

ORDINANCE NO. _____

**AN ORDINANCE OF THE CITY OF IOWA COLONY, TEXAS,
AMENDING THE INVESTMENT POLICY; AND PROVIDING A
SAVINGS CLAUSE, SEVERANCE CLAUSE, AND EFFECTIVE DATE**

**BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF IOWA COLONY,
TEXAS (“THE CITY”):**

1. That pursuant to Chapter 2256 of the Texas Government Code, the Public Funds Investment Act, the City Council of the City of Iowa Colony, Texas has reviewed its Fiscal Year 2023 (FY23) Investment Policy and investment strategies regarding City funds.
2. That the FY23 City of Iowa Colony, Texas, Investment Policy and investment strategies include amendments since the last review on April 18, 2022, and are hereby adopted and incorporated herein in full, as the investment policy of the City of Iowa Colony, Texas attached hereto as “Exhibit A.”
3. That the City Council approves and adopts the list of qualified brokers/dealers that are authorized to engage in investment transactions with the City, attached hereto as “Exhibit B.”
4. That henceforth, the governing body of the City shall adopt a resolution stating it has reviewed the investment policy and investment strategies and that the written instrument so adopted shall record any changes made to either the investment policy or investment strategies.
5. That, if any part, of whatever size, of this ordinance or the Investment Policy, as hereby amended, is ever declared invalid or unenforceable for any reason, the remainder of this ordinance and the Investment Policy shall remain in full force and effect.
6. This ordinance shall take effect as of the date of its passage, approval, and adoption.

PASSED AND APPROVED ON THE FIRST READING ON _____.

PASSED, APPROVED, AND ADOPTED ON THE SECOND AND FINAL READING
ON _____.

CITY OF IOWA COLONY, TEXAS

By: _____
MICHAEL BYRUM-BRATSEN,
MAYOR

ATTEST:

KAYLEEN ROSSER,
CITY SECRETARY

“Exhibit A”
INVESTMENT POLICY FOR THE CITY OF IOWA COLONY, TEXAS
Revised and Approved on _____

I. POLICY STATEMENT

It is the policy of the City of Iowa Colony, Texas that the administration of its funds and the investment of those funds shall be handled as its highest public trust. Investments shall be made in a manner which will provide the maximum security of principal while meeting the daily cash flow needs of the City and conforming to the Public Funds Investment Act (the “Act”) Texas Government Code Chapter 2256. It is the intent of the City to be in complete compliance with local law and the Act.

The receipt of a market rate of return will be secondary to the requirements for safety and liquidity. The earnings from investment will be used in a manner that best serves the interests of the City.

The purpose of this Policy is to set specific investment policy and strategy guidelines. Direct specific investment parameters for the investment of public funds in Texas are found in the Act. The Public Funds Collateral Act, Chapter 2257, Texas Government Code, specifies collateral requirements for all public Texas funds deposits.

II. SCOPE

This investment policy applies to all financial assets of the City and any new funds created unless specifically exempted by the City Council and this Policy.

III. OBJECTIVES AND STRATEGY

It is the policy of the City that all funds shall be managed and invested with three primary objectives, listed in order of their priority: safety, liquidity, and return on investment.

The City may maintain one commingled portfolio for investment purposes which incorporates the specific uses and the unique characteristics of the funds in the portfolio. The investment strategy has as its primary objective assurance that anticipated liabilities are matched and adequate investment liquidity provided. The City shall pursue a conservative portfolio management strategy based on a buy-and-hold philosophy. This may be accomplished by creating a laddered maturity structure with some extension for yield enhancement. The maximum maturity of any security will be two years and the maximum dollar weighted average maturity of two years or less will be calculated using the stated final maturity date of each security. The investment strategy for debt service funds shall have as its primary objective the timely payment of debt service obligations. Successive debt service dates will be fully funded before any investment extensions are made.

Safety

The primary objective of the investment activity is the preservation of capital. Each investment transaction shall be conducted in a manner to avoid capital losses, whether from security defaults, safekeeping, or erosion of market value. Investments in high credit quality securities and decisions based on anticipated cash needs are primary factors in providing safety.

Liquidity

The 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.

Return on Investment

The City's investment portfolio will be designed with the objective of attaining a rate of return commensurate with the City's investment risk constraints and the cash flow operating requirements.

Diversification

The portfolio shall be diversified by institution, market sector and maturity as much as possible.

Maturities

Investment maturities should be staggered in order to minimize the risk of market price volatility and to protect liquidity and meet cash needs.

The maturity of an investment shall not exceed two years.

For pooled fund groups, the maximum dollar-weighted average maturity allowed based on the stated maturity date for the portfolio shall not exceed two years.

