

**TOWN OF BARTONVILLE, TEXAS
RESOLUTION 2023-XX**

**A RESOLUTION OF THE TOWN OF BARTONVILLE, APPROVING AN INVESTMENT
POLICY FOR THE INVESTMENT OF MUNICIPAL FUNDS; PROVIDING A
SEVERABILITY CLAUSE; AND PROVIDING FOR AN EFFECTIVE DATE.**

WHEREAS, the Town of Bartonville, Texas is a Type “A” General Law Municipality located in Denton County, Texas, created in accordance with the provisions of the Texas Local Government Code and operating pursuant to the enabling legislation of the State of Texas; and

WHEREAS, the Town Council recognizes the necessity of utilizing the public funds entrusted to it by the citizens of Bartonville in the most advantageous manner so as to maximize the benefit of those funds for the citizens of Bartonville, Texas; and

WHEREAS, the Town Council recognizes the necessity of protecting the principal of those funds and ensure the ready accessibility of such funds; and

WHEREAS, section 2256.005(b) of the Texas Government Code, as amended, requires the Town to adopt a written investment policy regarding the investment of Town funds which emphasizes safety of principal and liquidity; addresses investment diversification, yield, maturity, and the quality and capability of investment management; and

WHEREAS, the Texas Public Funds Investment Act requires an annual review and approval of the investment policy; and

NOW, THEREFORE, BE IT RESOLVED BY THE TOWN COUNCIL OF THE TOWN OF BARTONVILLE, TEXAS:

Section 1. That the foregoing recitals are hereby found to be true and correct findings of the Town of Bartonville, Texas, and are fully incorporated into the body of this resolution.

Section 2. That the Town of Bartonville does hereby adopt Texas Government Code, Chapter 2256, Public Funds Investment Act, in its entirety, as the rule and guide for the investment of such public funds as are entrusted to it and are deemed suitable for investment purposes. The Investment Policy attached hereto as **Exhibit A** (“Investment Policy of the Town of Bartonville, Texas”), and made a part hereof for all purposes is hereby reviewed and adopted as the Investment Policy of the Town of Bartonville, Texas, as required by Chapter 2256 of the Texas Government Code.

PASSED AND APPROVED this the 19th day of December 2023.



APPROVED:

Jaclyn Carrington, Mayor

ATTEST:

Shannon Montgomery, TRMC, Town Secretary

EXHIBIT "A"



**INVESTMENT POLICY
OF THE
TOWN OF BARTONVILLE, TEXAS
FY 2023-2024**

I. INTRODUCTION

The purpose of this Policy is to set specific investment policy and strategy guidelines for the Town of Bartonville in order to achieve the goals of safety, liquidity, yield, and diversification for all investment activity. In accordance with state statute, the Town Council of the Town of Bartonville shall review its investment strategies and policy no less than annually. This Policy satisfies the statutory requirement of Texas Government Code Chapter 2256, the Public Funds Investment Act (the "Act").

II. SCOPE

This investment policy applies to all financial assets of the Town of Bartonville. These funds are reported in the Town's Annual Audit and include:

- General Funds
- Capital Improvement Funds
- Community Development Corporation
- Crime Control & Prevention District

III. OBJECTIVES

The Town of Bartonville shall manage and invest its cash and assets with four major objectives, listed in order of priority: safety, liquidity, diversification, and yield. Safety of the principal is the primary objective. All investments shall be managed in a manner responsive to public trust and consistent with state and local law.

The Town shall maintain a cash management program which includes timely collection of accounts receivable, vendor payments in accordance with invoice terms, and prudent investment of assets. Cash management is the process of managing monies in order to ensure maximum cash availability and reasonable yield on short-term investments.

Safety

The primary objective of the Town's investment activity is the preservation of capital. Each investment transaction shall be conducted in a manner to avoid capital losses, whether they be from security defaults, safekeeping, or erosion of market value.

Liquidity

The Town's investment portfolio shall be structured to meet all expected obligations in a timely manner. This shall be achieved by matching investment maturities with forecasted cash flow liabilities and maintaining additional liquidity for unexpected liabilities.

Diversification

The Town's portfolio shall be diversified by market sector and maturity in order to avoid market risk.

Yield

The benchmark for the Town's portfolio shall be the one-year U.S. Treasury, designated for its comparability to the Town's expected average cash flow pattern. The investment program shall seek to augment returns above this threshold consistent with risk limitations identified herein and prudent investment policies.

