

RESOLUTION NO: 2024-5-7-9
A RESOLUTION REVISING AND READOPTING THE INVESTMENT POLICY FOR THE
VILLAGE OF VINTON, TEXAS; AND PROVIDING AN EFFECTIVE DATE

WHEREAS, 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, said Act requires the governing body of an investing entity to review its investment policy and investment strategies not less than annually.

WHEREAS, Village Council has reviewed its attached investment policy and investment strategy, and the incorporated revisions comply with the Public Funds Investment Act and authorize the investment of city funds in safe and prudent investments.

WHEREAS, the Public Funds Investment Act requires the treasurer, the chief financial officer, if not the treasurer, and the investment officer of the municipality to attend investment training from an independent source approved by the governing body of the local government.

WHEREAS, the Investment Policy provides that the Mayor and the Village Administrator shall serve as the Investment Officers of the City,

WHEREAS, the Village Council has approved investment training courses sponsored by the Government Treasurers Organization of Texas, Government Finance Officers Association of Texas, Texas Municipal League, North Central Texas Council of Governments, Association of Public Treasurers United States & Canada, Texas State University and Government Finance Officers' Association.

NOW, THEREFORE, BE IT RESOLVED by the City Council of the VILLAGE OF VINTON:

1. **THE VILLAGE OF VINTON, TEXAS** has complied with the requirements of the Public Funds Investment Act, and the Investment Policy, as amended, attached hereto is hereby adopted as the investment policy of **THE VILLAGE OF VINTON, TEXAS** effective 7th day of May, 2024.
2. The Village Council of the Village of Vinton has completed its review of the investment policies and investment strategies and any changes made to said policy are incorporated in the attached Investment Policy which supersedes all prior versions of the Investment policy in conflict therewith.
3. This resolution shall be effective immediately upon its passage.

PASSED AND APPROVED this 7th day of May, 2024.



Rachel Quintana, Mayor

ATTEST:



Andrea Carrillo, Village Administrator

APPROVED AS TO FORM:



Shane English, Village Attorney

VILLAGE OF VINTON
Investment Policy

I. Policy Statement

It is the policy of the City that the administration of its funds and the investment of those funds shall be handled as its highest public trust. The investments must primarily emphasize safety of principal and liquidity and must address investment diversification, yield, and maturity and the quality and capability of investment management.

All investments made by the city shall comply with the Public Funds Investment Act (Texas Government Code Chapter 2256, Subchapter A) and all federal, state, and local statutes, rule or regulations. The earnings from investments will be used in a manner that best serves the interests of the Village.

II. Scope

This investment policy applies to all the financial assets and funds of the Village. The Village commingles its funds into one pooled investment fund for investment purposes for efficiency and maximum investment opportunity. These funds are defined in the City's Annual Financial Report and include:

1. *General Funds*- used to account for resources traditionally associated with government, which are not required to be accounted for in another fund.
2. *Special Revenue Funds*- used for specific expenditures which are restricted to particular projects which may include but are not limited to, projects funded by Federal and State grants.
3. *Debt Service Funds*- used to account for resources to be used for the payment of principal, interest and related costs on general obligation debt.
4. *Capital Project Funds*- used to account for long-term debt financing and grants to construct, renovate, and acquire buildings and other capital improvements for the Village.
5. *Enterprise Funds*- used to account for operations that are financed and operated in a manner similar to private business enterprises.
6. *Trust and Agency Funds*- used to account for assets held by the Village in a trustee capacity or as an agent for individuals, private organizations, other governments, and/or other funds. These funds are not eligible to earn interest.
7. New funds available for investment by the Village, such as (but not limited to) resources associated with Public Improvement Districts or Tax Increment Financing Zones, unless specifically excluded herein.
8. All Other Funds and any new funds created by the Village unless specifically exempted by the Village Council and this policy.

III. Objectives and Strategy

It is the policy of the City that all funds shall be managed and invested with the primary objectives, listed in order of their priority: suitability, safety of principal, liquidity,

diversification, and yield. The choice of high-grade government investments and high-grade, money market instruments are designed to assure the marketability of those investments should liquidity needs arise. To match anticipated cash flow requirements the maximum weighted average maturity of the overall portfolio may not exceed six months.

In accordance with the Public Funds Investment Act, the following prioritized objectives (in order of importance) in accordance with the Tex. Gov't. Code Sec. 2256.005(d) apply for each of the Village's investment strategies.

A. *Suitability* - Understanding the suitability of the investment to the financial requirements of the City is important. Any investment eligible in the Investment Policy is suitable for all City funds; except Trust and Agency Funds.

