

**CITY OF LOWRY CROSSING, TEXAS
ORDINANCE NO. 249**

**AN ORDINANCE OF THE CITY OF LOWRY CROSSING, TEXAS
ADOPTING AN INVESTMENT POLICY AND AN INVESTMENT
STRATEGY STATEMENT FOR THE CITY; PROVIDING A
SEVERABILITY CLAUSE; PROVIDING AN EFFECTIVE DATE.**

WHEREAS, Chapter 2256 of the Texas Government Code, the Public Funds Investment Act (the "Act"), provides that the City Council of the City of Lowry Crossing may purchase, sell, and invest its funds and funds under its control in investments authorized under Subchapter A of Chapter 2256 in compliance with investment policies approved by the City Council and in accordance with the standard of care set forth in Section 2256.006 of the Act; and

WHEREAS, the City Council desires by the adoption of this Ordinance to establish investment policies and an investment strategy for the City in accordance with the Act.

NOW, THEREFORE, BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF LOWRY CROSSING, TEXAS:

Section 1. Adoption of Investment Policy, Investment Strategy. The Public Funds Investment Act, Chapter 2256, Texas Government Code, prescribes that the governing body of a local government is to adopt rules governing its investment practices and to define the authority of the investment officer, including a written investment policy and a separate written investment strategy for each of the funds or group of funds under the local government's control that is an integral part of the investment policy. Accordingly, the investment policy and investment strategy attached hereto as Exhibit A and incorporated herein ("Policy") hereby adopted as the investment policy and the investment strategy for the City of Lowry Crossing, Texas (the "City"). The investment policy addresses the methods, procedures, and practices which must be exercised to ensure effective and judicious fiscal management of funds of the City.

The Policy shall apply to the investment and management of all funds of the City under its control, other than those expressly excluded herein or by applicable law or valid agreement. The Policy shall not supersede the restrictions on investment and use applicable to any specific fund and, in the event of any conflict between this Policy and the requirements of any fund subject hereto, the specific requirement applicable to such fund shall be followed as well as all other provisions of this Policy other than those in conflict.

Section 3. Savings. This Ordinance shall be cumulative of all other ordinances of the City and shall not repeal any of the provisions of those ordinances except in those instances where the provisions of those Ordinances are in direct conflict with the provisions of this Ordinance.

Section 4 Severability. The sections, paragraphs, sentences, phrases, clauses and words of this Ordinance are severable, and if any section, paragraph, sentence, phrase, clause or word in this Ordinance or application thereof to any person or circumstance is held invalid or unconstitutional by a court of competent jurisdiction, such holding shall not affect the validity of the remaining portions of this Ordinance, and the City Council hereby declares that it would have passed such remaining portions of this Ordinance despite such invalidity, which remaining portions shall remain in full force and effect.

Section 5. Effective Date. This Ordinance shall be in full force and effect from and after its passage and approval.

PASSED AND APPROVED by the City Council of the City of Lowry Crossing, Texas this ___ day of _____, 2012.

Derek Stephens, Mayor

ATTEST:

By: _____
Janis Cable, City Secretary

EXHIBIT A
TO ORDINANCE NO. 249

CITY OF LOWRY CROSSING
INVESTMENT POLICY

The purpose of this document is to set forth specific investment policy and strategy guidelines for the City of Lowry Crossing.

POLICY

It is the policy of The City of Lowry Crossing 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 Lowry Crossing 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.

SCOPE

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

- General Operating Fund
- Property Revenue Fund
- Roads Maintenance Fund
- Special Projects (Type B Tax) 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 Lowry Crossing 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 Treasurer 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. All persons acting as the City's Investment Officer shall attend training and otherwise maintain compliance with the duties of the position as defined by the Act.

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 bi-annually meet with the City Treasurer and give guidance with regard to the investment of city funds and with regard to administering and implementing this Investment Policy. In addition, the Investment Advisory Committee will also verify that the Investment Officer is current with training requirements under the Act.

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 Lowry Crossing.

AUTHORIZED FINANCIAL DEALERS AND INSTITUTIONS

The City Treasurer 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 Treasurer with audited financial statements, proof of National Association of Security Dealers 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 Lowry Crossing Investment Policy, (ii) its agreement to comply with the City of Lowry Crossing 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 Lowry Crossing Investment Policy.

AUTHORIZED AND SUITABLE INVESTMENTS

Investments are restricted to:

- Obligations of the United States Government or its agencies and instrumentalities;
- Direct obligations of the State of Texas or its agencies;
- Other obligations, the principal of and interest on which are unconditionally guaranteed or insured by, or backed by the full faith and credit of, the State of Texas or the United States or their respective agencies and instrumentalities;
- Certificate deposits issued by State and National banks domiciled in the State of Texas and collateralized or fully insured by FDIC or US Government Securities;
- SEC registered, no-load money market mutual funds with a dollar weighted average portfolio maturity of 90 days or less whose assets consist exclusively of the US Government securities and whose investment objectives include seeking to maintain a stable net asset value of \$1 per share.
- Texas Local Government investment pools as defined by the Public Funds Investment Act.

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 Lowry Crossing as pledgee shall be provided by the depository. The depository will have the responsibility of maintaining adequate collateral as required in this policy and shall report the City's collateral position monthly. The right of collateral substitution is granted, but should be clearly identified in the monthly collateral statement.

SAFEKEEPING AND CUSTODY

All security transactions entered into by the City of Lowry Crossing 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 Treasurer 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 Lowry Crossing generally will not invest directly in securities maturing more than one (1) year from the date of purchase. However, the City Treasurer may elect to invest not more than fifty (50%) of excess funds in investments with maturities from 1 - 3 years.

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 Treasurer 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 Treasurer 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 Treasurer shall provide to the City Council monthly 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 Lowry Crossing'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.