RESOLUTION NO. 14-37

A RESOLUTION ADOPTING THE INVESTMENT POLICY FOR THE CITY OF COMMERCE, SAME BEING MORE PARTICULARLY SET OUT IN EXHIBIT "A" ATTACHED HERETO AND MADE A PART HEREOF AS IF COPIED HEREIN VERBATIM. GRANTING AUTHORITY TO THE MAYOR TO EXECUTE SAID RESOLUTION, AND AUTHORIZING CITY SECRETARY TO AUTHENTICATE MAYOR'S SIGNATURE TO SAID RESOLUTION. GRANTING AUTHORITY TO THE CITY MANAGER TO EXECUTE ANY AND ALL OTHER INSTRUMENTS REQUISITE IN IMPLEMENTING SAID RESOLUTION, AND AUTHORIZING CITY SECRETARY TO AUTHENTICATE CITY MANAGER'S SIGNATURE TO ANY AND ALL OTHER INSTRUMENTS REQUISITE IN IMPLEMENTING SAID RESOLUTION.

A regular meeting of the City Council of the City of Commerce, Texas, was held in Commerce, Texas, at City Hall on the 18th day of November 2014, at 6:00 p.m.; a majority of Council Members being present and constituting a quorum, the following resolution was adopted;

WHEREAS, the City Council of the City of Commerce determined that the investment policy be reviewed by the City Council of the City of Commerce; and

WHEREAS, a copy of a proposed investment policy has been reviewed and considered by City Council of the City of Commerce, a copy of such proposed investment policy be attached hereto and marked Exhibit "A" and being a part hereof as if copied herein verbatim.

BE IT RESOLVED that said investment policy be and is hereby adopted as the investment policy for the City of Commerce, Texas.

NOW, THEREFORE, BE IT RESOLVED by the City Council of the City of Commerce, Texas that said investment policy be and is hereby adopted as the investment policy for the City of Commerce, Texas.

BE IT FURTHER RESOLVED, that the Mayor of the City of Commerce, Texas, be authorized and he is hereby authorized to execute said resolution.

BE IT FURTHER RESOLVED, that the City Secretary be authorized and she is hereby authorized to authenticate the signature of the Mayor to said resolution.

BE IT FURTHER RESOLVED, that the City Manager of the City of Commerce, Texas, be authorized and he is hereby authorized to execute on behalf of the City of Commerce any and all instruments requisite to implementing said resolution.

BE IT FURTHER RESOLVED that the City Secretary be authorized and she is hereby authorized to attest to the signature of the City Manager to any and all instruments requisite to implementing said resolution.

PASSED BY THE GOVERNING BODY of the City of Commerce, Texas, at a regular meeting of the City Council of the City of Commerce, Texas, on the 18th day of November 2014.

ATTEST:

CITY OF COMMERCE, TEXAS

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Marty Cunningham
City Secretary

(Seal)

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John Ballotti
Mayor

APPROVED AS TO FORM:

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Jay Garrett
City Attorney

I, Marty Cunningham, City Secretary of the City of Commerce, Texas, do hereby certify that the above is a true and correct copy of a resolution, and that the same has not been repealed and is in full force and effect.

(seal)

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City Secretary
City of Commerce, Texas

Sworn to and subscribed before me, on this the 19th day of November, 2014 to certify which witness my hand and seal of office.

(seal)

BECKY PATTILLO
Notary Public
STATE OF TEXAS
My Comm. Exp. May 16, 2015

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Notary Public
State of Texas

Res/Misc/InvestPolicy.111814

CITY OF COMMERCE
COMMERCE WATER DISTRICT
COMMERCE ECONOMIC DEVELOPMENT CORPORATION

INVESTMENT POLICY
FY 2015

1.0 **Policy**:

It is the policy of the City of Commerce, Commerce Water District and Commerce Economic Development Corporation (City) to invest public funds in a manner which will provide the highest investment return with the maximum security while meeting the daily cash flow demands of the city and conforming to all state and local statues governing the investment of public funds.

2.0 **Scope:**
This investment policy applies to all financial assets for the City. These funds are accounted for the City's **Annual Audit Report** and include:

2.1 **Funds**:
- 2.1.1 General Fund
- 2.1.2 Debt Service Funds
- 2.1.3 Capital Project Funds
- 2.1.4 Enterprise Funds
- 2.1.5 Trust and Agency Funds
- 2.1.6 Internal Service Funds

And any new funds created by the City unless specifically exempted by the City Council and this policy.

3.0 **Prudence:**

Investments shall e 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 Standard of prudence to be used by investment officials shall be the "**prudent person**" standard and shall be applied in the context of managing an overall portfolio. Investment officers acting in accordance with written procedures and the investment policy and exercising due diligence shall be relieved of personal responsibility for an individual security's credit risk or market price changes, provided deviations from expectations are reported in a timely fashion and appropriate action is taken to control adverse developments.

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 responsibility and 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.

4.0 **Objectives:**

The primary objectives, in priority order, of the City's investment activities shall be:

4.1 **Safety**: Safety of principal is the foremost objective of the investment program. Investments of the City shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. To attain this objective, **diversification** is required in order that potential losses on individual securities do not exceed the income generated from the remainder of the portfolio.

4.2 **Liquidity**: the city's investment portfolio will remain sufficiently liquid to enable the City to meet all operating requirements which might be reasonably anticipated.

4.3 **Return on Investments**: The city's investment portfolio shall be designed with the objective of attaining a rate of return throughout budgetary and economic cycles, commensurate with the City's investment risk constraints and the cash flow characteristics of the portfolio.

5.0 **Delegation of Authority**:

The Finance Director, acting on behalf of the City Council, is designated as the Investment Officer of the City and is responsible for investment management decisions and activities. The Council is 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 responsibility as custodians of the public trust.