B. *Safety* - Preservation and safety of principal are the primary objectives of the Investment Policy. All investments will be in high quality securities with no perceived default risk.

C. *Liquidity* - The Village's investment portfolio will remain sufficiently liquid to meet operating requirements that might be reasonably anticipated. Liquidity shall be achieved by matching investment maturities with forecasted cash flow requirements and by investing in securities with active secondary markets. Short-term investment pools and money market mutual funds provide daily liquidity and may be utilized as a competitive yield alternative to fixed income investments.

D. *Marketability* - Securities with active and efficient secondary markets are necessary in the event of an unanticipated cash requirement before maturity. "Market value" means the current face or par value of an investment multiplied by the net selling price of the security as quoted by a recognized market pricing source quoted on the valuation date.

E. *Diversification* - Investment maturities shall be staggered throughout the budget cycle to provide cash flow based on the anticipated needs of the Village. Diversifying the appropriate maturity structure will reduce market cycle risk.

F. *Yield* - The Village's investment portfolio shall be designed with the objective of attaining a rate of return/yield commensurate with the Village's investment risk constraints and the cash flow characteristics of the portfolio. Return of investment is of secondary importance compared to the preservation and safety of principal and liquidity objectives. The Village's core investments are limited to low-risk securities in anticipation of earning a fair return relative to the risk being assumed.

In determining whether the investment officers have exercised prudence with respect to an investment decision, the determination shall be made taking into consideration: (1) the investment of all funds, or funds under the entity's control, over which the officers have responsibility rather than a consideration as to be prudence of a single investment; and (2)

whether the investment decision was consistent with the written investment policy of the entity. 2256.006(b).

Effective cash management is recognized as essential to good fiscal management. Cash management is defined as the process of managing monies in order to ensure maximum cash availability. The Village shall maintain a comprehensive cash management program which includes collection of accounts receivable, prudent investment of its available cash, disbursement of payments in accordance with invoice terms and the management of banking services.

IV. Legal Limitations, Responsibilities and Authority

Direct specific investment parameters for the investment of public funds in Texas are found in the Public Funds Investment Act, Chapter 2256, Texas Government Code (the "Act"). The Act is attached as Exhibit A. The Public Funds Collateral Act, Chapter 2257, Texas Government Code, specifies collateral requirements of all public funds deposits. All investments will be made in accordance with these statutes.

V. Delegation of Investment Authority

The management responsibility for the investment program is delegated to the Village Administrator. The Mayor who oversees financial operations and the Village Administrator are designated as the Investment Officers to be responsible for the investment of the Village's funds consistent with this investment policy, pursuant to Tex Gov't. Code Sec. 2256.005(f).

The Investment officers will use this Policy as the primary guideline for the Village's investment program, procedures, and internal control issues. The Accounting and Budget Supervisor is responsible of preparing cash flow and investment reports. The Mayor and the Village Administrator are also responsible for considering the quality and capability of staff, investment advisors, and consultants involved in investment management and procedures. No other employee may engage in investment transactions except as provided under the terms of this Policy.

The Investment Officers shall attend at least one training session relating to their responsibilities under the Public Funds Investment Act within 12 months after assuming duties and receive no less than 10 hours of instruction relating to investment functions. Investment officers shall attend investment training session no less than one in each two-year period after that date and receive no less than 8 hours of instruction. The training must include education in investment controls, security risks, strategy risks, market risks, and compliance with the Public Funds Investment Act.

The investment training session shall be provided by an independent source approved by the Village Council. For purposes of this policy, an "independent source" from which investment training shall be obtained shall include a professional organization, an institute of higher learning or any other sponsor other than a business organization with whom the

Village may engage in an investment transaction. The following independent sources are approved to sponsor training sessions:

- The Government Treasurers Organization of Texas (GTOT),
- Government Finance Officers Association of Texas (GFOAT),
- Texas Municipal League (TML),
- North Central Texas Council of Governments (NCTCOG),
- Association of Public Treasurers United States & Canada (APT US & C),
- Texas State University, and
- Government Finance Officers' Association (GFOA).

Conflicts of Interest

All participants in the investment process shall seek to act responsibly as custodians of the public trust and in accordance with this policy. 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.

Disclosure

Anyone involved in investing Village funds shall file with the Village Council a statement disclosing any personal business relationship with a business organization offering to engage in investment transactions with the Village or is related within the second degree by affinity or consanguinity as determined under the Tex. Gov't. Code Ch. 573, to an individual seeking to transact investment business with the Village. An Investment Officer or other employee has a personal business relationship with a business organization if anyone of the following three conditions are met:

1. The Investment Officer or employee owns 10% or more of the voting stock or shares of the business organization or owns \$5,000 or more of the fair market value of the business organization.
2. Funds received by the Investment Officer or employee from the business organization exceed 10% of the Investment Officer's gross income for the prior year.
3. The Investment Officer or employee has acquired from the business organization during the prior year investments with a book value of \$2,500 or more for their personal account.

