

City of Bells

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Ordinance 0514

PUBLIC FUNDS INVESTMENT POLICY

AN ORDINANCE OF THE CITY OF BELLS, TEXAS ADOPTING THE CITY OF BELLS PUBLIC FUNDS INVESTMENT ATTACHED HERETO AS EXHIBIT "A", DECLARING THAT THE CITY COUNCIL HAS COMPLETED ITS REVIEW OF THE INVESTMENT POLICY AND INVESTMENT STRATEGIES OF THE CITY AND THAT EXHIBIT "A" RECORDS ANY CHANGES TO EITHER THE INVESTMENT POLICY OR INVESTMENT STRATEGIES; PROVIDING A REPEALING CLAUSE; PROVIDING A SEVERABILITY CLAUSE; AND PROVIDING FOR AN EFFECTIVE DATE.

WHEREAS, in accordance with the Public Funds Investment Act, Chapter 2256, Tex. Gov't Code, the City Council of the City of Bells, Texas by ordinance adopted an investment policy; and

WHEREAS, Section 2256.005, Tex Gov't Code requires the City Council to review the investment policies and investment strategies not less than annually and to adopt a resolution or order stating the review has been completed and recording any changes made to either the investment policies or investment strategies.

NOW, THEREFORE, BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF BELLS, TEXAS:

SECTION I:

That the City of Bells Investment Policy attached hereto as Exhibit "A" be and the same is hereby adopted and shall govern the investment policies and investment strategies for the City, and shall define the authority of the investment official of the City from and after the effective date of this ordinance.

SECTION II:

That the City Council of the City of Bells has completed its review of the investment policies and investment strategies and any changes made to either the investment policies or investment strategies are recorded in Exhibit "A" hereto.

SECTION III:

That all provisions of the resolutions of the City of Bells, Texas in conflict with the provisions of this resolution are, and the same are hereby, repealed, and all other provisions no in conflict with the provisions of this resolution shall remain in full force and effect.

SECTION IV:

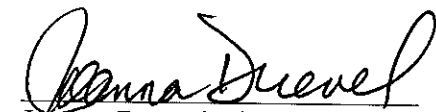
That should any word, sentence, paragraph, subdivision, clause, phrase or section of this ordinance be adjudged or held to be void or unconstitutional, the same shall not affect the validity of the remaining portions of said resolution which shall remain in full force and effect.

SECTION V:

That this ordinance shall become effective immediately from and after its passage.

PASS AND APPROVED by the City Council of the City of Bells on this the 7 day of May 2014.

ATTEST:


Joanna Duevel City Secretary

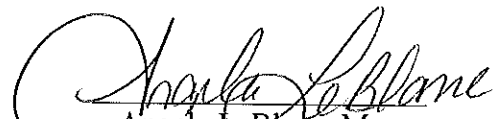

Angela LeBlanc, Mayor

EXHIBIT "A"

City of Bells, Texas Public Funds Investment Policy

I. Policy and Strategy

It is the policy and strategy of the City of Bells to invest public funds in a manner which will provide the greatest return with maximum security, while meeting the daily cash flow demands of the City and conforming to the Public Funds Investment Act (the "Act"), Texas Government Code.

II. Scope

This investment policy applies to all financial assets of the City of Bells (including those presently existing or any funds to be created in the future or funds held in custody by the City of Bells), unless expressly prohibited by law or in contravention of any depository contract between the City and any depository bank. All funds may be pooled for investment purposes and shall include but not be limited to the following funds:

- General Funds
- Utility (Revenue) Funds
- Economic Development Funds
- Reserve Funds
- Special Revenue Funds
- Capital Project Funds
- Utility Interest and Sinking Fund
- Grant Funds
- Custodial Funds
- Cemetery Funds

III. Objectives

The primary objectives of the City investment activities shall be: Safety, Liquidity, Yield, and Public trust. It is the policy of the City to invest public funds in a manner that is consistent with state and federal law and which will provide the highest investment return with the maximum security while meeting the daily cash flow demands of the City. The safety of the principal invested always remains the primary objective. All investments shall be designed and managed in a manner responsive to the public trust.

Safety

Safety of principal is the foremost objective of the investment program. Investments of the City shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio.

Liquidity

Investments will be structured to enable the City to meet all obligations in a timely manner. This shall be achieved by matching investment maturities with forecasted cash flow requirements and by investing in securities with active secondary markets.

Yield

It shall be the design of this policy to earn the greatest return on investments with safety as the primary and liquidity being the secondary objectives of the portfolio structure. The maximum allowable state maturity of any individual investment owned by the City shall not exceed one year unless approved by City Council.

Public Trust

All participants in the City's investment process shall seek to act responsibly as custodians of the public trust. Investment officials shall avoid any transaction that might impair public confidence in the City's ability to govern effectively. The City of Bells investment portfolio shall be open public records and shall be made readily available upon request by the Mayor and City Council.

IV. Responsibility and Control

Delegation of Authority and Training

The City Secretary is designated as the Investment Officer and is responsible for all investment activities. The Investment officer of the City, as required by law, must attend a training session once every two years and receive ten (10) hours of training and the City shall fund such training.

Investment Committee

An investment Committee, consisting of the Mayor, the City Secretary, Public Works Director, and an appointed Council Member shall meet at least annually to determine operational strategies and to monitor results. The annual meeting date will be in August, during the budget process. The Investment Committee shall include in its deliberation such topics as performance reports, economic outlook, portfolio diversification, maturity structure, potential risk to City's funds, authorized brokers and dealers, and the target yield on the investment portfolio. The Investment Committee shall and is empowered to annually review and approve a list of brokers/institutions to be used for investment transactions.

