

RESOLUTION NO: 120

Resolution of the City of Graham City Council

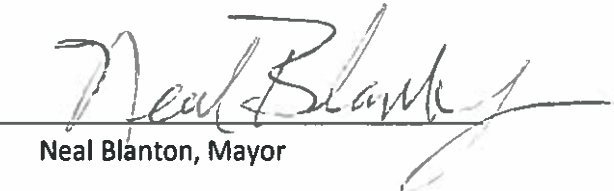
Approving the 2020-2021 Investment Policy and Investment Strategy

Whereas, the Graham City Council approved the Investment Policy and Investment Strategy for the fiscal year ending September 30, 2021 in its regularly scheduled Council meeting of August 20, 2020;

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

The Investment Policy and Investment Strategy for the 2020-2021 fiscal year to be adopted for the City in the fiscal year ending September 30, 2021.

PASSED AND APPROVED THIS 20th DAY OF August, 2020.


Neal Blanton, Mayor


Sharon McFadden, City Secretary



CITY OF GRAHAM, TEXAS

**INVESTMENT POLICY
AND
INVESTMENT STRATEGY**

Fiscal Year 2020-2021

I. POLICY

It is the policy of the City of Graham, Texas (hereinafter referred to as the "City") that, after allowing for the anticipated cash flow requirements of the City and giving due consideration to the safety and risk of investment, all available funds shall be invested in conformance with these legal and administrative guidelines, seeking to optimize interest earnings to the maximum extent possible.

Effective cash management is recognized as essential to good fiscal management. Investment income is a source of revenue to the City's funds. The City's investment portfolio shall be designed and managed in a manner designed to maximize this revenue source, to be responsive to public trust, and to be in compliance with legal requirements and limitations.

II. PURPOSE

The purpose of this investment policy is to comply with Chapter 2256 of the Government Code, also referred to as the "Public Funds Investment Act", which requires each municipality to adopt a written investment policy regarding the investment of its funds and funds under its control. The investment policy addresses the methods, procedures, and practices that must be exercised to ensure effective and judicious fiscal management of the City's funds.

III. SCOPE

This Investment Policy shall apply to all funds and investments of the City as well as any other funds held in custody by the City. These funds are accounted for in the City's Comprehensive Annual Financial Report (CAFR) and the policy shall apply to all transactions involving the financial assets and related activity for all the foregoing funds created by the City, unless specifically exempted from the policy by the City Council or by law.

IV. INVESTMENT OBJECTIVES

The City shall manage and invest its assets with four major objective, listed in order of priority: safety, liquidity, diversification and yield. Safety of the principal is the primary objective. All investments shall be manage in a manner responsive to the public trust.

The primary objective, in priority order, of investment activities shall be:

- A. Safety of the principal – Safety of principal is the foremost objective of the investment program. All aspects of cash management operations shall be designed to ensure the safety and integrity of the City's financial assets. Investments shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio, mitigating credit and interest rate risk. Each investment transaction shall be conducted in a manner to minimize capital losses.
- B. Liquidity – The investment portfolio shall be structured to meet all expected obligations in a timely manner. This shall be achieved by matching investment maturities with forecasted cash flow liabilities and maintaining an additional liquidity buffer for unexpected liabilities.
- C. Diversification – The portfolio shall be diversified by market sector and maturity in order to manage market risk.
- D. Yield- The investment portfolio shall be designed with the objective of attaining a reasonable market rate of return throughout economic cycles, taking into account the investment risk constraints of safety and liquidity needs.

V. INVESTMENT OFFICERS

The City Manager and the City Secretary/Finance Director are hereby designated as Investment Officers for the City. The City may use other employees to aid the investment officers in the execution of their duties. Otherwise, unless authorized by law, no other individual(s) has the authority to deposit, withdraw, transfer or manage the investments of the City.

The City Manager and the City Secretary/Finance Director are responsible for the management of the investment program. The Investment Officers are responsible for the daily operations of the investment function. The City Manager and City Secretary/Finance Director shall be responsible for all transactions undertaken and shall establish a system of controls to regulate the activities.

Investment Officers shall at all times be cognizant of the standard of care and the investment objectives as set forth in the Public Funds Investment Act and the City's Investment Policy. In accordance with the Act, at least one Investment Officer (City Secretary/Finance Director) shall attend at least one 10 hour training session within 12 months after assuming investment duties and shall attend eight hours of training every two years thereafter. Training shall be provided by professional organizations authorized in accordance with state law.

VI. DEPOSITORIES

The City shall select one banking institution as the City depository. Such selection shall be based upon responses to request for proposals solicited by the City Manager and City Secretary/Finance Director upon such terms and conditions as may be set by the City Council in accordance with applicable law.

