

**RESOLUTION NO. 625**

**A RESOLUTION OF THE CITY OF TERRELL, TERRELL, TEXAS, ESTABLISHING A  
POLICY GOVERNING THE INVESTMENT OF CITY FUNDS**

**WHEREAS**, the Public Funds Investment Act (Chapter 2256 of the Texas Government Code) requires that investments shall be made in accordance with written policies approved by the governing body; and

**WHEREAS**, investment policies must address diversification, safety of principal, yield, maturity, with primary emphasis on safety and liquidity; and

**WHEREAS**, the City of Terrell City Council finds that the Investment Policy attached hereto is in the best interests of the City in order to promote sound management of the City's funds.

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

Section 1. The Terrell City Council hereby adopts Exhibit "A" attached hereto as the Terrell Investment Policy which shall govern the investment of the City's funds in accordance with federal and state law.

Section 2. That this resolution shall take effect immediately from and after its passage.

**PASSED, ADOPTED AND APPROVED** by the City Council of the City Terrell this the 3<sup>rd</sup> day of February, 2009.

APPROVED:

\_\_\_\_\_  
**Hal Richards, Mayor**

ATTEST:

\_\_\_\_\_  
**John Rounsavall, City Secretary**

## **EXHIBIT “A”**

### **CITY OF TERRELL INVESTMENT POLICY**

#### **I. PURPOSE**

##### **A. Authorization**

This Policy was adopted by the Terrell City Council on August 17, 2004, in accordance with the Texas Public Funds Investment Act.

##### **B. Scope**

This Policy shall govern the investment of all funds of the City of Terrell, Texas excluding the specific funds cited hereafter. For purposes of this Policy, funds of the City are all monies and other financial resources available for investment by the City. All such monies shall be invested at all times to the fullest extent practicable in accordance with the objectives and restrictions set forth in this Policy.

##### **C. Review**

This Policy shall be reviewed by the City Council annually and at other times, as needed, in the discretion of the Council.

#### **II. OBJECTIVES**

Objectives of this Investment Policy shall be in order of priority: safety, liquidity, and yield.

##### **A. Safety**

Safety shall be the foremost objective of the City’s Investment Policy. Safety shall be achieved through protection of principal and safekeeping.

###### **1. Protection of Principal**

The City shall seek to control the risk of loss due to the failure of a security issuer or guarantor. Such risk shall be controlled by investing only in the safest types of securities as defined in this Policy, by qualifying the financial institutions with whom the City will transact, and portfolio diversification.

All City investment transactions shall be executed delivery versus payment (DVP) according to the standard operating procedure for the industry. DVP means that City funds will not be released until securities are received and vice versa.

2. Safekeeping

All collateral must be held by a banking institution separate from the depository bank, or by the Federal Reserve Bank of Dallas. All funds in demand deposits, overnight deposits, time deposits or certificates of deposit must be fully collateralized in accordance with State law.

**B.** Liquidity

Liquidity shall be achieved by matching investment maturities with forecasted cash flow requirements and by investing in securities with active secondary markets.

A security may be liquidated to meet unanticipated cash requirements, to redeploy cash into other investments expected to outperform current holdings, or to otherwise adjust the City's portfolio.

**C.** Yield

Investments (excluding assets managed under separate investments programs and bond funds limited as to yield by the Tax Reform Act of 1986) shall be made in permitted obligations at yields equal to or greater than the equivalent yield on United States Treasury obligations of comparable maturity.

No investment shall be made with a maturity greater than five years, unless previously authorized by the City Council and approved by the Investment Committee.

**III. INVESTMENTS**

The City of Terrell finds that it is reasonable and appropriate that each fund maintained by the City shall be subject to the investment strategies as follows:

**A.** Investments shall only be made with those dealers or banks:

1. who have acknowledged receipt and understanding of the City's Investment Policy; and
2. who have met the qualifications and standards established by the City.

Competitive bids will be solicited on all transactions the City initiates.

**B.** Investments described below are those listed in the Public Funds Investment Act (Chapter 2256 of the Texas Government Code).

1. Collateralized time deposits and certificates of deposit.

- a) Only national or state banks with FDIC membership, domiciled within the State of Texas, are eligible.

Banks serving as City depositories will be required to sign a depository agreement with the City as its safekeeping agent defining the City's rights to the collateral in case of default, bankruptcy, or closing.

- b) Obligations of the United States or its agencies and instrumentalities.
- c) Direct obligations of the State of Texas or its agencies.
- d) Other obligations, the principal of and interest on which, are unconditionally guaranteed or insured by the State of Texas or the United States.
- e) Obligations of states, agencies, counties, cities, and other political subdivisions of any state having been rated as to investment quality by a nationally recognized investment rating firm and having received a rating of not less than "A" or its equivalent.
- f) Fully collateralized direct repurchase agreements having a defined termination date which:
  - i) must be placed through a primary government securities dealer, as defined by the Federal Reserve, or a bank domiciled in this State;
  - ii) the collateral must be pledged with a third party approved by the City; and
  - iii) the dealer or bank must have executed a City Attorney approved Master Repurchase Agreement with the City.
- g) Common trust funds of banks domiciled in Texas may be used for bond proceeds including sale of bonds and reserves and funds maintained for debt service purposes.

#### **IV. INVESTMENT STRATEGY**

##### Investment Committee

An investment committee shall be established consisting of the City Manager or his designee and the City Secretary. The Investment Committee shall determine general strategies and monitor performance. All investment procedures must be approved by the Investment Committee.

#### **V. RESPONSIBILITY AND CONTROLS**

##### **A. Authorized Official**

The City Manager or his designee shall direct the cash management program of the City with authority to make investment and redemption decisions.

##### **B. Controls**

The City Secretary/Finance Director shall establish a system of internal controls which shall be reviewed by the City Auditor.

##### **C. Standard of Care**

Investments shall be made with judgement and care, under circumstances then prevailing, that 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.

#### **VI. REPORTS**

**A.** The City Council shall receive a quarterly report of investment performance.

**B.** The Investment Committee shall receive quarterly reports, which shall include all securities held, average maturities, portfolio diversification, yields, income and all transactions executed that month. This report shall include an assessment of investment performance.

#### **VII. AMENDMENTS**

The City Council may amend this Investment Policy at a regular or duly called City Council meeting.