Authorization Resolution

A Trading Resolution is established with this investment policy and attached hereto, authorizing the Investment Officer to engage in investment transactions on behalf of the Village. The persons authorized by the Trading Resolution to transact business for the Village are also authorized to approve wire transfers used in the process of investing.

VI. Prudence

The standard of prudence to be used in the investment function shall be the "Prudent Person" rule and shall be applied in the context of managing the overall portfolio.

This standard states:

"The City's investments shall be made with judgement and care, under prevailing circumstances, that a person of prudence, discretion, and intelligence would exercise in the management of the person's own affairs, not for speculation, but for investment, considering the safety of capital and the yield to be derived."

Limitation of Personal Liability:

The Investment Officer and those delegated with investment authority under this Policy, when acting in accordance with the written procedures and this Policy and in accordance with the Prudent Person Rule, shall be relieved of personal liability in the management of the portfolio provided that deviations from expectations for a specific security's credit risk or market price change or portfolio shifts are reported in a timely manner and that appropriate action is taken to control adverse market effects.

VII. Internal Controls

The Investment Officers shall establish a system of written internal controls which will be reviewed annually with the independent auditor of the Village. The controls shall be designed to prevent loss of public funds due to fraud, employee error, misrepresentation by third parties, unanticipated market changes, or imprudent actions by employees of the Village.

Cash Flow Forecasting

Cash flow forecasting is designed to protect and sustain cash flow requirements of the Village. Supplemental to the financial and budgetary systems, the Investment Officer will maintain a cash flow forecasting process designed to monitor and forecast cash positions for investment purposes.

VIII. Authorized Investments

The Village shall take all prudent measures consistent with this investment Policy to liquidate an investment that no longer meets the required minimum rating standards, as per the Tex. Gov't. Code Sec. 2256.021. However, if it is determined by the Investment Officers that the Village would benefit from holding the securities to maturity to recapture its initial investment then the Investment Officers may act accordingly. The Village is not required to liquidate investments that were authorized investments at the time of purchase. (Tex Gov't. Code Sec. 2256.017)

Acceptable investments under this policy shall be limited to the instruments listed below and as further described by the Public Funds Investment Act.

A. Obligations of the United State Government, its agencies and instrumentalities, and government sponsoring enterprises, not to exceed two years to stated maturity, excluding collateralized mortgage obligations (CMOs);

B. Fully insured or collateralized certificates of deposit from a bank doing business in the State of Texas and under the terms of a written depository agreement with that bank, not to exceed one year to stated maturity;

C. Repurchase agreement and reverse repurchase agreements as defined by the Act, not to exceed 180 days to stated maturity, provided an executed Bond Market Master Repurchase Agreement is on file with the Village and the counterparty bank or primary dealer. Flex repurchase agreements used specifically for capital projects may extend beyond two years but only to match the expenditure plan of the projects;

D. No-load, SEC registered money market funds, each approved specifically before use by the Village;

E. Constant dollar Texas Local Government Investment Pools as defined by the Public Funds Investment Act; and,

If additional types of securities are approved for investment by public funds by state statute, they will not be eligible for investment by the Village until this policy has been amended and the amended version approved by the Village Council.

Competitive Bidding Requirement

All securities, including certificates of deposit, will be purchased or sold after three (3) offers/bids are taken to verify that the Village is receiving fair market value/price for the investment.

Delivery versus Payment

All security transactions, including collateral for repurchase agreements, entered into by the Village, shall be conducted on a delivery versus payment (DVP) basis.

Authorized Investment Pools

The following investment pools are authorized by the Village of Vinton:

- LOGIC
- TexStar
- Texas Range
- Texpool
- First Public - Lonestar

IX. Authorized Financial Dealers and Institutions

A. *Depository* - Village Council shall, by ordinance, "select and designate one or more banking institutions as the depository for the monies and funds of the City" in accordance

with the requirement of Tex. Loc. Gov't. Code Ch. 105. At least every five years a depository shall be selected through the Village's banking services procurement process, which shall include a formal request for proposals (RFP). The selection of a depository will be determined by a competitive process and evaluated on the following criteria:

1. Qualified as a depository for public funds in accordance with state and local laws.
2. Provided requested information or financial statements for the periods specified.
3. Complied with all requirements in the banking RFP.
4. Completed responses to all required items on the proposal form.
5. Offered lowest net banking service cost, consistent with the ability to provide an appropriate level of service.
6. Met credit worthiness and financial standards.

