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# **CITY OF Waller, TEXAS**

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## **Investment Policy**

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## **1.0 INVESTMENT AUTHORITY AND SCOPE OF POLICY**

### **1.01 Purpose**

The purpose of this policy is to satisfy the requirements of the laws of the State of Texas including, but not limited to, the Texas Local Government Code Chapter 105 and the Texas Government Code Chapter 2256 Public Funds Investment Act requiring definition and adoption of a formal investment policy. The Investment Policy addresses the methods, procedures and practices which must be exercised to ensure effective and prudent fiscal management of the City of Waller funds. This policy will be reviewed by City Council at least annually pursuant to the law.

### **1.02 Funds Included**

This policy shall apply to all the financial assets, i.e., monies, of all funds of the City of Waller, Texas, whether currently existing or hereinafter created as well as any other funds held in custody by City Officials unless expressly prohibited by law.

### **1.03 Investment Officer**

The City Secretary is hereby designated as the Investment Officer for the City of Waller, Texas. The City Investment Officer may invest city funds, under the direction of the City Council, that are not immediately required to pay obligations of the City.

If the Investment Officer has a personal business relationship with any entity or is related within the second degree by affinity or consanguinity to any individual – seeking to sell an investment to the City, the investment officer must file a statement disclosing the personal business interest – or relationship – with the Texas Ethics Commission and City Council of the City of Waller (reference Texas Government Code Section 2256.005(I)).

The City's Mayor may designate in writing individuals who may in the Investment Officer's absence, deposit, withdraw, invest, transfer or manage in any other manner the funds of the City. Otherwise no individual has the authority to perform such duties.

### **1.04 Investment Advisory Committee**

In addition to a City Investment Officer, the City of Waller shall have an Investment Advisory Committee for the purpose of reviewing investment policies and procedures, investment strategies, and investment performance. The initial members of the Committee shall include the Mayor, Mayor Pro Tem, City Secretary, and the Finance Officer. The Mayor shall be the Chairman of the Committee.

## **2.0 INVESTMENT OBJECTIVES**

### **2.01 General Statement**

City investments shall be made in accordance with federal and state laws, this investment policy and ordinances of the City Council of the City of Waller, Texas.

### **2.02 Safety and Maintenance of Adequate Liquidity**

The primary objective of the City of Waller is to ensure the safety of principal on all funds and to avoid speculative investing.

The City's investment must be structured in conformance with an asset/liability management plan, which provides for liquidity necessary to pay obligations as they become due.

### **2.03 Diversification**

The City of Waller shall diversify its portfolio to eliminate the risk of loss resulting from over concentration of assets in a specific maturity, a specific issuer or a specific class of investments. Investments shall always be selected that provide for stability of income and reasonable liquidity.

### **2.04 Yield**

It will be the objective of the City to earn the maximum rate of return allowed on its investments within the policies imposed by its safety and liquidity objectives, investment strategies for each fund, and state and federal law governing investment of public funds.

### **2.05 Maturity**

Portfolio maturities will be structured to first meet City obligations and second to achieve the highest return of interest. The maximum allowable stated maturity of any individual investment owned by the City of Waller shall be three (3) years. For pooled funds the maximum average dollar weighted maturity allowed is 90 days.

### **2.06 Quality and Capability of Investment Management**

The City of Waller shall provide training as required by the public funds act and periodic training investments for the City Investment Officer through courses and seminars offered by professional organizations and associations. The two year training requirement was clarified to a "two-year period that begins on the first day of local government's fiscal year and consists of two consecutive fiscal years after that date". . (Reference Public Funds Investment Act, Section 2256.008).

### **2.07 Investment Strategies**

In accordance with the Public Funds Investment Act, Sec. 2256.005 (d), a separate written investment strategy will be developed for each of the funds under the City of Waller's control. Each investment strategy must describe the investment objectives for the particular fund using the following priorities of importance:

- (1) understanding of the suitability of the investment to the financial requirements of the City;
- (2) preservation and safety principal;

- (3) liquidity;
- (4) marketability of the investment if the need arises to liquidate the investment before maturity;
- (5) diversification of the investment portfolio;
- (6) yield

**Attachments A-1 through A-6** include investment strategies for all funds. In accordance with the Public Funds Investment Act, Section 2256.005(e), investment strategies will be reviewed by City Council at least annually.

The investment strategies utilized for all City controlled funds are substantially the same because of the low dollar amount of investable funds, the common characteristics, i.e., cash flow requirements, aversion to risk, etc. of all the funds.

