor. This review will provide internal control by assuring compliance with policies and procedures, including this Investment Policy.

13. QUARTERLY REPORT

In accordance with Texas Government Code Section 2256.023, not less than quarterly, the Investment Officer shall prepare and submit to the City Council a written report of investment transactions for all funds for the preceding reporting period within a reasonable time after the end of the period. The report must:

- (1) describe in detail the investment position of the City on the date of the report;
- (2) be prepared jointly by all investment officers of the City;
- (3) be signed by the Investment Officer of the City;
- (4) contain a summary statement of each pooled fund group that states the:
 - (A) beginning market value for the reporting period;
 - (B) ending market value for the period; and
 - (C) fully accrued interest for the reporting period;

- (5) state the book value and market value of each separately invested asset at the end of the reporting period by the type of asset and fund type invested;
- (6) state the maturity date of each separately invested asset that has a maturity date;
- (7) state the account or fund or pooled group fund for which each individual investment was acquired; and
- (8) state the compliance of the investment portfolio of the City as it relates to:
 - (A) the City's Investment Strategy; and
 - (B) relevant provisions of Chapter 2256 of the Texas Government Code.

14. NOTIFICATION OF INVESTMENT CHANGES

It shall be the duty of the City Investment Officer to notify the City Council of any significant changes in current investment methods and procedures prior to their implementation, regardless of whether they are authorized by the policy or not.