

EXHIBIT A
CITY OF BRECKENRIDGE INVESTMENT POLICY
OBJECTIVES

The investment policy of the City of Breckenridge shall be to:

1. Assure the safety and preservation of principal.
2. Maintain sufficient liquidity to provide adequate and timely operating needs.
3. Gain public trust from prudent investment activities.
4. Attain a rate of return that shall be the best possible rate for the City of Breckenridge under government-backed securities

AUTHORIZED

The City of Breckenridge funds governed by this policy may be invested as described below, as authorized by Chapter 2256 of the Texas Government Code (Public Funds Investment Act). Investment of the City of Breckenridge funds in any instrument or security not authorized for investment under the Act is prohibited.

1. Obligations, including letter of credit, of the United States of America, its agencies and instrumentalities.
2. Certificates of Deposit or share certificates issued by a depository institution that has its main office or branch office in Texas and is:
 - 1) Guaranteed or insured by the Federal Deposit Insurance Corporation or its successor or the National Credit Union Share Insurance Fund or its successor;
 - 2) Secured by obligations in a manner and amount provided by law for deposits of the City of Breckenridge, including mortgage backed securities directly issued by a federal agency or instrumentality that have a market value of not less than the principal amount of the certificates;
 - 3) Secured in any other manner and amount provided by law for deposits of the City of Breckenridge.
3. Local government investment pools either state-administered or developed through joint powers statutes and other intergovernmental agreement legislation.

TRAINING REQUIREMENTS

Designated investment Officer(s) shall attend an investment training session no less than once in a two year period (based on the anniversary date of prior training of investment officer(s)) and shall receive not less than ten hours of instruction relating to investment

responsibilities. The investment training shall be provided by an independent source approved by the City Commission. For purpose of this policy, and “independent source” from which investment training shall be obtained shall include Texas Municipal League, University of North Texas-Center of Public Management, or the Government Treasurers Organization of Texas.

INTERNAL CONTROLS

A system of internal controls shall be documented in writing. Also, they shall be designated 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 and officers of the City of Breckenridge. Controls deemed most important shall include:

1. Control of collusion.
2. Separation of transaction authority from accounting and record keeping.
3. Custodial safekeeping.
4. Avoidance of physical delivery securities.
5. Clear delegation of authority to subordinate staff members.
6. Written confirmation of telephone (voice) transactions for investments and wire transfers.
7. Development of wire transfer agreement with the depository bank or third-party custodian.

SAFEKEEPING AND CUSTODIAL AGREEMENTS

The City of Breckenridge shall contract with a bank or banks for the safekeeping of securities either owned by the City of Breckenridge as part of its investment portfolio or held as collateral to secure demand or time deposits. Securities owned by the City of Breckenridge shall be held In the City of Breckenridge’s name as evidence by safekeeping receipts of the institution holding the securities.

Collateral for deposits will be held by a third-party custodian designated by the City of Breckenridge and pledged to the City of Breckenridge as evidence by safekeeping receipts of the institution with which the collateral is deposited. Original safekeeping receipts shall be obtained. Collateral may be held by the depository bank’s trust department, a Federal Reserve Bank of a Federal Reserve Bank, a Federal Home Loan Bank, or a third-party bank approved by the City of Breckenridge.

COLLATERAL POLICY

Consistent with the requirements of the Public Funds Collateral Act, it is the policy of the City of Breckenridge to require the full collateralization of all City of Breckenridge funds on deposit with a depository bank, other than investments. In order to anticipate market changes and provide a level of security for all funds, the collateralization level will be 102% of market value of principal and accrued interest on the deposits or investments less an amount insured by the FDIC. At its discretion, the City of Breckenridge may require a higher level of collateralization for certain investment securities. Securities pledged as collateral shall be held by an independent third party with which the City of Breckenridge has a current custodial agreement. The Chief Financial Officer is responsible for entering into collateralization agreements with third party custodians in compliance with this Policy. The agreements are to specify the acceptable investment securities for collateral, including provisions relating to possession of the collateral, valuation of securities. A clearly marked evidence of ownership (safekeeping receipt) must be supplied to the City of Breckenridge and retained. Collateral shall be reviewed at least monthly to assure that the market value of the pledged securities is adequate. The City of Breckenridge shall accept only the following types of collateral:

1. Obligation of the U.S. or its agencies and instrumentalities
2. Direct obligations of the State of Texas or its agencies and instrumentalities.
3. Obligations of states, agencies counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized rating firm not less than A or its equivalent with a remaining maturity of (10) years or less.
4. A surety bond issued by an insurance company rates as to investment quality by a nationally recognized rating firm not less than A.
5. A letter of credit issued to the City of Breckenridge by the Federal Home Loan Bank.

