



**ORDINANCE NO. 1523**

**AN ORDINANCE BY THE CITY COUNCIL OF THE CITY OF TERRELL HILLS, TEXAS, FOR THE ANNUAL REVIEW OF THE CITY OF TERRELL HILLS INVESTMENT POLICY AND STRATEGIES PURSUANT TO THE PUBLIC FUNDS INVESTMENT ACT; AND SETTING AN EFFECTIVE DATE.**

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

**WHEREAS**, the City of Terrell Hills has previously adopted a Financial and Investment Policy by Ordinance No. 1505 and attached hereto as Attachment "A"; and

**WHEREAS**, the Public Funds Investment Act requires the governing body of City of Terrell Hills to review its investment policy and investment strategies not less than annually; and


**WHEREAS**, the City of Terrell Hills has currently invested with the Lone Star Investment Pool; and

**WHEREAS**, the previously adopted investment policy complies with the Public Funds Investment Act.


**NOW, THEREFORE, BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF TERRELL HILLS, TEXAS:**

The City Council of the City of Terrell Hills has performed its annual review of the Investment Policy and Strategies previously adopted by Ordinance No. 1505 and attached hereto as Attachment "A", and finds that no amendments are reasonable or prudent at this time, and such policy shall continue, such review having occurred effective upon the date of passage below.

**PRESENTED AND APPROVED BY THE CITY COUNCIL OF THE CITY OF TERRELL HILLS, TEXAS THIS 13<sup>th</sup> DAY OF NOVEMBER 2023.**

  
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**JOHN LOW**  
Mayor

**ATTEST:**

  
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**WILLIAM FOLEY**  
City Secretary-Manager

## INVESTMENT POLICY

### GENERAL STATEMENT

This policy serves to satisfy the statutory requirements of Local Government Code 116.112 and Government Code Chapter 2256 to define and adopt a formal investment policy.

### 1. POLICY

It is the policy of the City of Terrell Hills 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 entity and conforming to all state and local statutes governing the investment of public funds in accordance with the Government Code 2256.005(d).

### 2. SCOPE

A. This investment policy applies to all financial assets of the City. These funds are reported in the City's Annual Financial Report and include:

- General Fund;
- Special Revenue Funds;
- Debt Service Funds;
- Capital Projects Funds;
- Any new fund created by the City unless specifically exempted from this policy by the City or by law.

B. This policy excludes:

- State Funds
- Retirement/Pension Fund

C. Review and Amendment The City Council is required by State statute and by this investment policy to review this investment policy and investment strategies not less than annually and to adopt a resolution or ordinance stating the review has been completed and recording any changes made to either the policy or strategy statements.

### 3. STANDARD OF CARE.

In accordance with Government Code 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; therefore, safety of principal is a primary objective 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. The city seeks to maintain a minimum of 90 days' fund equity balance to ensure adequate liquidity for liabilities.

#### 4. DIVERSIFICATION

It will be the policy of the City to diversify its portfolio to eliminate the risk of loss resulting from over concentration 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

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 and federal 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 one year.

#### 6. QUALITY AND CAPABILITY OF INVESTMENT MANAGEMENT

It is the City's policy to provide training required by the Public Funds Act, Sec. 2256.008 the City Investment Officer shall attend at least one training session relating to the officer's responsibility under the Act within 12 months after assuming duties. The City Investment Officer must receive not less than ten hours of investment training at least once in any two year period if the City 1) invests City funds or 2) deposits City funds in interest-bearing deposit accounts other than certificates of deposit. 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 on the City Investment Officer in making investment decisions. The City shall provide periodic training in investments for the investment personnel through courses and seminars offered by professional organizations and associations in order to insure the quality and capability of the City's investment personnel making investment decisions in compliance with the PFIA.

In accordance with section 116.112(a), Local Government Code and/or Chapter 2256. 005 (f) and (g) the Investment Officer, may invest City funds that are not immediately required to pay obligations of the City. The City Council shall designate one or more officers or employees as investment officer.

