

**RESOLUTION NO. 04072015-02**

**A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF FLORENCE, TEXAS  
RE-ADOPTING A CITY INVESTMENT POLICY.**

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

**WHEREAS**, the Public Funds investment Act requires the Chief Financial Officer, of the City to attend investment training; and

**WHEREAS**, the City of Florence approves of the investment training course sponsored by the Texas Municipal League and Virtual Learning Concepts; and


**WHEREAS**, the Chief Financial Officer of the City having attended an investment training course sponsored by the Texas Municipal League and Virtual Learning Concepts as required by the Public Funds Investment Act; and

**WHEREAS**, the attached investment policy and incorporation strategy comply with the Public Funds Investment Act, as amended, and authorize the investment of city funds in safe and prudent investments.

**NOW THEREFORE BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF FLORENCE, TEXAS:**

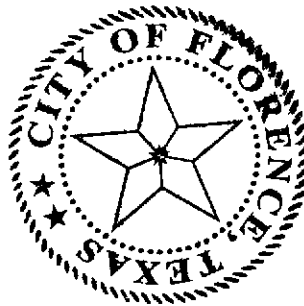
That the City of Florence has complied with the requirements of the Public Funds Investment Act, and the Investment Policy, as amended, attached hereto as "Exhibit A," is hereby adopted as the Investment Policy of the City effective April 6, 2015.

**PASSED, ADOPTED AND APPROVED** by the City council of the City of Florence, Texas this 6<sup>th</sup> day of April, 2015.

  
Mary Condon, Mayor

Attest:

  
Amy L. Crane, City Secretary



## Exhibit "A"

### PUBLIC FUNDS INVESTMENT POLICY

#### 1.0 POLICY:

IT IS THE POLICY OF THE CITY OF FLORENCE TO INVEST IN 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 ENTITY AND CONFORMING TO ALL STATE AND LOCAL STATUTES GOVERNING THE INVESTMENT OF PUBLIC FUNDS.

#### 2.0 SCOPE:

THIS INVESTMENT POLICY APPLIES TO ALL FINANCIAL ASSETS OF THE CITY OF FLORENCE. THESE FUNDS ARE ACCOUNTED FOR IN THE CITY OF FLORENCE'S ANNUAL FINANCIAL REPORT AND INCLUDE:

#### 2.1 FUNDS

##### 2.1.1 GENERAL

##### 2.1.2 PROPRIETARY FUND (WATERWORKS & SEWER DEPARTMENT)

#### 3.0 PRUDENCE:

INVESTMENTS SHALL BE MADE WITH JUDGEMENT 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.

3.1 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.

#### 4.0 OBJECTIVE:

THE PRIMARY OBJECTIVE, IN PRIORITY ORDER, OF THE CITY OF FLORENCE INVESTMENT ACTIVITIES SHALL BE:

##### 4.1 SAFETY:

SAFETY OF PRINCIPAL IS THE FOREMOST OBJECTIVE OF THE INVESTMENT PROGRAM. INVESTMENTS OF THE CITY OF FLORENCE 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 OF FLORENCE'S INVESTMENT PORTFOLIO WILL REMAIN SUFFICIENTLY LIQUID TO ENABLE THE CITY OF FLORENCE TO MEET ALL OPERATING REQUIREMENTS WHICH MIGHT BE REASONABLY ANTICIPATED.

4.3 RETURN OF INVESTMENTS:

THE CITY OF FLORENCE'S INVESTMENT PORTFOLIO SHALL BE DESIGNED WITH THE OBJECTIVE OF ATTAINING A RATE OF RETURN THROUGHOUT BUDGETARY ECONOMIC CYCLES, COMMENSURATE WITH THE CITY OF FLORENCE'S INVESTMENT RISK CONSTRAINTS AND THE CASH FLOW CHARACTERISTICS OF THE PORTFOLIO.

