

RESOLUTION NO. 17-06

A RESOLUTION OF THE TOWN COUNCIL OF THE TOWN OF ANNETTA, TEXAS, ADOPTING THE TOWN OF ANNETTA INVESTMENT POLICY; AND PROVIDING AN EFFECTIVE DATE.

WHEREAS, the Town Council of the Town of Annetta desires to provide an investment policy for the investment of funds held by the Town of Annetta in a manner providing security of principle and liquidity; and

WHEREAS, the investment policy of the Town of Annetta shall address investment diversification, yield and maturity requirements, the quality and capability of investment management, and shall provide limitations, strategies, specifications and methods for all investments of the Town; and

WHEREAS, pursuant to Section 2256.005(a) of the Texas Government Code a municipality engaging in investing funds shall adopt its written investment policy.

NOW, THEREFORE, BE IT RESOLVED BY THE TOWN COUNCIL OF THE TOWN OF ANNETTA, TEXAS:

SECTION 1.

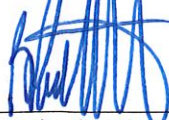
That the Town of Annetta hereby adopts the Town of Annetta Investment Policy, a copy of which is attached as Exhibit "A".

SECTION 2.

That this Resolution shall take effect from and after its date of its passage.

PASSED, APPROVED and ADOPTED THIS 16TH day of NOVEMBER 2017.

TOWN OF ANNETTA, TEXAS



Bruce Pinckard, Mayor

ATTEST:


Jamee Long, Town Secretary



Exhibit "A"



Town of Annetta Investment Policy

ENACTED: August 17, 2017

I. PURPOSE

The purpose of this document is to set forth a specific investment policy and strategy guidelines (the "Policy") for the Town of Annetta (the "Town"). This Policy serves to satisfy the statutory requirements of the Public Funds Investment Act (the "Act") to define, adopt and review a formal investment policy and strategy.

II. POLICY STATEMENT

It is the policy of the Town of Annetta 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 diversifications while meeting the daily cash flow needs of the Town 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 Town to be in complete compliance with local laws and the Act. The earnings from investment will be used in a manner that best serves the interest of the Town.

III. SCOPE

This investment policy applies to all financial assets of the Town. These funds are accounted for in the Town's Audited Annual Financial Report and include:

- A. General Fund
- B. Proprietary (Enterprise) Funds

IV. OBJECTIVE

The Town shall manage and invest its cash assets within the framework of the following four investment principles, listed in order of priority:

- A. Safety of Principal
- B. Liquidity
- C. Public Trust
- D. Yield

Safety of Principal

Safety of Principal is the foremost objective of the Town. Investments shall be undertaken in a manner that seeks to ensure the preservation of capital and the diversification of the Town's investment portfolio.

Liquidity

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

Public Trust

Participants in the Town's investment process shall act responsibly as custodians of the public trust. Investment officials shall avoid transactions that might impair public confidence in the Town's ability to effectively govern.

Yield

The Town's investment portfolio shall be administered with the objective of attaining a market rate of return, taking into account the Town's risk constraints and the cash flow needs of the Town. For the purposes of this investment policy, a Market Rate of Return shall be defined as the average yield of the current six month U.S. Treasury Bill.

V. INVESTMENT AUTHORITY

Authority to manage the investment activities of the Town is derived from a Resolution of the Town Council wherein, the Mayor shall be designated the Investment Officer for the Town of Annetta, and who is responsible for all investment management decisions and activities.

The Investment Officer shall designate a staff person to serve as a 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 and procedures of this policy.

Prudence

The standard of prudence to be applied by the Investment Officer shall be the "prudent person" rule, which states:

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

In determining whether the Investment Officer has exercised prudence with respect to an investment decision, the determination shall be made taking the following into consideration:

- A. The investment performance of all funds, or funds under the Town's control over which the investment officer has responsibility, rather than a consideration as to the prudence of a single investment.
- B. Whether the investment decision was consistent with the written investment policy of the Town of Annetta.

Limitation of Personal Liability

The Investment Officer and those delegated investment authority under this Policy, when acting in accordance with the written procedures of this Policy and in accord with the prudent person rule as defined above, shall be relieved of personal liability in the management of the Town's investment portfolio provided that deviations from expectations of 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.

VI. INTERNAL CONTROLS

The Investment Officer shall establish a system of written internal controls that will be reviewed annually with the independent auditor of the Town. 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 Town.

Cash Flow Forecasting

Cash flow forecasting is designed to protect and sustain cash flow requirements of the Town. 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.

VII. AUTHORIZED INVESTMENTS

- A. Acceptable investments under this Policy shall be limited to the instruments listed below and as further described by the Act. For use in an escrow for a Refunded Bond, the maturity date of the investments can be extended through the term of the escrow.
- B. Obligations of the United States, its agencies and instrumentalities, and government sponsoring enterprises, not to exceed two years to stated maturity, excluding collateralized mortgage obligations (CMOs).
- C. Fully insured or collateralized Certificates of Deposit from a bank doing business in the State of Texas and under the terms of a written depository agreement with that bank, not to exceed one year of stated maturity.
- D. Fully collateralized Repurchase Agreement and reverse repurchase agreements as defined in the Act, not to exceed 180 days to stated maturity, provided an executed Bond Market Master Repurchase Agreement is on file with the Town and the counterparty, bank or primary dealer.
- E. Fully collateralized Flex Repurchase Agreements used specifically for capital projects may extend beyond two years, but only to match the expenditure plan of the corresponding capital project.
- F. No-load Security Exchange Commission registered money market funds, each approved specifically for use by the Town.
- G. Constant dollar Texas Local Government Investment Pools as defined by the Act.