Investment officials shall be bonded

All Collateral shall be subject to inspection and audit by the Chief Financial Officer or the City's independent auditor.

DELIVERY VS. PAYMENT

Securities shall be purchased using the delivery vs. payment method with the exception of investment pools and mutual funds. Funds will be released after notification that the purchased security has been received.

PORTFOLIO REPORT

A quarterly management portfolio shall be prepared by the investment officer relating to investments of the City of Breckenridge and appropriate collateral pledged for those investment instruments requiring security. A comprehensive report on the investment program and investment activity shall be presented annually to the governing body. The annual report shall include a review of the activities and yield a return for the 12 months, suggest policies and improvements that might enhance the investment program, and include an investment plan for the ensuing fiscal year.

SAFETY, PRUDENCE, AND PUBLIC TRUST

The investment officer shall exhibit prudence and discretion in the selection and management of securities. Investment officers shall avoid any transaction that might impair public confidence in the City's ability to govern effectively. Skill and judgment shall be exercised in order that no individual or group of transactions undertaken would jeopardize the total capital sum of the overall portfolio. The City of Breckenridge shall not allow speculation (such as anticipating an appreciation of capital through changes in market interest rates) in the selection of any investments. Safety of principal is the foremost objective of the investment program. Investments shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio.

The investment portfolio shall be diversified to reduce the risk of loss of investment income from over-concentration of assets in a specific issue, a specific issue size, or a specific class of securities. Nevertheless, the City of Breckenridge recognizes that in a diversified portfolio, occasional measured losses are inevitable and must be considered within the context of the overall portfolio's investment return. Also, it is intended that investments in all funds shall be managed in such a way that any market price losses resulting from interest rate volatility shall be offset by income received from the balance of the portfolio during a 12-month period.

LIQUIDITY

To meet the investment objectives of the City of Breckenridge the maturity of investments shall be targeted to coincide with the flow needs of the City of Breckenridge. Assets of the City of Breckenridge shall be invested in instruments whose maturities do not exceed approved periods as determined by the City of Breckenridge City Commission at the time of purchase. Assets held in debt retirement funds may be invested in maturities exceeding one year.

DELEGATION OF INVESTMENT AUTHORITY

The City Commission designates the City Treasurer (City Secretary) and/or the Chief Financial Officer (City Secretary) as the City of Breckenridge's Investment Officer(s). An investment Officer is authorized to execute investment transactions on behalf of the City of Breckenridge. No person may engage in an investment transaction or the management of the City of Breckenridge funds except as provided under the terms of this Investment Policy as approved by the City Commission. The investment authority granted to the investing officers is effective until rescinded by the City Commission.

INVESTMENT STRATEGY

The City of Breckenridge manages investment portfolios utilizing specific investment considerations designed to address the unique characteristics of the fund groups represented in the investment portfolios.

Investment strategies for Operating Funds have as their primary objective to assure that anticipated cash flows are matched with adequate investment liquidity. A secondary objective is to maintain an investment portfolio which experiences minimal volatility during economic cycles. Preservation of principal may be accomplished by purchasing high quality, short to medium term securities that complement each other in a laddered or barbell portfolio structure. A dollar weighted average maturity of 365 days or less will be calculated using the stated maturity date for each security. Purchased securities will have a stated final maturity of three years or less.

Investment strategies for Debt Service Interest and Sinking funds have as their primary objective the assurance of investment liquidity adequate to cover obligations on required payment dates. Securities purchased shall not have a stated final maturity date which exceeds the unfunded required payment date.

Investment strategies for Reserve Funds have as the primary objective the ability to generate a dependable revenue stream with a low degree of volatility. Except as may be otherwise required, securities should be of high quality, with short to intermediate term maturities. Purchased securities will have a stated final maturity of five years or less.

ETHICS AND CONFLICT OF INTEREST

An investment officer of the City who has a personal business relationship with an organization seeking to sell an investment business with the City shall file a statement disclosing that personal business interest. An investment officer who is related within the second degree by affinity or consanguinity to an individual selling to sell an investment to the City shall file a statement disclosing that relationship. This section is prescribed by chapter 2256.005 of the Government Code.

BRECKENRIDGE CEMETERY PERPETUAL CARE FUND

The Breckenridge Cemetery Perpetual Care Fund, as established by a trust agreement executed May 11, 194, is not considered public funds and is therefore not subject to the foregoing sections of this policy, but rather all funds in the Breckenridge Cemetery Perpetual Care Funds shall be invested according to Section 113.056 of the Texas Trust Code.

APPROVED THIS 15TH DAY OF AUGUST 2023

Bob Sims, Mayor

ATTEST:

Jessica Sutter, City Secretary

SEAL