Basis for Settlement

All transactions, except investment pool funds and mutual funds, shall be settled on a delivery versus payment basis. The collateral shall be held in the name of the City or held on behalf of the City. The Trustee's records shall assure the notation of the City's ownership of or explicit claim on the securities. The original of all safekeeping receipts shall be delivered to the City.

Monitoring Market Prices

Before making any investment, the Investment Officers shall make arrangements for prompt and regular monitoring of the market price of the investment.

Management and Internal Controls

The Investment Officers shall establish a system of internal controls that shall be reviewed by the City's auditor. The controls shall be designed to prevent losses of public funds arising from fraud, employee error, and misrepresentation by third parties, unanticipated changes in the financial markets, or imprudent actions by employees or Investment Officers of the City.

Quarterly Reporting

The Investment Officers shall prepare and submit a signed quarterly investment report to the City Council in accordance with the Act giving detail information on each portfolio and bank position and summary information to permit an informed outside reader to evaluate the performance of the investment program. The report will include the following at a minimum:

- A full description of each individual security or bank/pool position held at the end of the reporting period including the amortized book and market value at the beginning and end of the period,
- Unrealized gains or losses (book value minus market value),
- 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 (accrued interest plus accretion minus amortization),

- Allocation 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 signed by the Investment Officer(s).

Market prices for the calculation of market value will be obtained from independent sources.

IV. DELEGATION OF INVESTMENT AUTHORITY

The City Manager and the City Finance Officer shall be the designated Investment Officers of the City. The Investment Officers are responsible for considering the quality and capability of the staff, investment advisors and consultants involved in investment management and procedures, subject to the authority and responsibility of the City Council to approve all investment brokers and advisers. All participants in the investment process shall seek to act responsibly as custodians of public trust.

The Investment Officers shall be responsible for all transactions undertaken and shall establish a system of controls to regulate the activities of subordinate officials and staff.

The Investment Officers and the City Council are responsible for reviewing the investments and other accounts of the City.

Regardless of any other provision, the City Council retains ultimate responsibility as fiduciaries of the assets of the City.

The City Manager is responsible for authorizing budgeted expenditures necessary for the day-to-day operations of the City.

The Investment Officers shall obtain training as required by law, from sources approved by the City Council.

Disclosure of Business Relationships

An investment officer shall disclose to the City Council and the Texas Ethics Commission any personal business relationship between the investment officer and any person or business organization offering to engage in an investment transaction with the City, to the extent such disclosure is required by Section 2256.005(i) of the Texas Government Code.

V. AUTHORIZED INVESTMENTS AND COMPANIES

Quality and Capability of Investment Management

For brokers and dealers of government securities, the Investment Officers shall select only those dealers reporting to the Market Reports Division of the Federal Reserve Bank of New York, also known as the Primary Government Securities Dealers, unless a comprehensive credit and capitalization analysis reveals that other firms are adequately financed to conduct public business. The City Council must authorize all brokers and dealers. Investment officers shall not conduct business with any person contrary to instructions from the City Council.

Providing Copy of Policy Before Investing

The Investment Officers shall present a copy of this policy to any person offering to engage in an investment transaction with the City, or to any investment management firm under contract with the City to invest or manage the City's investment portfolio or any part thereof, to the extent such

presentation is required by Texas Government Code Section 2256.005(k). Before investing or contracting with such person, the Investment Officers shall receive a written acknowledgement, signed by such person or the qualified representative of such business organization, that such person or organization has received and reviewed the investment policy, and that such person or organization has implemented reasonable procedures and controls in an effort to preclude investment transactions conducted between the City and that person or organization that are not authorized by the City's investment policy, except to the extent that this authorization is dependent on an analysis of the makeup of the City's entire portfolio or requires an interpretation of subjective investment standards, all to the extent such acknowledgment is required by Texas Government Code 2256.005(k).

Types of Investments

Acceptable investments under this policy shall be limited to the instruments listed below.

- A. Fully insured or collateralized certificates of deposit from a bank in the State of Texas and under the terms of a written depository agreement with that bank.
- B. Obligations of the United States Government, its agencies and instrumentalities and government sponsoring enterprises.
- C. Texas Local Government Investment Pools which invest in instruments and follow practices allowed by law as defined in Section 2256.016 of the Texas Government Code and have been authorized by the City Council.
- D. AAA-rated, Texas Local Government Investment Pools which strive to maintain a \$1 net asset value (NAV) AND as defined by the ACT and authorized by resolution of the City Council.
- E. AAA-rated, SEC registered money market mutual funds in compliance with SEC Rule 2a-7 and striving to maintain a \$1 net asset value.
- F. FDIC insured or collateralized interest bearing and money market accounts from any FDIC insured bank in Texas.
- G. Share certificates from credit unions doing business in Texas which are fully insured by the National Credit Union Share Insurance Fund and with a maximum stated maturity of 12 months.
- H. General debt obligations of any US state or political subdivision rated A or better with a stated maturity not to exceed 12 months.