5.0 DELEGATION OF AUTHORITY:

AUTHORITY TO MANAGE THE CITY OF FLORENCE'S INVESTMENT PROGRAM IS DERIVED FROM THE GENERAL LAWS OF THE STATE OF TEXAS. MANAGEMENT RESPONSIBILITY FOR THE OPERATION OF THE INVESTMENT PROGRAM IS HEREBY DELEGATED TO THE CITY SECRETARY/TREASURER WHO SHALL CARRY OUT WRITTEN PROCEDURES AND INTERNAL CONTROLS ESTABLISHED BY THE COUNCIL FOR THE OPERATION OF THE INVESTMENT PROGRAM CONSISTENT WITH THE INVESTMENT POLICY. PROCEDURES SHOULD INCLUDE REFERENCE TO ; SAFE-KEEPING, DELIVERY VS. PAYMENT, INVESTMENT ACCOUNTING, REPURCHASE AGREEMENTS, WIRE TRANSFER AGREEMENTS, COLLATERAL/DEPOSITORY AGREEMENTS AND BANKING SERVICE CONTRACTS. NO PERSON MAY ENGAGE IN AN INVESTMENT TRANSACTION EXCEPT AS PROVIDED UNDER THE TERMS OF THIS POLICY AND THE PROCEDURES ESTABLISHED BY THE CITY COUNCIL. THE CITY SECRETARY/TREASURER SHALL BE RESPONSIBLE FOR ALL TRANSACTIONS UNDERTAKEN AND SHALL, WITH THE APPROVAL OF THE COUNCIL, 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 CITY COUNCIL ANY MATERIAL FINANCIAL INTERESTS IN FINANCIAL INSTITUTIONS THAT CONDUCT BUSINESS WITHIN THIS JURISDICTION, AND THEY SHALL FURTHER DISCLOSE ANY LARGE PERSONAL FINANCIAL/INVESTMENT POSITIONS THAT COULD BE RELATED TO THE PERFORMANCE OF THE CITY OF FLORENCE, PARTICULARLY WITH REGARD TO THE TIME OF PURCHASE AND SALES.

7.0 AUTHORIZED FINANCIAL DEALERS AND INSTITUTIONS:

THE CITY SECRETARY 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 AND 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 CITY SECRETARY WITH THE FOLLOWING: (e.g. AUDITED FINANCIAL STATEMENTS, PROOF OF NATIONAL ASSOCIATION OF SECURITY DEALERS CERTIFICATION, TRADING RESOLUTION, PROOF OF STATE REGISTRATION, COMPLETED BROKER/DEALER QUESTIONNAIRE, CERTIFICATION OF HAVING READ ENTITY'S INVESTMENT POLICY AND DEPOSITORY CONTRACTS).

AN ANNUAL REVIEW OF THE FINANCIAL CONDITION AND REGISTRATIONS OF QUALIFIED BIDDERS WILL BE CONDUCTED BY THE CITY SECRETARY.

A CURRENT AUDITED FINANCIAL STATEMENT IS REQUIRED TO BE ON FILE FOR EACH FINANCIAL INSTITUTION AND BROKER/DEALER IN WHICH THE CITY OF FLORENCE INVESTS.

**8.0 AUTHORIZED AND SUITABLE INVESTMENTS:**

THE CITY OF FLORENCE IS EMPOWERED BY STATUTE TO INVEST IN THE FOLLOWING TYPES OF SECURITIES:

1. ELIGIBLE CERTIFICATES OF DEPOSITS AND SHARE DEPOSITS
2. ELIGIBLE INVESTMENT POOLS
3. UNITED STATES TREASURY SECURITIES

**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 THE FOLLOWING 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 AGREEMENTS. 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

COLLATERAL WILL ALWAYS BE HELD BY AN INDEPENDENT THIRD PARTY WITH WHOM THE CITY OF FLORENCE HAS A CURRENT CUSTODIAL AGREEMENT. A CLEARLY MARKED EVIDENCE OF OWNERSHIP ( SAFEKEEPING RECEIPT) MUST BE SUPPLIED TO THE CITY OF FLORENCE AND RETAINED.