IV. INVESTMENT STRATEGY

The Town of Bartonville maintains one commingled portfolio for investment purposes which incorporates the specific investment strategy considerations and the unique characteristics of the fund groups represented in the portfolio:

- A. The investment strategy for the operating fund has as its primary objective assurance that anticipated liabilities are matched and adequate investment liquidity provided. The secondary objective is to create a portfolio structure which will experience minimal volatility.
- B. The investment strategy for debt service funds shall have as its primary objective the assurance of available funds adequate to fund the debt service obligations on a timely basis. Successive debt service dates will be fully funded before extension.
- C. The investment strategy for debt service reserve funds shall have as its primary objective the ability to generate a revenue stream to the debt service funds from high quality securities with a low degree of volatility. Securities should be of high credit quality and, except as may be required by the bond ordinance specific to an individual issue, of short to intermediate-term maturities. The potential for loss shall be further controlled through the purchase of securities within the desired maturity range.
- D. The investment strategy for capital projects or capital project funds will have as its primary objective assurance that anticipated cash flows are matched and provide adequate investment liquidity. At least 10% total liquidity is planned to provide flexibility and for unanticipated project outlays. The stated final maturity dates of securities held may not exceed the estimated project completion date.

The Town of Bartonville intends to match investments with the projected cash flow analysis and liquidity needs of the Town. In no case will the average maturity of the portfolio exceed twelve (12) months. The maximum final stated maturity of any investment shall not exceed two years.

The Town shall pursue a conservative portfolio management strategy. Securities may be sold before they mature if market conditions present an opportunity for the Town to benefit from the trade, but the strategy will be primarily buy-and-hold. The investment officer will continuously monitor the contents of the portfolio, the available markets, and the relative value of competing instruments to adjust the portfolio in response to market conditions.

V. RESPONSIBILITY AND CONTROL

Investment Officer(s)

The Town Administrator is designated by Council as the Investment Officer and the Town Secretary as the secondary Investment Officer of the Town responsible for investment decisions and activities. Other Investment Officers may be so designated. The Town may further contract with a registered investment advisor to advise on the management of the Town's portfolio. No person may engage in an investment transaction except as provided under the terms of this Policy and supporting procedures.

All investment officers shall attend at least one training session provided by an independent source, in accordance with the Act, within 12 months after assuming investment duties and shall attend eight hours of training every two successive fiscal years beginning at the first day of the fiscal year.

Internal Controls

The Town Administrator is responsible for establishing and maintaining an internal control structure designed to reasonably assure that assets of the Town are protected from loss, theft, or misuse. The concept of reasonable assurance recognizes that the cost of a control should not exceed the benefits likely to be derived, and the valuation of costs and benefits requires ongoing estimates and judgments by management.

The internal controls shall address the following points at a minimum:

- Control of collusion,
- Separation of transaction authority from accounting and record keeping,
- Custodial safekeeping,
- Clear delegation of authority,
- Written confirmation for all transactions, and
- Review, maintenance, and monitoring of security procedures both manual and automated.

The external auditor shall provide an annual independent review of quarterly investment reports to assure compliance with state law, policies, and procedures.

The Town Administrator shall monitor, on no less than a weekly basis, the credit rating on all authorized investments in the portfolio based upon independent information from a nationally recognized rating agency. If any security falls below the minimum rating required by Policy, the Town Administrator shall notify the Town Council of the loss of rating, conditions affecting the rating and possible loss of principal with liquidation options available, within two weeks after the loss of the required rating. All prudent measures will be taken to liquidate an investment that is downgraded to less than the required minimum rating.

The Town Administrator shall monitor, on no less than a weekly basis, the status and ownership of all banks issuing brokered CDs owned by the Town based upon information from the FDIC. If any bank has been acquired or merged with another bank in which brokered CDs are owned, the

Town Administrator shall immediately liquidate any brokered CD which is above the FDIC insurance level.

VI. PRUDENCE

The standard of prudence to be applied to all Town investments shall be the “prudent person” rule, which states:

“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.”

In determining whether an investment officer has exercised prudence with respect to an investment decision, the determination shall be made taking into consideration the investment of all funds under the Town’s control, over which the officer has responsibility rather than a consideration as to the prudence of a single investment.

The Investment Officer, acting in accordance with written procedures and exercising due diligence, shall be held responsible, but not personally liable for a specific security’s credit risk or market price changes, provided that these deviations are reported immediately, and that appropriate action is taken to control adverse developments.

