

## RESOLUTION NO. R-12-2023

### A RESOLUTION OF THE TOWN COUNCIL OF THE TOWN OF FULTON APPROVING AND ADOPTING AN INVESTMENT POLICY

**WHEREAS**, the following document represents the investment scope, prudence, objective, delegation of authority, ethics and conflicts of interest, authorized financial dealers and institutions, authorized and suitable investments, collateralization, safekeeping and custody, diversification, maximum maturities, internal control, performance standards, reporting, and investment policy adoption guidelines for the Town of Fulton. The purpose for the document is:

- A. To establish and promote an understanding of the constraints that govern the conduct of the investment program of the Town of Fulton.
- B. To establish objectives/goals and policies for the program.

It is the policy of the Town of Fulton 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 entity and conforming to all state and local statutes governing the investment of public funds;

**WHEREAS**, this investment policy applies to all financial assets of the Town of Fulton. These funds are accounted for in the Annual Financial Report and includes the following funds:

- A. General Fund
- B. Special Revenue Funds
- C. Capital Project Fund
- D. Enterprise Funds
- E. Internal Service Funds
- F. Trust and Agency Funds
- G. "Any new fund created by the Council, unless specifically exempted."

All deposits, to the extent possible, will be concentrated with one central depository. This maximizes the Town's ability to pool cash for investment purposes and keeps banking relationships manageable;

**WHEREAS**, 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" standards 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 of an individual security's credit risk or market price changes, provided deviation from expectation are reported in a timely fashion and appropriate action is taken to control adverse developments;

**WHEREAS**, the primary objectives, in priority order, of the Town of Fulton investment activities shall be:

- A. Safety: Safety of principal is the foremost objective of the investment program. Investments of the Town of Fulton shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. To attain this objective, diversification is required in order that, potential losses on individual security do not exceed the income generated from the remainder of the portfolio.
- B. Liquidity: Town of Fulton's investment portfolio will remain sufficiently liquid to enable Town of Fulton to meet all operating requirements which might be reasonably anticipated.
- C. Return of Investments: Town of Fulton's investment portfolio shall be designed with the objective of attaining a rate of return throughout budgetary and economic cycles, commensurate with the Town's investment risk constraints and the cash flow characteristics of the portfolio;

**WHEREAS**, the Town of Fulton designates and delegates the Mayor as the "Investment Officer". Procedures should include reference to: safekeeping receipt, repurchase agreements (following the guideline under the House Bill No. 2459, Chapter 2256 of the Government Code-Public Funds Investment Act), wire transfer agreements, banking service contracts, collateral/depository agreements and investment training. Such procedures shall include explicit delegation of authority to persons responsible for investment transactions.

No person may engage in an investment transaction except as provided under the terms of this policy and the procedures established by the Mayor. The Mayor shall be responsible for all transactions undertaken and shall establish a system of control to regulate the activities of subordinate officials;

**WHEREAS**, 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 Texas Ethics Commission and Town Council any material financial interest 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 Town of Fulton, particularly with regard to the time of purchases and sales;

**WHEREAS**, the City Secretary will maintain a list of financial institutions authorized to provide investment services. In addition, a list will also be maintained of approved security broker/dealers selected by credit worthiness who are authorized to provide investment services in the State of Texas. These may include "primary" dealers or regional dealers that qualify under Securities and Exchange Commission Rule 15C3-1. No public deposit shall be made except in a qualified public depository as established by the state and local laws;

All financial institutions and broker/dealers who desire to become a qualified bidder for investment transaction must supply the Mayor with a signed "Broker/Dealer Certification Form" confirming that they have read the Town of Fulton, Investment Policy.