If the investment officer has a personal business relationship with an entity in excess of 10% of the officer's gross income or \$2,500; or is related within the second degree of affinity or consanguinity to an individual-seeking to sell an investment to the city, the investment officer must file a statement that personal business interest-or relationship with the Texas Ethics Commission and the City Council in accordance with Government Code 2256.0005 (I).

#### 7. INVESTMENT STRATEGIES

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 entity

- (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
- (6) Yield
- (7) Maturity restrictions

The City of Terrell Hills is empowered by statute to invest in the following types of securities:

- (1) US Treasury bills, notes, bonds or other securities that are guaranteed or insured by the FDIC or secured in any other manner and amount provided by law for deposits of the city.
- (2) Collateralized or fully insured Certificates of Deposit at FDIC insured state and national banks or by credit unions domiciled in this state.
- (3) Repurchased agreements if secured by US Treasury bills, notes or bonds.
- (4) Eligible investment pools (as discussed in the Public Funds Investment Act, sec. 2256.016-2256.019) 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. 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.

Weighted average maturity will vary according to current market conditions, cash flow needs of the City, governmental best practices and other relevant factors.

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

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

## 8. INVESTMENT RESPONSIBILITY AND CONTROL INVESTMENT INSTITUTIONS DEFINED

The City of Terrell Hills 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
- (4) Government securities brokers and dealers: Qualifications for approval of 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 registered principal of the business

organization seeking to sell an authorized investment shall execute a written instrument substantially to the effect that the registered principal has;

(1) *Received* and thoroughly reviewed the investment policy of the city

(2) Acknowledged that the 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.

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 according to Section 2256.005(1).

The following are not authorized investments under this section:

(1) Obligations whose payment represents the coupon payments on the outstanding principal balance of the underlying mortgage-backed security collateral and pay no principal;

(2) Obligations whose payment represents the principal stream of cash flow from the underlying mortgage-backed security collateral and bears no interest;

(3) Collateralized mortgage obligations that have a stated final maturity date of greater than 10 years; and

(4) Collateralized mortgage obligations the interest rate of which is determined by an index that adjusts opposite to the changes in a market index

#### COLLATERAL OR INSURANCE

The City of Terrell Hills Investment Officer shall insure that all city funds are fully collateralized or insured consistent with federal and state law 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

(3) Securities pledged by Depository Bank

#### 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.

U.S. Treasury and Agency Securities shall be purchased using the delivery versus payment method. That is, funds shall not be wired or paid until verification has been made that the collateral was received by the Trustee. The collateral shall be held in the name of the City or held on behalf of the City. The Trustee's records shall assure the notation or the City's ownership or explicit claim on the Securities. The original copy of all Safekeeping receipts shall be delivered to the City.

#### 9. 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.

#### QUARTERLY REPORT

In accordance with government Code 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 signed by the investment officer of the city
- (3) Contain a summary statement of each pooled fund group that states the:
  - (A) Beginning market value for the reporting period
  - (B) Additions and changes to the market value during the period
  - (C) Ending market value for the period;
- (4) State the book value and market value of each separately invested asset at the beginning and end of the reporting period by the type of asset and fund type invested;
- (5) State the maturity date of each separately invested asset that has a maturity date;
- (6) State the account or fund or pooled group fund in the city for which each individual investment was acquired; and
- (7) State the compliance of the investment portfolio of the city as it relates to:
  - (A) the investment strategy express in the city's investment policy; and
  - (B) relevant provisions of this chapter.

#### SELECTION OF BANKS

- (1) Bidding Process. Depositories shall be selected through the City's banking service procurement process, which shall include a formal request for proposals issued at a maximum of every five years. In selecting depositories, the credit worthiness of institutions shall be considered, and the City Manager or his designee shall conduct a comprehensive review of prospective depositories' credit characteristics and financial history.
- (2) Insurability. Banks and savings and loan associations seeking to establish eligibility for the City's investment program shall include financial statements, evidence of federal insurance and other information as required b the City Manager or his designee.

#### 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.