

**TOWN OF WESTOVER HILLS, TEXAS
RESOLUTION 2016 - 04**

A RESOLUTION OF THE MAYOR AND TOWN COUNCIL OF THE TOWN OF WESTOVER HILLS, TEXAS APPROVING THE TOWN OF WESTOVER HILLS INVESTMENT POLICY.

WHEREAS, the Public Funds Investment Act (PFIA) as defined in Chapter 2256 of the Texas Government Code stipulates mandatory requirements pertaining to custodianship and investment of public funds for all Texas cities; and

WHEREAS, the PFIA requires that municipalities adopt, by Resolution, an Investment Policy setting forth procedures and investment strategies involving the public funds entrusted to said municipality; and

WHEREAS, it has been hereby determined to be in the best interest and welfare of the Town of Westover Hills that the Town of Westover Hills Investment Policy, attached hereto as Exhibit "A", be approved.

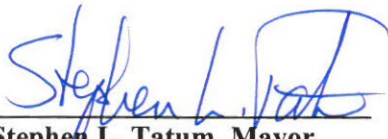
NOW, THEREFORE, BE IT RESOLVED BY THE MAYOR AND TOWN COUNCIL OF THE TOWN OF WESTOVER HILLS, TEXAS:

Section 1. THAT, the above findings are hereby found to be true and correct and are hereby incorporated in their entirety.

Section 2. THAT, the Town of Westover Hills Investment Policy be hereby approved.

PASSED AND APPROVED this the 16th Day of February, 2016.

TOWN OF WESTOVER HILLS, TEXAS


Stephen L. Tatum, Mayor

ATTEST:


Penny Spikes, Town Secretary



TOWN OF WESTOVER HILLS, TEXAS

INVESTMENT POLICY

Adopted by Resolution No. 2016 – 04, February 16, 2016

I. INTRODUCTION. It is the policy of the Town of Westover Hills (the “Town”) to invest its public funds in a manner which will provide the highest investment return with the maximum security of principal invested while meeting the daily cash flow needs of the Town and conforming to the Public Funds Investment Act (the “Act”), Texas Government Code, Chapter 2256.

II. SCOPE. This investment policy applies to all financial assets of the Town. These funds are reported in the Comprehensive Annual Financial Report (GAFR) and include:

- A. General Fund
- B. Water Utility Fund

III. OBJECTIVES. It is the policy of the Town that all funds shall be managed and invested with four primary objectives, listed in order of priority as follows:

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 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 maintain additional liquidity for unexpected liabilities.

Yield. The Town’s investment portfolio shall be designed with the objective of attaining a rate of return throughout budgetary and economic cycles which is commensurate with the Town’s investment risk constraints and cash flow characteristics of the portfolio.

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

IV. INVESTMENT STRATEGY. The Town may maintain a commingled portfolio in which respective Town funds are pooled for investment purposes which incorporates the specific investment strategy considerations and the unique characteristics of the fund groups represented in the portfolio, or maintain segregated portfolios for each respective fund.

- A. The investment strategy for operating (general) and utility (enterprise) funds 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. This may be accomplished by purchasing high quality, short- to medium-term maturity securities (0-2 years) which will complement each other in a laddered maturity structure permitting some extension for yield enhancement, or investing in a government investment pool that invests exclusively in such instruments. The

maximum dollar weighted average maturity (WAM) of six months, or less, will be calculated using the stated final maturity date of each security.

- B. The investment strategy for capital projects or capital projects funds will have as its primary objective assurance that anticipated cash flows are matched and provide adequate investment liquidity for project payments.

The Town shall pursue a conservative portfolio management strategy. Securities may be sold before they mature if market conditions present an opportunity to benefit from the sale.

V. DELEGATION OF RESPONSIBILITY.

Investment Officer(s).

The Town Council Finance Committee and the Town Administrator shall be designated by the Town Council, by resolution, as Investment Officers (hereinafter acting together or singularly, "Investment Officer") as those officials and officers responsible for investment decisions and activities. The Town may further contract with a registered investment advisor to advise in management of the portfolio. No person may engage in an investment transaction except as provided under the terms of this Policy and supporting procedures.

The Town Administrator shall be designated as the Investment Officer who shall attend at least one training session, in accordance with the Act, within twelve (12) months after assuming investment officer duties and, subject to Section 2256.008 (f) of the Act, shall attend ten (10) hours of training every two successive fiscal years.

The Investment Officer is responsible for creating and maintaining the portfolio in accordance with this Policy, providing quarterly reporting to the Town Council, and establishing procedures and controls for the process and counter-parties (brokers, banks, pools).

Investment Officer 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. Staff shall disclose to the Town Administrator any personal business with or material financial interests in financial institutions that conduct business with the Town.