Each financial institution and broker/dealer handling investments transactions for Town of Fulton is required to submit an audited financial statement which will be reviewed by Town of Fulton Mayor;

**WHEREAS**, Town of Fulton is empowered by statute to invest in the following types of securities:

- A. Obligations of the United States or its agencies and instrumentalities (under the guidelines of H.B. 2459, Chapter 2256 of the Government Code).
- B. Repurchase Agreements (under guidelines of H.B. 2459, Chapter 2256 of the Government Code).
- C. Certificates of Deposit (under the guidelines of H.B. 2459, Chapter 2256 of the Government Code)
- D. Investment Pools (under the guidelines of H.B. 2459, Chapter 2256 of the Government Code).

The following are not authorized investments under the investment policy:

- A. Interest-Only Strips (IO's): Obligations whose payments represent the coupon payments on the outstanding principal balance of the underlying mortgage-backed security collateral and pays no principal.
- B. Principal-Only strips (PO's): Obligations whose payments represent the principal stream of cash flow from the underlying mortgage-backed security collateral and bears no interest.
- C. Collateralized Mortgage Obligations (CMO's): Obligations that have a stated final maturity date of greater than 10 years.
- D. Collateralized Mortgage Obligations (CMO's): the interest rate of which is determined by an index that adjusts opposite to the change in a market index.

**WHEREAS**, collateralization will be required on two types of investments: (1) certificates of deposits (over and above the FDIC coverage) and (2) repurchase agreements. 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. Town of Fulton chooses to limit collateral to the following: 1) United States Treasury bills, bonds and notes, 2) Federal National Mortgage Association (FNMA), 3) Federal Home Loan Bank (FHLB). The right of collateral substitution is granted.

Collateral will always be held by an independent third party with whom the Town of Fulton has a current custodial agreement. A clearly marked evidence of ownership (safekeeping receipt) must be supplied to the Town of Fulton.

**WHEREAS**, all security transactions, including collateral for repurchase agreements, entered into by the Town of Fulton shall be conducted on a delivery-versus-payment basis. Securities will be held by a third-party custodian designated by the Mayor and evidenced by safekeeping receipts.

**WHEREAS**, the Town of Fulton will diversify its investments by security type and institution, with the exception of U.S. Treasury securities, authorized pool and repurchase agreements.

**WHEREAS**, to the extent possible, the Town of Fulton will attempt to match its investments with anticipated cash flow requirements. Unless matched to a specific cash flow, the Town of Fulton will not directly invest in securities maturing more than two (2) years from the date of purchase.

**WHEREAS**, the Comptroller shall establish an annual review process on its internal controls assuring compliance with investment policies and procedures.

**WHEREAS**, the investment portfolio shall be designed with the objective of obtaining a rate of return throughout budgetary and economic cycles, commensurate with the investment risk constraints and cash flow needs.

**WHEREAS**, Town of Fulton investment strategy is passive. Given this strategy, the basis used by the Finance Department to determine whether marked yield are being achieved shall be the six-month U.S. Treasury Bill.

**WHEREAS**, the Comptroller is charged with the responsibility of including a quarterly market investment portfolio report in Town of Fulton, quarterly financial report. The investment portfolio reports will include a detail market sector breakdown.

**WHEREAS**, Town of Fulton investment policy shall be adopted by resolution of the Town of Fulton legislative authority. The policy shall be reviewed annually by the Finance Department and any modifications made thereto must be approved by the Town Council.

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

Section 1. The Town Council approves the Investment Policy as presented in this Resolution.

Section 2. The Town Council adopts the above Whereas clauses as the Investment Policy.

Section 3. The City Secretary shall disseminate the Investment Policy to all Town employees.

Section 4. The Mayor, or presiding officer, is hereby authorized to affix his/her signature to this Resolution signifying its adoption by the Town Council of the Town of Fulton and the City Secretary, is directed to attest thereto.

**PASSED AND APPROVED this the 4<sup>th</sup> day of October, 2023.**

**TOWN OF FULTON**

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**Kelli Cole, Mayor**

**ATTEST:**

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**Stephanie Garcia, City Secretary**