Competitive Bidding Requirement

All Securities, including Certificates of Deposit, will only be purchased or sold after three (3) offers/bids are taken to verify that the Town is receiving a fair market price for the investment.

Delivery versus Payment

All security transactions, including collateral for repurchase agreements, entered into by the Town, shall be conducted on a delivery versus payment (DVP) basis.

VIII. AUTHORIZED FINANCIAL DEALERS AND INSTITUTIONS

All investments made by the Town will be made through either the Town's depository per the terms of the Town's written Depository Services Agreement or through an authorized primary dealer or broker. The Town Council shall annually review and designate a list of three primary dealers or brokers that the Investment Officer shall use for investment activities from time to time.

Council shall consider the following in the selection of any primary dealer or broker:

- A. Provision of an annual audited financial statement for the previous year.
- B. Proof of certification by the National Association of Securities Dealers (NASD) and the provision of a valid CRD number.
- C. Proof of current registration with the State Securities Commission.
- D. Completion of a Town application and questionnaire.

Every bank and primary dealer or broker with whom the Town transacts business shall be provided a copy of this Investment Policy to assure that the firm is 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 their firm has established controls to ensure that only authorized securities are sold to the Town.

IX. DIVERSIFICATION AND MATURITY LIMITATIONS

It is the policy of the Town to diversify its investment portfolio. Diversification strategies shall be established and periodically reviewed. All strategies shall seek to minimize the risk or loss resulting from over-concentration of assets in a specific maturity, specific issuer or a specific class of securities.

At a minimum, diversification standards by security type and issuer shall be as follows:

SECURITY TYPE	MAXIMUM ALLOWABLE PERCENTAGE OF PORTFOLIO
U.S. Treasury Obligations	100%
U.S. Government Agencies and Instrumentalities	50%
Fully insured or collateralized CD's	30%
Repurchase Agreements	100%
Money Market Funds	100%
For Town Bond Proceeds	80%
Local Government Investment Pools	100%
Liquidity Pools	100%
Maximum percent of pool ownership	20%

The Investment Officer shall be required to diversify maturities, and shall to the best extent possible, attempt to match investment maturities with anticipated cash flow requirements.

Holding Period

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.

X. SAFEKEEPING AND COLLATERALIZATION

All deposits and investments of Town funds other than direct purchases of U.S. Treasuries or Agencies shall be secured by pledged collateral. In order to anticipate market changes and provide a level of security for all funds, the collateralization level will be 102% of market value of principal and accrued interest on the deposits or investments. A third party financial institution shall maintain evidence of the collateral. Repurchase Agreements shall be documented by a specific agreement noting the collateral pledged in each agreement. Collateral shall be reviewed monthly to assure that the market value of the pledged securities is adequate.

Safekeeping Agreement

Collateral pledged to secure deposits of the Town shall be held by a safekeeping institution in accordance with a Safekeeping Agreement which clearly defines the procedural steps for gaining access to the collateral should the Town determine that the Town's funds are in jeopardy.

The safekeeping institution shall be the Federal Reserve Bank or a financial institution not affiliated with the firm pledging the collateral. The Safekeeping Agreement shall include the signatures of authorized representatives of the Town, the firm pledging collateral and the Trustee.

Collateral Defined

The Town shall accept only following securities as collateral:

- A. FDIC and FSLIC insurance coverage.
- B. A bond, certificate of indebtedness, or Treasury Note of the United States, or other evidence of indebtedness of the United States that is guaranteed as to principal and interest by the United States.
- C. Obligations, the principal and interest: of which are unconditionally guaranteed or insured by the State of Texas.
- D. A bond of the State of Texas or of a County, Town or other political subdivision of the State of Texas having been rated as investment grade (investment rating no less than "A" or its equivalent) by a nationally recognized rating agency with a remaining maturity of ten (10) years or less.

Subject to Audit

All collateral shall be subject to inspection and audit by the Investment Officer or the Town's independent auditors.

XI. PERFORMANCE EVALUATION AND REPORTING

The Investment Officer shall submit a written report to the Town Council on a quarterly basis. The report shall contain sufficient information to permit an informed outside reader to evaluate the performance of the investment program. All reports shall be in compliance with the Act. Market prices from market evaluations will be obtained from an independent source.

XII. DEPOSITORIES

The Town shall designate one banking institution through a competitive process as its central banking services provider at least once every three years. This institution will be used to normal banking services including disbursements, collections and safekeeping of securities. Other banking institutions from which the Town may purchase certificates of deposit will also be designated as a depository after they provide their latest audited financial statements to the Town.

XIII. MISCELLANEOUS PROVISIONS

Ethics and Conflicts of Interest

Town officers involved in the investment process shall refrain from personal business activity that could conflict with the proper execution of the investment program, or which could impair the ability to make impartial investment decisions. Town officers shall disclose any material financial interests in financial institutions that conduct business with the Town.

A Town officer who has a personal business relationship with an organization seeking to sell an investment to the Town shall file a statement disclosing that personal business interest. An officer who is related within the second degree of affinity or consanguinity to an individual seeking to sell an investment to the Town shall file a statement disclosing that relationship. Said statement must be filed with the Texas Ethics Commission and the Town Council.

XIV. INVESTMENT POLICY ADOPTION AND REVIEW

The Town of Annetta Investment Policy shall be adopted by Resolution of the Town Council on an annual basis. The policy shall be reviewed for effectiveness prior to adoption by the Town Council and any changes to the Policy shall be recommended to the Town Council for consideration.

End of Policy