

# **CITY OF OLMOS PARK INVESTMENT POLICY AND STRATEGY**

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The purpose of this document is to set forth specific investment policy and strategy guidelines for the City of Olmos Park as required by Chapter 2256 of the TEXAS GOVERNMENT CODE. Chapter 2256 of the TEXAS GOVERNMENT CODE, commonly known as the "Public Funds Investment Act," requires the treasurer; the chief financial officer, if not the treasurer; and the investment officer of the city to attend investment training.

## **POLICY**

It is the policy of The City of Olmos Park 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 statutes governing investment of public funds. The City of Olmos Park shall adopt, by resolution, its investment strategies and policy not less than annually. The resolution shall include a record of changes made to either the investment policy or strategy. This policy serves to satisfy the statutory requirement of the Public Funds Investment Act, Chapter 2256, Texas Government Code (the "Act") to define, adopt and review a formal investment strategy and policy.

## **STRATEGY**

The investment strategy of the City of Olmos Park has as the primary objectives are safety and liquidity. Safety is the most important objective of all investments. Additional considerations are spelled out in the policies below.

## **SCOPE**

This investment policy applies to all financial assets of the City of Olmos Park. These funds are accounted for in the City's annual financial audit report and include:

General Fund

Special Revenue Fund

Capital Projects Fund

Interest and Sinking Fund

Sewer Fund

## **PRUDENCE**

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 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.

## **OBJECTIVES**

The City of Olmos Park shall manage and invest its cash with four objectives:

**Safety:** The primary objective of the City's investment activity is the preservation of capital. Each investment transaction shall be conducted in a manner to avoid capital losses, whether they are from securities defaults or erosion of market value.

**Liquidity:** The City's investment portfolio will remain sufficiently liquid to enable the City to meet all operating requirements that might reasonably be anticipated. This will be achieved by matching investment maturities with forecasted cash flow requirements.

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

**Public Trust:** All participants in the City's investment process shall act responsibly as custodians of the public trust.

## **DELEGATION OF AUTHORITY**

Management responsibility for the investment program is hereby delegated to the City Manager who is designated as the Investment Officer and who shall be responsible for all transactions undertaken, shall establish a system of controls to regulate the program, and shall consult and coordinate with the Investment Advisory Committee.

## **TRAINING OF INVESTMENT OFFICER**

Chapter 2256 of the TEXAS GOVERNMENT CODE, commonly known as the "Public Funds Investment Act," requires the treasurer; the chief financial officer, if not the treasurer; and the investment officer of the city to attend investment training. The City of Olmos Park,

Texas approves the investment training course sponsored by the Texas Municipal League as meeting this requirement.

## **INVESTMENT ADVISORY COMMITTEE**

An Investment Advisory Committee shall be appointed annually by the Mayor at the time of review of this Investment Policy. The Investment Advisory Committee shall regularly but at least twice annually meet with the City Manager and give guidance with regard to the investment of city funds and with regard to administering and implementing this Investment Policy.

## **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 Mayor and 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 Olmos Park.

## **AUTHORIZED FINANCIAL DEALERS AND INSTITUTIONS**

The City Manager shall maintain a list of financial institutions authorized to provide investment services as approved by the City Council. No public funds shall be deposited except in a qualified public depository as established by state law. All financial institutions and broker/dealers who desire to become qualified bidders for investment transactions must supply the City Manager with audited financial statements, proof of Financial Industry Regulatory Authority, Inc. (FINRA) certification, and depository agreements. Each financial institution shall also acknowledge in writing acceptable to the City (i) its receipt and review of the City of Olmos Park Investment Policy, (ii) its agreement to comply with the City of Olmos Park Investment Policy and (iii) that it has implemented reasonable procedures and controls in an effort to preclude investment transactions conducted between the City and the financial institution that are not authorized by the City of Olmos Park Investment Policy.

## **AUTHORIZED AND SUITABLE INVESTMENTS**

Investments are restricted to:

1. FDIC-insured bank deposits, including certificates of deposit;
2. Collateralized bank deposits;
3. U.S. Government Treasury bills and notes, including SWEEP accounts that invest in U.S. Treasury obligations;
4. U.S. Government Agencies
5. TexPool
6. LOGIC (Local Government Investment Cooperative)

No other investments will be made without authorization of the City Council.

### **COLLATERALIZATION**

Deposits of public funds in checking, savings, and certificates of deposit shall be secured by eligible securities in an amount not less than 102% of the total uninsured deposits. Collateral will be held by an independent third party and evidence of ownership naming the City of Olmos Park as pledgee shall be provided by the depository. The depository will have the responsibility of maintaining adequate collateral as required in this policy. The right of collateral substitution is granted.

### **SAFEKEEPING AND CUSTODY**

All security transactions entered into by the City of Olmos Park shall be purchased using the delivery vs. payment method. Securities, including collateral, shall be held by a third party custodian in the name of the City or on behalf of the City as evidenced by safekeeping receipts.

### **DIVERSIFICATION AND MAXIMUM MATURITIES**

The City Manager will retain sufficient cash working funds to cover anticipated expenditures plus a surplus to handle most emergency situations. Excess funds will be invested in approved instruments, with maturities matching anticipated cash flow requirements. The City of Olmos Park generally will not invest directly in securities maturing more than 1 year from the date of purchase. However, the City Manager may elect to invest not more than 50% of excess funds in investments with maturities from 1 - 3 years, save and except for investments to support a capital project in which case the funds should be invested to match projected cash flow requirements of the capital project with sufficient liquidity to meet unanticipated project outlays. In general, the final maturity dates of investments should not exceed the expected project completion date(s) and meet all underlying bond covenants, where applicable.

No longer term investments will be made directly by the City without written authorization of the City Council and then only if the maturity coincides as nearly as practicable with the expected use of the funds.

### **INTERNAL CONTROLS**

The City Manager 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.

## **PERFORMANCE STANDARDS**

The investment portfolio shall be designed to obtain a rate of return throughout budgetary and economic cycles commensurate with the investment risk constraints and cash flow needs. The City Manager shall use the 6-month U.S. Treasury bill rate to determine if adequate yields are being achieved.

The investment strategy is generally passive and securities will be held until maturity unless prevailing market conditions or emergency needs require otherwise.

## **REPORTING**

The City Manager shall provide to the City Council quarterly reports of investments listing individual securities, maturity dates, coupon, discount, or earning rate, par value, amortized book value, and market value. Market value shall be determined by monthly statements provided by the broker/dealer or quotations from the Wall Street Journal.

## **INVESTMENT POLICY ADOPTION**

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