### **3.0 INVESTMENT TYPES**

#### **3.01 Authorized**

The City of Waller's Investment Officer shall use any or all of the following authorized investment instruments consistent with governing law (reference Public Funds Investment Act, Section 2256):

- A. Except as provided by Public Funds Investment Act, Section 2256.009(b), obligations of the United States or its agencies and instrumentalities are authorized investments.
- B. Certificate of Deposit if issued by a state or national bank domiciled in this state or a savings and loan association domiciled in this state and is:
  - 1. Guaranteed or insured by the Federal Deposit Insurance Corporation or by the explicit full faith and credit of the US.
  - 2. secured by obligations that are described by Section 2256.009(a) of the Public Funds Investment Act, including mortgage backed securities directly issued by a federal

agency or instrumentality that has a market value of not less than the principal amount of the certificates, but excluding those mortgage backed securities of the nature described by Section 2256.009(b) of the Public Funds Investment Act; or

3. Secured in any other manner and amount provided by law for deposits of the City.
- C. Eligible investment pools, as defined by the Public Funds Investment Act, (Section 2256.016-2256.019), if City Council and the Investment Committee by resolution authorize investment in the particular pool.
- D. If the investment pool is a Money Market Mutual Fund, it “shall report yield to its investors in accordance with regulations of the SEC applicable to reporting by money markets”.

### **3.02 Prohibited**

The City of Waller’s Investment Officer has no authority to use any of the investment instruments that are not specifically authorized above. Specifically prohibited investments are collateralized mortgage obligations.

## **4.0 INVESTMENT RESPONSIBILITY AND CONTROL**

### **4.01 Investment Institutions Defined**

The City of Waller’s Investment Officer shall invest City funds with any or all of the following institutions or groups consistent with federal and state law and the current depository bank contract:

1. Depository Bank;
2. Other state or national banks domiciled in Texas that are insured by FDIC;
3. Public funds investment pools; or
4. Government securities brokers and dealers.

#### **4.02 Qualifications for Approval of Broker/Dealers**

In accordance with Public Funds Investment Act, Section 2256.005(k), a written copy of this investment policy shall be presented to any person seeking to sell the City an authorized investment. The registered principal of the business organization seeking to sell an authorized investment shall execute a written instrument substantially to the effect that the registered principal has:

1. received and thoroughly reviewed the investment policy of the City; and
2. acknowledged that the organization has implemented reasonable procedures and controls in an effort to preclude imprudent investment activities arising out of investment transactions conducted between the City and the organization.

The investment officer may not buy any securities from a person who has not delivered to the City an instrument in substantially the form provided above according to Section 2256.005(l) of the Public Funds Investment Act.

#### **4.03 Delivery vs. Payment**

It will be the policy of the City that all Treasury Bills, Notes and Bonds and Government Agencies' securities shall be purchases using the "Delivery vs. Payment" (DVP) method through the Federal Reserve System. By so doing, City funds are not released until the City has received, through the Federal Reserve wire, the securities purchased.

#### **4.04 Audit Control**

In addition, City Council, at a minimum, will have an annual financial audit of all City funds by an independent auditing firm, as well as an annual compliance audit of management controls on investments and adherence to the entity's established investment policies in accordance with Section 2256.005(m) of the Public Funds Investment Act.

#### **4.05 Standard of Care**

In accordance with the Public Funds Investment Act, Section 2256.006, investments shall be made with judgment 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 probable safety of capital and the probable income to be derived. Investment of funds shall be governed by the following investment objectives, in order of priority; preservation and safety of principal; liquidity; and yield.



In determining whether an investment officer has 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 City's control, over which the officer had responsibility rather than a consideration as to the prudence of a single investment; and
2. whether the investment decision was consistent with the written investment policy of the City.

#### **4.06 Monitoring Market Value**

The City will use one or more of the following ways to monitor the market price of investments acquired with public funds when applicable:

1. the Wall Street Journal, or other financial data sources that provide the market value of investments;
2. primary broker dealers;
3. pricing services through the Depository Bank contract; and
4. any other pricing services that comply with the Public Funds Investment Act.
5. procedures to monitor rating changes in investment acquired with public funds and the liquidation of such investments consistent with the provisions of the Public Fund Investment Act, Section 2256.021.

### **5.0 INVESTMENT REPORTING**

#### **5.01 Quarterly Reporting**

In accordance with the Public Funds Investment Act, Section 2256.023, the Investment Officer will report to City Council quarterly the portfolio statistics, listing the type and description of investment in detail, the broker/dealer used for purchase, the yield to maturity, the stated maturity date, and the previous current market value. In addition, the report shall include a detailed listing of all purchases, sales and payments, and description of each security held.

The report must be prepared and signed by the Investment Officer and contain statement of compliance with regard to the City's investment strategy expressed in the City's policy and relevant provision of Chapter 2256.023 (b) 3, of the Public Funds Investment Act.