THE RIGHT OF COLLATERAL SUBSTITUTION IS GRANTED

11.0 SAFEKEEPING AND CUSTODY:

ALL SECURITY TRANSACTIONS ENTERED INTO BY THE CITY OF FLORENCE SHALL BE CONDUCTED ON A DELIVERY-VERSUS-PAYMENT (DVP) BASIS. SECURITIES WILL BE HELD BY A THIRD PARTY CUSTODIAN DESIGNATED BY THE CITY SECRETARY AND EVIDENCED BY SAFEKEEPING RECEIPTS.

12.0 DIVERSIFICATION:

THE INVESTMENT PORTFOLIO SHALL BE DIVERSIFIED IN TERMS OF INVESTMENT INSTRUMENTS, MATURITY SCHEDULING, AND FINANCIAL INSTITUTIONS TO REDUCE RISK OF LOSS RESULTING FROM OVER CONCENTRATION OF ASSETS IN A SPECIFIC CLASS OF INVESTMENTS, SPECIFIC MATURITY, OR SPECIFIC ISSUER.

13.0 MAXIMUM MATURITIES:

THE EXTENT POSSIBLE, THE CITY OF FLORENCE WILL ATTEMPT TO MATCH ITS INVESTMENTS WITH ANTICIPATED CASH FLOW REQUIREMENTS. UNLESS MATCHED TO A SPECIFIC CASH FLOW, THE CITY OF FLORENCE WILL NOT DIRECTLY INVEST IN SECURITIES MATURING MORE THAN TWO (2) YEARS FROM THE DATE OF PURCHASE. RESERVE FUNDS MAY BE INVESTED IN SECURITIES EXCEEDING TWO YEARS IF THE MATURITY OF SUCH INVESTMENTS ARE MADE TO COINCIDE AS NEARLY AS PRACTICABLE WITH THE EXPECTED USE OF THE FUNDS.

14.0 INTERNAL CONTROL:

THE CITY SECRETARY 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 CYCLES, COMMENSURATE WITH THE INVESTMENT RISK CONSTRAINTS AND THE CASH FLOW NEEDS.

16.0 REPORTING:

THE CITY SECRETARY SHALL PROVIDE TO THE CITY OF FLORENCE, QUARTERLY INVESTMENT REPORTS WHICH PROVIDE A CLEAR PICTURE OF THE STATUS OF THE CURRENT INVESTMENT PORTFOLIO. THE MANAGEMENT REPORT SHOULD INCLUDE COMMENTS ON THE FIXED INCOME MARKETS AND ECONOMIC CONDITIONS, DISCUSSIONS, REGARDING RESTRICTIONS ON PERCENTAGE OF INVESTMENT BY CATEGORIES, POSSIBLE CHANGES IN THE PORTFOLIO STRUCTURE GOING FORWARD AND THOUGHTS ON INVESTMENT STRATEGIES. 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
- PERCENTAGE OF THE PORTFOLIO REPRESENTED BY EACH INVESTMENT CATEGORY

17.0 INVESTMENT POLICY ADOPTION:

THE CITY OF FLORENCE INVESTMENT POLICY SHALL BE ADOPTED BY RESOLUTION OF THE CITY OF FLORENCE'S LEGISLATIVE AUTHORITY. THE POLICY SHALL BE REVIEWED ANNUALLY BY THE CITY COUNCIL AND ANY MODIFICATIONS MADE THERETO MUST BE APPROVED BY THE CITY COUNCIL.

APPROVED THE 1st DAY OF DECEMBER, 1998 AT A REGULAR COUNCIL MEETING

  
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LEE ROY KNAUTH-MAYOR

  
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CHERYL STANDRIDGE-SECRETARY