VII. CONFLICTS OF INTEREST

Investment Officers and Town staff 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 the ability to make impartial investment decisions. Town staff shall disclose to the Town Administrator any personal business with or material financial interests in financial institutions that conduct business with the Town.

An Investment Officer of the Town who has a personal business relationship with an organization seeking to sell an investment to the Town shall file a statement disclosing that personal business interest to the Town Council and the Texas Ethics Commission. An investment officer who is related within the second degree by affinity or consanguinity to an individual seeking to sell an investment to the Town shall file a like statement disclosing that relationship.

VIII. AUTHORIZED INVESTMENTS

The assets of the Town of Bartonville may be invested only in the following instruments as further defined by the Act. If changes are made to the Act they will not be authorized until this Policy is modified and adopted by the Town Council.

- A. AAA-rated, constant-dollar Local Government Investment Pools as defined by the Act and authorized by Town Council which strive to maintain a \$1 net asset value.

Delivery versus Payment

All securities shall be purchased on a delivery versus payment (DVP) settlement basis. Funds shall not be released until receipt of the security by the Town's approved custodian. The custodian shall provide the Town with proof of ownership or claim by an original safekeeping receipt delivered to the Town.

IX. REPORTING

Quarterly Reporting

The Investment Officers shall submit a signed quarterly investment report to the Council in accordance with the Act. The reports shall summarize investment strategies employed in the most recent quarter and fully describe investment securities, maturities, risk characteristics, and investment return for the quarter. The report will include the following:

- A full description of individual securities held at the end of the reporting period based on amortized value,
- Unrealized gains or losses,
- Overall change in market value during the period as a measure of volatility,
- Weighted average yield of the portfolio and its applicable benchmarks,
- Earnings for the period,
- Analysis of the total portfolio by market sector and maturity, and
- Statement of compliance of the investment portfolio with the Act and the Investment Policy of the Town.

Market prices for the calculation of market value will be obtained from independent sources. Marketing to market will be done at least quarterly.

X. FINANCIAL COUNTER-PARTIES

Town Depository

At least every five years a Town Depository shall be selected through a formal request for proposal (RFP) process in accordance with the Texas Government Code 105.017. In selecting a depository, the services, cost of services, credit worthiness, earnings potential, and collateralization by the institutions shall be considered.

Security Broker/Dealers

All financial institutions and broker/dealers who desire to transact business with the Town must supply the following documents will be maintained by Finance.

- Financial Industry Regulatory Authority (FINRA) certification and CRD #
- proof of Texas State Securities registration
- policy review certification

Each counterparty must be provided a copy of the current Investment Policy and certify to a review stating understanding of the Policy and that controls are in place to assure only Policy

approved investments will be sold to the Town.

A list of qualified broker/dealers will be reviewed, revised and adopted at least annually by the Town Council.

XI. COLLATERAL, SAFEKEEPING AND CUSTODY

Time and Demand Pledged Collateral

All Town time and demand deposits shall be secured above FDIC coverage by pledged collateral. In order to anticipate market changes and provide a level of security for all funds, collateral will be maintained and monitored by the depository at 102% of market value of principal and accrued interest on the deposits. The bank shall review collateral at least weekly to assure that the market value of the pledged securities is maintained at 102% or more.

Collateral pledged to secure deposits shall be held by an independent financial institution outside the holding company of the depository in accordance with a safekeeping agreement signed by authorized representatives of the Town, the Depository, and the custodian (with the exception of the Federal Reserve as Custodian).

All collateral shall be subject to inspection and audit by the Town or the Town's independent auditors.

Authorized Collateral

The Town shall accept only the following securities as collateral for time and demand deposits or repurchase agreements:

- A. FDIC insurance coverage.
- B. Obligations of the United States, its agencies or instrumentalities, or other evidence of indebtedness of the United States guaranteed as to principal and interest including CMO which pass the *bank test*.
- C. Obligations, the principle, and interest on which, are guaranteed or insured by the State of Texas.
- D. Obligations of other states or of a county, Town or other political subdivision of a state having been rated as investment grade (investment rating no less than "A" or its equivalent) by two nationally recognized rating agencies.

XII. INVESTMENT POLICY ADOPTION

The Town of Bartonville Investment Policy and investment strategies shall be reviewed and adopted by resolution of the Town Council no less than annually. The approving resolution must include the changes made to the Policy.