### **6.0 INVESTMENT COLLATERAL AND SAFEKEEPING**

## **6.01 Collateral or Insurance**

The Investment Officer shall ensure that all City funds are fully collateralized or insured consistent with federal and state law and the current bank depository contract in one or more of the following manners:

1. FDIC insurance coverage;
2. Obligations of the United States or its agencies and instrumentalities.

## **6.02 Safekeeping**

All purchased securities shall be held in safekeeping by the City, or a City account in a third party financial institution, or with the Federal Reserve Bank.

All certificates of deposit, insured by the FDIC, purchased outside the Depository Bank shall be held in safekeeping by either the City or a City account in a third party financial institution.

All pledged securities by the Depository Bank shall be held in safekeeping by the City or a City account in a third party financial institution, or with a Federal Reserve Bank.

## **ATTACHMENT A-1**

### **INVESTMENT STRATEGY – GENERAL FUND**

Taking into account the objectives in order of priority as discussed in section 2.07 of this policy, the City shall invest its monies in money market accounts, TexPool or other authorized investment pools. To the extent that cash flow requirements can be forecasted, the City will attempt to identify funds that can be invested for periods of greater than 90 days and upon identification of these funds will invest in fixed term investments such as certificates of deposit, Treasury notes or similar approved investments if the yield exceeds the amount being earned on liquid investments.

## **ATTACHMENT A-2**

### **INVESTMENT STRATEGY – SPECIAL REVENUE FUNDS**

Taking into account the objectives in order of priority as discussed in section 2.07 of this policy, the City shall invest its monies in money market accounts, TexPool or other authorized investment pools. To the extent that cash flow requirements can be forecasted, the City will attempt to identify funds that can be invested for periods of greater than 90 days and upon identification of these funds will invest in fixed term investments such as certificates of deposit, Treasury notes or similar approved investments if the yield exceeds the amount being earned on liquid investments.

## **ATTACHMENT A-3**

### **INVESTMENT STRATEGY – DEBT SERVICE FUND**

Taking into account the objectives in order of priority as discussed in section 2.07 of this policy, the City shall invest its monies in money market accounts, TexPool or other authorized investment pools. To the extent that cash flow requirements can be forecasted, the City will attempt to identify funds that can be invested for periods of greater than 90 days and upon identification of these funds will invest in fixed term investments such as certificates of deposit, Treasury notes or similar approved investments if the yield exceeds the amount being earned on liquid investments.

## **ATTACHMENT A-4**

### **INVESTMENT STRATEGY – CAPITAL PROJECTS FUNDS**

Taking into account the objectives in order of priority as discussed in section 2.07 of this policy, the City shall invest its monies in money market accounts, TexPool or other authorized investment pools. To the extent that cash flow requirements can be forecasted, the City will attempt to identify funds that can be invested for periods of greater than 90 days and upon identification of these funds will invest in fixed term investments such as certificates of deposit, Treasury notes or similar approved investments if the yield exceeds the amount being earned on liquid investments.

## **ATTACHMENT A-5**

### **INVESTMENT STRATEGY – WATER & SEWER FUND**

Taking into account the objectives in order of priority as discussed in section 2.07 of this policy, the City shall invest its monies in money market accounts, TexPool or other authorized investment pools. To the extent that cash flow requirements can be forecasted, the City will attempt to identify funds that can be invested for periods of greater than 90 days and upon identification of these funds will invest in fixed term investments such as certificates of deposit, Treasury notes or similar approved investments if the yield exceeds the amount being earned on liquid investments.

## **ATTACHMENT A-6**

### **INVESTMENT STRATEGY – GAS FUND**

Taking into account the objectives in order of priority as discussed in section 2.07 of this policy, the City shall invest its monies in money market accounts, TexPool or other authorized investment pools. To the extent that cash flow requirements can be forecasted, the City will attempt to identify funds that can be invested for periods of greater than 90 days and upon identification of these funds will invest in fixed term investments such as certificates of deposit, Treasury notes or similar approved investments if the yield exceeds the amount being earned on liquid investments.



**ATTACHMENT B**

**CERTIFICATION FORM**

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

I, as registered principal of \_\_\_\_\_, a business organization seeking to sell an authorized investment to the City of Waller, Texas, (the “City”), do hereby certify that I have received and thoroughly reviewed the investment policy of the City.

I acknowledge that \_\_\_\_\_, my business organization, has implemented reasonable internal procedures and controls in an effort to preclude imprudent investment activities arising out of transactions conducted between the City and the Organization.

\_\_\_\_\_

Signature

Name\_\_\_\_\_

Title\_\_\_\_\_

Date\_\_\_\_\_