Ethics and Conflict of Interest.

An Investment Officer 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.

Town Council Responsibilities.

The Town Council has the ultimate fiduciary responsibility for the Town's investment portfolio(s). It will designate the Investment Officer(s), receive and review quarterly reporting, provide for

Investment Officer training, approve broker/dealers, and review and adopt the Investment Policy and Strategy at least annually.

VI. PRUDENCE AND CONTROLS. 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 capital as well as the probable income to be derived.”

In determining whether the 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. The Investment Officer, acting in accordance with written procedures and exercising due diligence, shall not be held liable for the 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.

Internal Controls. The Investment Officer is responsible for the establishing and maintaining an internal control mechanism designed to reasonably assure that assets are protected from loss, theft or misuse.

VII. AUTHORIZED INVESTMENTS. Assets of the Town may be invested only in the following instruments as further defined by the Act. Changes to the authorized investment instruments list shall not be authorized until this Policy is amended and approved by the Town Council. All investment transactions will be made on a competitive basis.

- A. Obligations of the United States Government, its agencies and instrumentalities and securities with the full faith and credit backing of the U.S. Government with a maximum stated maturity of two years, excluding mortgage backed securities.
- B. Fully collateralized depository certificates of deposit from banks doing business in Texas, with a maximum maturity of one year guaranteed or insured by the FDIC, or its successor, or secured in accordance with this Policy.
- C. AAA-rated, constant-dollar Texas Local Government Investment Pools as defined by the Act and authorized by resolution of the Town Council.

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 third party custodian. The custodian shall provide the Town with proof of ownership or claim by an original document delivered to the Town.

VIII. REPORTING.

Quarterly Reporting. The Investment Officer shall submit a written quarterly investment report, signed by the Investment Officer(s), to the Town Council in accordance with the Act containing sufficient information to enable an informed outside reader to evaluate the performance of the investment program consistent with statutory requirements. The report shall summarize investment strategies employed in the most recent quarter and fully describe investment

securities, maturities, risk characteristics, investment return for the quarter, and the Fund to which each asset belongs. The report will include the following at a minimum:

- A detailed description of each security or position held at the end of the reporting period including the book and market value at the beginning and end of the period;
- 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 as relevant to both the Act and the Investment Policy.

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

IX. FINANCIAL COUNTER-PARTIES.

Depository. At least every five (5) years a banking services depository shall be selected through a competitive Request for Proposal or Application (RFP or RFA), or a process in compliance with the Texas Government Code, Chapter 105. In selecting a depository, the services, cost of services, credit worthiness, earnings potential; and collateralization by the institutions shall be considered.

All time and demand deposits in any depository of the Town shall be insured or collateralized at all times in accordance with this Policy.

Other banking institutions from which the Town may purchase certificates of deposit will also be designated as a depository for depository/collateral purposes. All depositories will execute a depository agreement and have the Bank's Board or Bank Loan Committee pass a resolution approving the agreement.

Security Broker/Dealers. All financial institutions and broker/dealers who desire to transact business with the Town must supply the following documents to be maintained by the Town Administrator:

- (if brokers) Financial Industry Regulatory Agency (FINRA) certification and CRD number
- (if brokers) Proof of Texas State Securities registration
- Policy review certification

Each pool/bank/broker must be provided a copy of the Town's 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.

X. COLLATERAL. All deposit of public funds shall be secured by eligible security to the extent and in the manner required by Chapter 2257 of the Texas Government Code.

Time and Demand Pledged Collateral. Collateral for all time and demand deposits shall be maintained and monitored by the pledging depository at least 100% of market value of principal

and accrued interest on the deposits. The bank shall monitor and maintain the margins on a daily basis.

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). The Custodian shall provide a monthly report of collateral directly to the Town.

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

Authorized Collateral. Only the following securities are authorized as collateral for time and demand deposits:

- 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 Mortgage-backed Securities (MBS) or Collateralized Mortgage Obligations (CMO) which pass the bank test.
- C. Obligations of any state of the 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.

XI. SAFEKEEPING.

The laws of the State and this Policy require that all purchased securities be cleared to safekeeping on a Delivery versus Payment (DVP) basis and be held in safekeeping by an independent third party financial institution, or the Town's banking services depository.

All safekeeping arrangements shall be approved by the Investment Officer and an agreement of the terms executed in writing. The independent third party custodian shall be required to issue safekeeping receipts to the Town listing each specific security, rate description, maturity, cusip number, and other pertinent information. Each safekeeping receipt will be clearly marked that the security is held for the Town or pledged to the Town.

XII. INVESTMENT POLICY ADOPTION.

The Town Investment Policy shall be adopted by resolution of the Town Council no less than annually. Any changes made to the Policy must be noted in the adopting resolution.