Internal Controls

The Investment Officers are responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the City are protected from lost, theft, or misuse. The Investment Officers shall annually provide for the independent review by an external auditor to assure compliance with policies and procedures. The Investment Officers shall refrain from personal business activity that could conflict with proper execution of the City's investment program.

Prudence

The standard of investments applied by the Investment Officers shall be the "prudent investor" 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 probably safety of their capital as well as the probable income and be derived."

The investment officers, acting in accordance with written procedures and exercising due diligence shall not be held 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.

Disclosure

All members of the Investment Committee shall disclose to the City Council any and all personal or business relationships with any financial institution, broker, other agent or company involved in any manner with the investments of the City.

V. Investments

The Investment Officers shall invest the City of Bells funds with any of the following institutions or groups consistent with federal, state law, and City Code provisions:

1. Depository bank(s) of the City;
2. Other state, savings & loan, or national banks domiciled in Texas with offices within Grayson county or surrounding cities, that are insured by the FDIC;
3. Investment Pools with a rating of AAA or AAAM;
4. Treasury Securities issued by the Federal Government.

The City of Bells is empowered by statute to invest in certificates of deposits issued by a state or national bank domiciled in this state or a savings and loan association and is secured by obligations guaranteed or insured by the Federal Deposit insurance corporation or its successor.

VI. Investment Collateral and Safekeeping

Insurances or Collateral

Depositors holding deposits and investments of the City funds that are secured by pledged collateral, shall anticipate market changes. The level of security and collateralization will be 102% of market value of principal and accrued interest on the deposits or investments less an amount insured by the FDIC or FSLIC.

The City Investment Officers shall maintain evidence of the pledged collateral. Collateral shall be reviewed to assure that the market valued of the pledged securities is adequate.

Authorized Investment Collateral

The City of Bells will accept on the following collateral and securities:

1. FDIC insurance coverage;
2. A bond, certificate of indebtedness, or Treasury Note of the United States, or other evidence of indebtedness of the United States that is guaranteed as to principal and interest of the United States;

3. Obligations, the principal and interest on which are unconditionally guaranteed or insured by the State of Texas;
4. A bond of the State of Texas or of a county, city or other political subdivision of the State of Texas having been rated as investment grade (investment rating no less than "A" or its equivalent) by a nationally recognized rating agency.

Subject to Audit

All collateral shall be subject to inspection and audited by the Finance Officer or the City's independent auditors on a reasonable business basis.

Delivery Vs. Payment

Treasury Bills, notes, bonds and government agency securities shall be purchased using the delivery vs. payment method. That is, funds shall not be wired or paid until verification has been made that the custodian received the correct security. The security shall be held in the name of the City. The custodian's records shall assure the notation of the City's ownership of or explicit claim on pledged securities. The original copy of all safekeeping receipts shall be delivered to the City. Market price of all securities shall be determined by a reliable outside source.

Limits of Maturity

Custodial/grant funds may not be invested in any instrument with a maturity of more than 90 days. The weighted average maturity (WAM) for such funds shall be no more than 90 days at anytime.

Operating funds (those designated as annually determined by budget allocation) or undesignated fun balances of such funds may not be invested in any instrument with maturity longer than the current budget cycle. The WAMN for such funds shall be no more than the number of days remaining in the current budget cycle at the time of quarterly reporting.

Funds other than operating funds and custodial/grant funds may not be invested in any instrument with a maturity of more than thirty-six (36) months. The WAM for such funds shall not be more than thirty-six (36) months. The WAM for such funds shall not be more than thirty-six (36) months at any time.

VII.* **Audit Required*

The Investment Officer shall assure that an annual audit to confirm compliance with the Texas Public Funds Investment Act and with this Investment Policy. Such an audit shall

include a full review of all quarterly reporting, if any investments are made in forms other than investment pools, interest bearing accounts, treasury bills or CDs.

VIII. Investment Reporting and Performance Evaluation

At least quarterly, Investment Officers shall prepare and submit to the members of the City Council a written report showing the case and investment positions of all City Funds. The Report will:

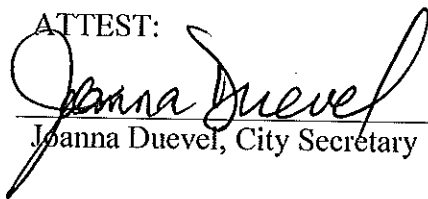
1. Identify the Fund to which the cash or investment belongs;
2. Identify the source location of the invested funds;
3. Identify any restrictions as to the use of the funds;
4. Identify the rate of return being earned on the investments; and
5. Contain a statement that the investments comply with the adopted policy of the City and the relevant provisions of the Public Funds Investment Act of 1987, as amended.

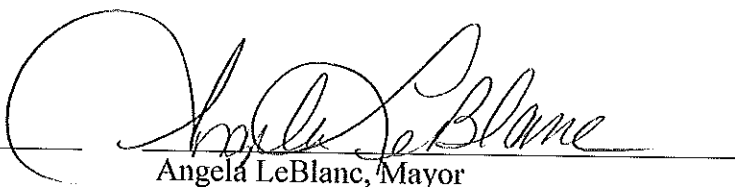
IX. Investment Policy Adoption

The City of Bells Investment Policy shall be annually adopted by resolution of the City Council. The Investment Committee shall review the Policy for effectiveness on an annual basis and any modifications will be noted in the approval resolution to the City Council.

PASSED AND ADOPTED BY ORDINANCE 0514 ON THE 7 DAY OF May 2014.

ATTEST:


Joanna Duevel, City Secretary


Angela LeBlanc, Mayor