VII. AUTHORIZED INVESTMENTS

The Investment Officers may invest City funds in the City depository subject to the terms of the agreement between the City and such depository, including the sweep and CDARS.

The Investment Officers may invest City funds in certificates of deposit in banking institutions insured by the Federal Deposit Insurance Corporation (FDIC). Deposits in excess of the amount of FDIC insurance coverage shall be secured as provided in Section VIII below. Before investing funds in a certificate of deposit, the Investment Officers shall first solicit bids from at least three banking institutions orally, in writing, electronically, or any combination of those methods.

The Investment Officers may invest City funds in the Local Government Investment Cooperative (LOGIC) and the Texas Short Term Asset Reserve Program (TexStar) so long as it is rated no lower than "AAA" or "AAAm" or an equivalent rating by at least one nationally recognized rating service.

VIII. SAFEKEEPING AND CUSTODY

All investments in the City's depository and in certificates of deposit in other banking institutions shall be secured by pledged collateral with the market value in an amount not less than the funds invested reduced by the amount of applicable FDIC insurance. Evidence of the pledged collateral shall be maintained by the Investment Officers.

Arrangements for safekeeping of pledged securities shall be in accordance with the safekeeping agreements with the banking institution.

Only the following securities may be pledged as collateral for the City's deposits and certificates of deposit:

1. Direct obligations of the United States;
2. Obligations that are general obligations of the United States;
3. Obligations, the principal of and interest on which are unconditionally guaranteed by the United States;
4. Obligations of agencies and instrumentalities of the United States;
5. General or special obligations issued by a private agency, payable from taxes, revenue, or a combination of taxes and revenue; and
6. Securities in which the city may invest its funds under the public funds investment act of 1987, as amended, Chapter 2256, Texas Government Code.

The City Council may, by written order, require any depository or thither banking institution in which the City funds are deposited to pledge additional or other securities at any time the City Council, in its sole discretion, considers it advisable or necessary for the protection of the City. If the depository or other banking institution fails to comply within five days of service of the order, the City may withdraw its funds or any part thereof without penalty.

IX. MANAGEMENT AND INTERNAL CONTROLS

The Investment Officers shall, with the assistance of the City auditors, establish a system of internal controls designed to prevent the loss of public funds from fraud, error, unanticipated market conditions, and imprudent employee action. The City's auditor shall, in connection with the annual audit, audit the system of internal controls and its implementation.

X. REPORTING

The Investment Officers shall submit quarterly to the City Council a report listing all investments of the city funds including maturities and yields. The report must describe in detail the investment position of the City on the date of the report; be signed by the Investment Officers; contain a summary of each fund group that states the beginning market value for the reporting period, additions and changes to the market value during the period, and ending market value for the period, state the book value and market value of each separately invested asset at the beginning and the end of the reporting period by the type of asset and fund type invested; state the maturity date of each separately invest asset that has maturity date; state the account or fund or pooled group fund for which each individual investment was acquired; and state the compliance of the investment portfolio as it relates to these policies and Chapter 2256 of the Texas Government Code.

XI. INVESTMENT STRATEGY

In accordance with the Act (2256.005(d)), a separate investment strategy for each portfolio/fund or pooled group of funds under the City's control is required. The strategy shall include the detailed objective as provided in Section IV above and be reviewed on an annual basis by the City Council.

- A. Combined Funds Investment Strategy: Investments of funds in the general fund shall be in compliance with these policies and shall be governed by the following investment objective in order of priority; preservation and safety of principal, liquidity, diversification and yield. The city's investment portfolio shall be structured to provide the necessary liquidity to meet the cash flow needs of the general fund.
- B. Special Funds Investment Strategy: Investments of funds in special funds shall be in compliance with these policies and shall be governed by the following investment objective in order of

priority; preservation and safety of principal, liquidity, diversification and yield. The city's investment portfolio shall be structured to provide the necessary liquidity to meet the cash flow needs of special funds.

- C. Graham Water Supply District (GWSD) Funds Investment Strategy: Investments of funds in the GWSD fund shall be in compliance with these policies and shall be governed by the following investment objective in order of priority; preservation and safety of principal, liquidity, diversification and yield. The city's investment portfolio shall be structured to provide the necessary liquidity to meet the cash flow needs of the GWSD fund.

XII. INVESTMENT POLICY ADOPTION

The City's Investment Policy shall be reviewed and adopted by resolution of the City Council annually. Any changes made to the Policy must be noted in the adopting resolution.

The Investment Policy shall be reviewed and adopted by the City Council annually.

Last Review & Adoption: September 5, 2019

Revised: XI, B and C – changed to include the description of the strategy not previously stated.

Current Review & Adoption: August 20, 2020