B. Investment Broker/Dealers - If the Village has not retained an investment advisor, then the Village Council shall be responsible for adopting the list of qualified brokers/dealers and financial institutions authorized to engage in investment transactions with the Village. Authorized firms may include primary dealers or regional broker/dealers that qualify under SEC Rule 15c3-1 (uniform net capital rule) and qualified depositories as established by the Tex. Loc. Gov't. Code Ch. 105. The Village Council shall base its evaluation of security broker/dealers and financial institutions upon:

1. Financial condition, strength and capability to fulfill commitments.
2. Overall reputation with other broker/dealers or investors.
3. Regulatory status of the broker/dealer.
4. Background and expertise of the individual representatives.
5. Ability to provide additional advisory services.

The Village Council must annually review the list of qualified broker/dealers authorized to engage in investment transactions with the Village. Investment Officers, or their authorized representatives, shall not conduct business with any firm with whom public entities have sustained realized losses on investments or whose name the Village Council has removed from an approved list.

C. Investment Advisor - The Village may retain the services of an investment advisory firm registered under the Investment Advisers Act of 1940 (15 U.S.C. Section 80b-1 et seq.) or with the State Securities Board to assist in the review of cash flow requirements, the formulation of investment strategies, and the execution of security purchases, sales and deliveries. The investment advisory contract with the Village may not be for a term longer than two years and its renewal or extension must be approved by the Village Council by ordinance or resolution as required by the Tex. Gov't. Code Sec.2256.003(b).

D. Compliance - A qualified representative from any firm offering to engage in investment transactions with the Village is required to sign a written instrument upon receiving and reviewing a copy of the Village's Investment Policy. Investments shall only be made with those business organizations (including money market mutual funds and local government investment pools) which have provided the Village with this written instrument executed by a qualified representative of the firm, acknowledging that the business organization has:

1. Received and reviewed the Village's Investment Policy.

2. Implemented reasonable procedures and controls in an effort to preclude investment transactions conducted between the Village and the organization that are not authorized by the Village's Investment Policy, except to the extent that this authorization is dependent on an analysis of the makeup of the Village's entire portfolio or requires an interpretation of subjective investment standards.
3. If the Village has contracted with an investment advisor, the advisor shall be responsible for performing financial due diligence on the Village's behalf. On an annual basis, the advisor will provide the Village with a list of its authorized broker/dealers as well as the written instrument above.

X. Diversification and Maturity Limitations

It is the policy of the Village to diversify its investment portfolio. Invested funds shall be diversified to minimize risk or loss resulting from over-concentration of assets in a specific maturity, specific issuer, or specific class of securities. Diversification strategies shall be established and periodically reviewed. At a minimum, diversification standards by security type and issuer shall be:

<i>Security Type</i>	<i>Max% of Portfolio</i>
U. S. Treasury Obligations	100%
U. S. Government agencies and instrumentalities	80%
Local Government Investment Pools	80%
Repurchase agreements	20%
*Must comply with Government Code 2256.011	
Fully insured or collateralized CDs	35%
*Must comply with Government Code 2256.010	
U.S. Money Market funds	35%
State of Texas Obligations, Agencies & Local Gov't.	15%
Commercial Paper	15%

The Investment Officers shall be required to diversify maturities. The Investment Officers, to the extent possible, will attempt to match investment with anticipated cash flow requirements. Matching maturities with cash flow dates will reduce the need to sell securities prior to maturity, thus reducing market risk. Unless matched to specific requirements, the Investment Officers may not invest more than 20% of the portfolio for a period greater than one (1) year.

XI. Strategies

Investments of the following fund categories shall be consistent with this policy and in accordance with the applicable strategy defined below.

- A. Operating Funds – Investment strategies shall have as their primary objectives' preservation and safety of principal, investment liquidity, and maturity sufficient to meet anticipated cash flow requirements.

- B. Special Revenue Funds - Investment strategies shall have as their primary objectives' preservation and safety of principal, investment liquidity, and maturity sufficient to meet anticipated cash flow requirements.
- C. Debt Service Funds – Investment strategies shall have as their primary objective sufficient investment liquidity to timely meet debt service payments obligations in accordance with provisions in the bond documents. Maturities longer than one year are authorized provided legal limits are not exceeded.
- D. Capital Project Funds - Investment strategies shall have as their primary objective sufficient investment liquidity to timely meet capital project obligations. Maturities longer than one year are authorized provided legal limits are not exceeded.