Authorized Collateral

Only the following securities are authorized 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 evidence of indebtedness of the United States guaranteed as to principal and interest including MBS and CMO which pass the bank test.

- C. Obligations of any United States, or of a county, City or other political subdivision of any state having been rated as investment grade (investment rating no less than “A” or its equivalent) by two nationally recognized rating agencies.
- D. Letter of Credit from the Federal Home Loan Banks (FHLB).

Preference will be given to pledged collateral securities.

VI. DEPOSITORIES

- A. Out of Town Depositories.** The City may consider the application to serve as a depository for the City, received by the City from a bank, credit union, or savings association that is not doing business within the City, after taking into consideration what is in the best interest of the City in establishing a depository.
- B. Texas Local Government Code Chapter 105.** The applicable portions of Chapter 105 of the Texas Local Government Code shall govern the publication of advertisements for applications, review of applications, selection and designation of a depository, terms of a depository contract, and other matters governed by that chapter.
- C. Bids for Certificates of Deposit.** Bids for certificates of deposit shall be solicited in writing, electronically, or in any combination of those methods, all in compliance with any applicable provisions of Texas Local Government Code chapter 105. Where that chapter 105 does not apply, bids must still be in writing and must be kept on file in the City Secretary’s office.

VIII. ANNUAL AUDIT

In conjunction with the City’s annual audit, the City shall obtain a compliance audit of management controls on investments and adherence to the City’s established investment policies.

IX. INVESTMENT POLICY ADOPTION AND REVIEW BY CITY COUNCIL

The City's investment policy shall be adopted by the City Council. The City Council shall review the policy on an annual basis.

The City Council shall adopt a written instrument by ordinance or resolution stating that the Council has reviewed the investment policy and investment strategies, and the written instrument so adopted shall record any changes made to either the investment policy or investment strategies.

X. AMENDMENT

In the event State law changes and the City cannot invest in the investments described in this policy, this policy shall automatically conform to existing law.

Exhibit “B”

2023 - LIST OF AUTHORIZED BROKERS

ABC Bank	Moody National Bank
Allegiance Bank	New First National Bank
Amegy Bank of Texas, N.A.	North Star Bank of Texas
Austin Capital Bank	Omni Bank N.A.
b1Bank (Business First Bancshares)	PNC Bank/The PNC Financial Services Group, Inc.
BancorpSouth	Pioneer Bank
Bank of America N.A.	Plains Capital Bank
Bank of New York - Mellon	Plains State Bank
Bank of Texas N.A.	Prosperity Bank
Bank Ozk	R Bank
Cadence Bank	Regions Bank
Capital Bank of Texas	SouthStar Bank
Capital Markets Group	Southwest Securities
Capital One	Spirit of Texas Bank
Central Bank	State Bank of Texas
Chasewood Bank	State Street Bank & Trust Co.
Citibank N.A.	Stellar Bank
Comerica Bank	Stifel Nicolaus
Comerica Securities	Tex Star Investment Pool
Commercial State Bank	Texan Bank
Community Bank of Texas	Texas Capital Bank N.A.
Community Trust Bank	Texas Class
Coastal Securities	Texas Citizens Bank
East West Bank	Texas Exchange Bank
First Bank of Texas	Texas First Bank
First Citizens Bank	Texas Gulf Bank
First Financial Bank, N.A.	Texas Regional Bank
First National Bank of Texas	The Independent Bankers Bank
First Texas Bank	The Mint National Bank
Frontier Bank of Texas	Texas Savings Bank
Frost National Bank	Texpool/Texpool Prime
Guaranty Bank & Trust	The Right Bank for Texas
Hancock Whitney Bank	Third Coast Bank
Herring Bank	Truist Bank
Hometown Bank, N.A.	Trustmark National Bank
Iberia Bank	United Bank of El Paso Del Norte
ICS	United Texas Bank
Independent Bank	Unity National Bank
International Bank of Commerce	U.S. Bank
Inter National Bank	Veritex Bank
IntraFi Network Deposits	Wallis Bank
JP Morgan Chase	Wells Fargo Bank, N.A.
Landing Rock Group LLC	Wells Fargo Brokerage Services, LLC
Legacy Texas Bank	Wells Fargo Trust
Lone Star Investment Pool	West Star Bank