The Investment Officer shall establish written procedures for the operation of the investment program consistent with this investment policy. Procedures should include reference to: safekeeping PSA repurchase agreements, wire transfer agreements, banking service contracts and collateral/depository agreements. Such procedures shall include explicit delegation of authority to persons responsible for investment transaction. No person may engage in an investment transaction except as provided under the terms of this policy and the procedures established by the Investment Officer. The Investment Officer shall be responsible for all transactions undertaken and shall establish a system of controls to regulate the activities of subordinate officials.

6.0 **Ethics and Conflicts of Interest:**

Officers and employees involved in the investment process shall refrain from personal business activity that could conflict with proper execution of the investment program, or which could impair their ability to make impartial investment decisions. Employees and investment officials shall disclose to the Investment Officer any material financial interests in financial institutions that conduct business with this jurisdiction, and they shall further disclose any large personal financial/investment positions that could be related to the performance of the City, particularly with regard to the time of purchases and sales.

7.0 **Authorized Financial Dealers and Institutions:**

The Investment Officer will maintain a list of financial institutions authorized to provide investment services. In addition, a list will also be maintained of approved security **broker/dealers** selected by credit worthiness who are authorized to provide investment services in the State of Texas. These may include **"primary" dealers** or regional dealers that qualify under **Securities & Exchange Commission Rule 15C3-1 (uniform net capital rule)**. No public deposit shall be made except in a **qualified public depository** as established by state laws.

All financial institutions and broker/dealers who desire to become qualified bidders for investment transactions must supply the Investment Officer with the following:

7.1 Audited financial statements for the most recent period,
7.2 Proof of National Association of Security Dealers certification (NASD),
7.3 Proof of current registration with the State Commission,
7.4 Certification of having read City's investment policy.

An annual review of the financial condition and registrations of qualified bidders will be conducted by the Investment Officer.

A current audited financial statement is required to be on file for each financial institution and broker/dealer in which the City invests.

8.0 **Authorized & Suitable Investments:**

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

8.1 U.S. Treasuries and securities with U.S. Government's guarantee
8.2 U.S. Government agencies and instrumentalities
8.3 Fully insured or collateralized CDS
8.4 Money Market funds
8.5 Local Government Investment Pools

9.0 **Investment Pools:**

A thorough investigation of the pool/fund is required prior to investing, and on a continual basis. There shall be a questionnaire developed which will answer the following general questions:

- A description of eligible investment securities, and a written statement of investment policy and objectives.
- A description of interest calculations and how it is distributed, and how gains and losses are treated.
- A description of how the securities are safeguarded (including the settlement processes), and how often are the securities priced and the program audited.
- A description of who may invest in the program, how often, what size deposit and withdrawal.
- A schedule for receiving statements and portfolio listings.
- Are reserves, retained earnings, etc. utilized by the pool/fund?
- A fee schedule, and when and how it is assessed.
- Is the pool/fund eligible for bond proceeds and/or will it accept such proceeds?

10.0 **Collateralization:**

Collateralization will be required on certificates of deposit. In order to anticipate market changes and provide a level security for all funds, the collateralization level will be (102%) of <u>market</u> value of principal and accrued interest.

Collateral will always be held by an independent third party with whom the entity has a current custodial agreement. A clearly marked evidence of ownership (safekeeping receipt) must e supplied to the entity and retained.

11.0 **Safekeeping and Custody:**

All security transactions entered into by the City shall be conducted on a **delivery-versus-payment (DVP)** basis. Securities will be held by a third party custodian designated by the Investment Officer and evidenced by safekeeping receipts.

12.0 **Diversification:**

The City will diversify its investments by security type and institution. With the exception of U.S. Treasury securities and authorized pools, no more than 50% of the City's total investment portfolio will be invested in a single security type or with a single financial institution.

13.0 **Maximum Maturities:**

To the extent possible, the city 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 city 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.

14.0 **Internal Control:**

The Investment Officer shall establish an annual process of independent review by an external auditor. This review will provide internal control by assuring compliance with policies and procedures.

15.0 **Performance Standards:**

The investment portfolio shall be designed with the objective of obtaining a rate of return throughout budgetary and economic return throughout budgetary and economic cycles, commensurate with the investment risk constraints and the cash flow needs.

15.1 **Market Yield (Benchmark):**

The City's investment strategy is passive. Given this strategy, the basis used by the Investment Officer to determine whether market yields are being achieved shall be the three-month U.S. Treasury Bill and the average Fed Funds rate.

16.0 **Reporting:**

The Investment Officer shall submit quarterly investment reports which provide a clear picture of the status of the current investment portfolio. The report will be prepared jointly by all involved in the investment activity and be signed by the staff involved.

Schedules in the quarterly report should include the following:

- A listing of individual securities held at the end of the reporting period by authorized investment category.
- Average life and final maturity of all investments listed.
- Coupon, discount or earnings rate.
- Par value, Amortized Book Value and Market Value.

- Percentage of the Portfolio represented by each investment category.

17.0 **Independent Source For Training:**

The finance director/investment officer shall attend an investment training session no less often than once every two fiscal years commencing September 1, 1997 and shall receive not less than 10 hours of instruction relating to investment responsibilities. The investment training session shall be provided by an independent source approved by the City Council. For purposes of this policy, an "independent source" from which investment training shall e obtained shall include a professional organization, an institute of higher learning or any other sponsor other than a business Organization with whom the City **may** engage in an investment transaction.

18.0 **Investment Policy Adoption:**

The City's investment policy shall be adopted by resolution of the City Council. The policy shall be reviewed annually by the City Manager and City Council and any modifications made thereto must be approved by the City Council.