XII. Safekeeping and Collateralization

The law of the State and prudent treasury management require that all purchased securities be bought on a delivery versus payment basis and be held in safekeeping by either the Village, an independent third party financial institution, or the Village's designated banking services depository.

All safekeeping arrangements shall be designated by the Investment Officer and an agreement of the terms executed in writing. The third party custodian shall be required to issue safekeeping receipts to the Village listing each specific security, rate, description, maturity, cusip number, and other pertinent information. Each safekeeping receipt will be clearly marked that the security is held for the Village or pledged to the Village.

All securities pledged to the Village for certificates of deposit or demand deposits shall be held by an independent third party bank doing business in Texas. The safekeeping bank may not be within the same holding company as the bank from where the securities are pledged.

Collateralization

Collateralization on time and demand deposits over the FDIC insurance coverage of \$250,000, and repurchase agreements.

In order to anticipate market changes and provide a level of additional security of all funds, the collateralization level required will be 102% of the market value of the principal and accrued interest. Collateral will be held by an independent third-party safekeeping agent.

XIII. Performance Evaluation and Reporting

The Investment Officers shall submit quarterly reports to the Village Council containing sufficient information to permit an informed outsider to evaluate the performance of the investment program and consistent with statutory requirements.

All reports shall be in compliance with the Act. The report shall: 1) describe in detail the investment position of the Village as of the end of the reporting period, 2) be prepared jointly by all Investment Officers, 3) be signed by each Investment Officer, 4) contain a summary statement, prepared in compliance with generally accepted accounting principles, of each pooled fund group including a) beginning market value for the reporting period; b) additions and changes to the market value during the period; c) ending market value for the period; and d) fully accrued interest for the reporting period, 5) state the book value and market value of each separately invested asset at the beginning and end of the reporting period by type of asset and fund type invested, 6) state the maturity date of each separately invested asset that has a maturity date, 7) state the account or fund or pooled fund group for which each individual investment was acquired, and 8) state the compliance of the investment portfolio as it relates to the investment strategy expressed in the investment Policy and with relevant provisions of the Tex. Govt. Code Ch. 2256.

The guidelines of retaining records for seven years as recommended in the *Texas State Library Municipal Records Manual* should be followed. The Village Administrator shall oversee the filing and/or storing of investment records.

Market prices for market evaluations will be obtained from an independent source.

XIV. Depositories

The Village will designate one banking institution through a competitive process as its central banking services provider at least every five years. This institution will be used for normal banking services including disbursements, collections, and safekeeping of securities. Other banking institutions from which the Village may purchase certificates of deposit will also be designated as a depository after they provide their latest audited financial statements to the Village.

XV. MANAGEMENT AND INTERNAL CONTROLS

Controls shall be designed to prevent losses of public funds arising from fraud, employee error, and misrepresentation by third parties, unanticipated changes in financial markets, or imprudent actions by employees or Investment Officers of the Village.

Controls and managerial emphasis deemed most important that shall be employed include the following:

Imperative Controls

- Custodian safekeeping receipts records management
- Avoidance of bearer-form securities
- Documentation of investment bidding events
- Written confirmation of telephone transactions
- Reconcilements and comparisons of security receipts with the investment records
- Compliance with Investment Policy
- Verification of all interest income and security purchase and sell computations

Controls Where Practical

Control of Collusion

Separation of duties

Separation of transaction authority between Accounting and record-keeping

Clear delegation of authority

Accurate and timely reports

Validation of investment maturity decisions with supporting cash flow data

Adequate training and development of Investment Officials

Review of financial conditions of all brokers/dealers, and depository institutions

Staying informed about market conditions, changes and trends that require adjustments to investment strategies.

XIIV. Investment Policy Adoption by Council

The Village's Investment Policy shall be reviewed, amended and adopted annually by the Council in accordance with the Texas Local Government Code Chapter 2256.

APPENDIX B: Illustrative Broker/ Dealer Certification Form

BROKER DEALER CERTIFICATION FORM

(As required by Texas Government Code 2256.005 (k))

The Village acknowledges that the only means the firm has to preclude unauthorized investment transactions between the firm and the Village of Vinton is to confirm that all provisions of the Village's investment policy are followed in investment transactions conducted between the firm and the Village, and, the second paragraph below should be read accordingly.

I, as a qualified representative for the firm _____ do hereby certify that I and the broker covering this account have received and thoroughly reviewed the investment policy of the Village of Vinton.

I acknowledge that this firm has implemented reasonable internal procedures and controls in an effort to preclude investment transactions not authorized by the Village's investment policy.

Signature

Name:

Title:

Date: