RESOLUTION R210913A

A RESOLUTION REVIEWING THE INVESTMENT POLICY FOR THE CITY OF SNYDER.

WHEREAS, the State of Texas passed HB 2459 amending Chapter 2256, Government Code, known as the Public Funds Investment Act; and

WHEREAS, the City of Snyder adopted by Resolution R950905B and amended by Resolution R970407A a written investment policy regarding the investment of its funds and funds under its control according to Section 2256.005 of the Public Funds Investment Act; and

WHEREAS, the Investment Policy must include all of the provisions as mandated in Chapter 2256; and

WHEREAS, the Investment Policy must be reviewed annually and have governing body approval of any amendments;

BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF SNYDER, TEXAS:

THAT, the City hereby reviews the current Investment Policy for the City of Snyder and recommends no amendments.

PASSED AND APPROVED this 13th day of September 2021.

Mayor

ATTEST:

City Secretary

INVESTMENT POLICY

1.0 INTRODUCTION

The intent of the Investment Policy of the City of Snyder is to define the parameters within which funds are to be managed. In methods, procedures and practices, the policy formalizes the framework for the City of Snyder's investment activities that must be exercised to ensure effective and judicious fiscal and investment management of the City of Snyder's funds. The guidelines are intended to be broad enough to allow the investment officer to function properly within the parameters of responsibility and authority, yet specific enough to adequately safeguard the investment assets.

2.0 GOVERNING AUTHORITY

The investment program shall be operated in conformance to all state laws and statutes which govern the investment of public funds, including but not by way of limitation, the Public Funds Investment Act, Chapter 2256, Government Code and Public Funds Collateral Act, Chapter 2257, Government Code.

3.0 SCOPE

This policy applies to activities of the City of Snyder with regard to investing the financial assets of all funds. In addition, funds held by trustees or fiscal agents are excluded from these rules; however, all funds are subject to regulations established by the State of Texas. The covered funds, and any new funds created by the City of Snyder, unless specifically exempted by the oversight board and this policy, are defined in the City of Snyder's Comprehensive Annual Financial Report. This investment policy applies to all financial assets of the City. These funds are accounted for in the Comprehensive Annual Financial Report and include:

General Fund
Special Revenue Fund
Enterprise Funds
Internal Service Funds
Capital Project Funds

4.0 STANDARDS OF CARE

1. Prudence

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" standard 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 for an individual security's credit risk or market price changes, provided deviations from expectations are reported in a timely fashion and appropriate action is taken to control adverse developments. The governing body of the investing entity retains ultimate responsibility as fiduciaries of the assets of the entity. PFIA2256.006(a-b)

2. Ethics and Conflicts of Interest

Officers and employees involved in the investment process shall refrain from personal business activity that could conflict with the proper execution of the investment program, or which could impair their ability to make impartial investment decisions. The investment officer must file a disclosure statement with the Texas Ethics Commission and the governing body if the officer has a personal business relationship with a business organization offering to engage in an investment transaction with the City or the officer is related within the second degree by affinity or consanguinity, as determined under Chapter 573 of the Texas Government Code, to an individual seeking to transact investment business with the entity.

5.0 GENERAL OBJECTIVES

The primary objectives, in priority order of the investment activities shall be:

1. **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. To attain this objective, diversification is required in order that potential losses on individual securities do not exceed the income generated from the remainder of the portfolio.

2. **Liquidity:** The investment portfolio will remain sufficiently liquid to enable the City of Snyder to meet all operating requirements, which might be reasonably anticipated.

3. **Yield:** The investment portfolio shall be designed with objective of attaining a market rate of return throughout budgetary and economic cycles, taking into account the investment risk constraints and the cash flow characteristics of the portfolio.

6.0 DELEGATION OF AUTHORITY

Authority to manage the investment program is derived from the following: Resolution No. 950905B. Management responsibility for the investment program is hereby delegated to the Investment Officer, who shall establish written procedures for the operation of the investment program consistent with this investment policy. Procedures should include references to: safekeeping, PSA repurchase agreements, wire transfer agreements, collateral/depository agreements and banking services contracts. 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 Investment Officer(s). The Investment Officer(s) shall be responsible for all transactions undertaken and shall establish a system of controls to regulate the activities of subordinate officials.

7.0 INVESTMENT TRAINING

The entity shall provide periodic training in investments for the investment personnel through courses and seminars offered by professional organizations and associations in order to ensure the quality and capability of the entity's investment personnel making investment decisions in compliance with the Public Funds Investment Act.

Investment officers must attend at least one training session within 12 months of assuming this duty. Training from an independent source approved by the governing body of the local government and containing at least 8 hours of instruction relating to the treasurer's or officer's responsibilities, and thereafter every two years. Training must include education in investment controls, security risks, strategy risks, market risks, and compliance with state investment statutes.

8.0 AUTHORIZED FINANCIAL INSTITUTIONS AND DEALERS

The Investment Officers(s) 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. No public deposit shall be made except in a qualified public depository as established by state laws.

Investments shall only be made with those business organizations that have provided the entity with a written instrument, executed by a qualified representative of the firm, acknowledging that the business organization has received and reviewed the entity's Investment Policy and implemented reasonable procedures and controls in an effort to preclude investment transactions conducted between the entity and the organization that are not authorized by the entity's investment Policy, PHIA 2256.005(k-l).

9.0 AUTHORIZED AND SUITABLE INVESTMENTS

The City of Snyder is empowered by statute to invest in the following:

U.S. Treasury Bills and Notes

Certificates of Deposit: Fully insured or collateralized certificates of deposit issued by banks doing business in Texas that are guaranteed or insured by the Federal Deposit Insurance Corporation, or is successor; or, secured by obligations as described by the Policy.

Local Government Investment Pools: Either state-administered or through joint powers statutes and other intergovernmental agreement legislation. An investment pool may invest its funds in money market mutual funds to the extend permitted by and consistent with the investment policies adopted by the investment pool.

10.0 COLLATERALIZATION

This is a requirement of the Public Funds Collateral Act, Chapter 2257, Government Code. The City of Snyder requires that all time and demand deposits to be insured or a collateralized at 102%. All certificates of deposits must be collateralized by U.S. Treasury Obligations. Collateral must be held by a third party and valued on a monthly basis.

A. The agreement shall be in writing.
B. The agreement shall be executed by the Depository and the City contemporaneously with the acquisition of the asset.
C. The agreement will include no listing of pledged collateral.
D. The agreement must be approved by the Board of Directors or the Loan Committee of the Depository and a signed copy of the meeting minutes must be delivered to the City.

All collateral shall be subject to inspection and audit by the City of Snyder's independent auditors.

11.0 SAFEKEEPING AND CUSTODY

All security transactions entered into by the City of Snyder shall be conducted on delivery-versus-payment (DVP) basis. Securities will be held by a third-party custodian designated by the Treasurer and evidenced by safekeeping receipts in the City of Snyder's name. The safekeeping institution shall annually provide a copy of its most recent report on internal controls – Service Organization control Reports (formerly 70, or SAS 70) prepared in accordance with the Statement on Standards for Attestation Engagements (SSAE) No. 16 (effective June 15, 2011).

12.0 DIVERSIFICATION

The City of Snyder will diversify its investments by security type and institution.

13.0 MAXIMUM MATURITIES

The City will make every attempt to match its investments with anticipated cash flow requirements with a maximum maturity of one (1) year.

14.0 INTERNAL CONTROL

The Investment Officer(s) shall establish an annual process of independent review by an external auditor. This review will provide internal control by assuring compliance with policies and procedures.

15.0 PERFORMANCE STANDARDS

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 the cash flow needs.

1. **Market Yield (Benchmark):** The entity's investment strategy is passive. Given this strategy, the basis used by the Investment Officer(s) to determine whether market yields are being achieved shall be the six-month U.S. Treasury Bill and the average Fed Funds rate.

16.0 REPORTING

The Investment Officer(s) is charged with the responsibility of including a market report on investment activity and returns in a quarterly report to the Council. Reports will include performance, market sector breakdown, number of trades, interest earnings, etc.

17.0 INVESTMENT POLICY ADOPTION

The City's Investment Policy shall be adopted by resolution of the City Council. Moreover, the Policy shall be reviewed on an annual basis, and modifications must be approved by the City Council.

INVESTMENT STRATEGIES

The City of Snyder maintains portfolios which utilize four specific investment strategy considerations designated to address the unique characteristics of the fund groups represented in the portfolios.

> Investment strategies for operating funds and commingled pools containing operating funds have as their primary objective to assure that anticipated cash flows are matched with adequate investment liquidity. The secondary objective is to create a portfolio structure which will experience minimal volatility during economic cycles. This may be accomplished by purchasing high quality, short to medium-term securities which will compliment each other in a laddered or barbell maturity structure. The dollar weighted average maturity of 365 days or less will be calculated using the stated final maturity dates of each security.
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> Investment strategies for debt service funds shall have as the primary objective the assurance of investment liquidity adequate to cover the debt service obligation on the required payment date. Securities purchased shall not have a stated final maturity date which exceeds the debt service payment date.
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> Investment strategies for debt service reserve funds shall have as the primary objective the ability to generate a dependable revenue stream to the appropriate debt service fund from securities with a low degree of volatility. Except as may be required by the bond ordinance specific to an individual issue, securities should be of high quality, with short to intermediate-term maturities. Volatility shall be further controlled through the purchase of securities carrying the highest coupon available, within the desired maturity and quality range, without paying a premium, if at all possible. Such securities will tend to hold their value during economic cycles.
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> Investment strategies for special projects or special purpose fund portfolios will have as their primary objective to assure that anticipated cash flows are matched with adequate investment liquidity. These portfolios should include at least 10% in highly liquid securities to allow for flexibility and unanticipated project outlays. The stated final maturity dates of securities held should not exceed the estimated project completion date.

GLOSSARY

AGENCIES: Federal agency securities.

ASKED: The price at which securities are offered.

BANKERS' ACCEPTANCE (BA): Bankers' acceptances, if the bankers' acceptances are: (i) Guaranteed by, and carried on the books of a qualified financial institution; (ii) Eligible for discount by the Federal Reserve System; and (iii) Issued by a qualified financial institution whose short-term letter of credit rating is rated in the highest category by one or more nationally recognized statistical rating organizations.

For the purposes of this paragraph, "qualified financial institution" means; (i) A financial institution that is located and licensed to do banking business in the State; or (ii) A financial institution that is wholly owned by a financial holding company or bank holding company that owns a financial institution that is located and licensed to do business in the State of Texas.

BID: The price offered by a buyer of securities. (When you are selling securities, you ask for a bid). See Offer.

BROKER: A broker brings buyers and sellers together for a commission.

CERTIFICATE OF DEPOSIT (CD): A time deposit with a specific maturity evidenced by a certificate. Large-denomination CD's are typically negotiable.

COLLATERAL: Securities, evidence of deposit or other property, which a borrower pledges to secure repayment of a loan. Also refers to securities pledged by a bank to secure deposits of public monies.

COMPREHENSIVE ANNUAL FINANCIAL REPORT: The official annual report for the City of Snyder. It includes five combined statements for each individual fund and account group prepared in conformity with GAAP. It also includes supporting schedules necessary to demonstrate compliance with finance-related legal and contractual provision, extensive introductory material, and a detailed Statistical Section.

COUPON: (a) The annual rate of interest that a bond's issuer promises to pay the bondholder on the bond's face value. (b) A certificate attached to a bond evidencing interest due on a payment date.

DEALER: A dealer, as opposed to a broker, acts as a principal in all transactions, buying and selling for his own account.

DEBENTURE: A bond secured only by the general credit of the issuer.

DELIVERY VERSUS PAYMENT: There are two methods of delivery of securities; delivery versus payment and delivery versus receipt. Delivery versus payment is delivery of securities with an exchange of money for the securities. Delivery versus receipt is delivery of securities with an exchange of a signed receipt for the securities.

DISCOUNT: The difference between the cost price of a security and its maturity when quoted at lower than face value. A security selling below original offering price shortly after sale also is considered to be at a discount.

DISCOUNT SECURITIES: Non-interest bearing money market instruments that are issued a discount and redeemed at maturity for full face value, e.g. U.S. Treasury Bills.

DIVERSIFICATION: Dividing investment funds among a variety of securities offering independent returns.

FEDERAL CREDIT AGENCIES: Agencies of the Federal government set up to supply credit to various classes of institutions and individuals, e.g., S&L's small business firms, students, farmers, farm cooperatives, and exporters.

FEDERAL DEPOSIT INSURANCE CORPORATION (FDIC): A federal agency that insures bank deposits, currently up to $100,000 per deposit.

FEDERAL FUNDS RATE: The rate of interest at which Fed funds are traded. This rate is currently pegged by the Federal Reserve through open-market operations.

FEDERAL HOME LOAN BANKS (FHLB): The institutions that regulate and lend to savings and loan associations. The Federal Home Loan Banks play a role analogous to that played by the Federal Reserve Banks vis-à-vis member commercial banks.

FEDERAL NATIONAL MOTRGAGE ASSOCIATION (FNMA): FNMA, like GNMA, was chartered under the Federal National Mortgage Association Act in 1938. FNMA is a federal corporation working under the auspices of the Department of Housing and Urban Development (HUD). It is the largest single provider of residential mortgage funds in the United States. Fannie Mae, as the corporation is called, is a private stockholder-owned corporation. The corporation's purchases include a variety of adjustable mortgages and second loans, in addition to fixed-rate mortgages. FNMA's securities are also highly liquid and are widely accepted. FNMA assumes and guarantees that all security holders will receive timely payment of principal and interest.

FEDERAL OPEN MARKET COMMITTEE (FOMC): Consists of seven members of the Federal Reserve Board and five of the twelve Federal Reserve Bank Presidents. The President of the New York Federal Reserve Bank is a permanent member, while the other Presidents serve on a rotating basis. The Committee periodically meets to set Federal Reserve Guidelines regarding purchases and sales of Government Securities in the open market as a means of influencing the volume of bank credit and money.

FEDERAL RESERVE SYSTEM: The central bank of the United States created by Congress and consisting of a seven member Board of Governors in Washington, D.C., 12 regional banks and about 5,700 commercial banks that are members of the system.

GOVERNMENT NATIONAL MORTGAGE ASSOCIATION (GNMA or Ginnie Mae): Securities influencing the volume of bank credit guaranteed by GNMA and issued by mortgage bankers, commercial banks, savings and loan associations, and other institutions. Security holder is protected by full faith and credit of the U.S. Government. Ginnie Mae securities are backed by the FHA, VA or FMHA mortgages. The term "passthroughs" is often used to describe Ginnie Maes.

LETTER OF CREDIT: Is a primary obligation of the issuer (independent of all other obligations under the other underlying contracts among the applicant, the beneficiary, or the issuer) to honor drafts or demands for payment of the Beneficiary presented in compliance with the terms and conditions of the Letter of Credit. Eligible security under Section 2257.002 of the Texas Government Code.

LIQUIDITY: A liquid asset is one that can be converted easily and rapidly into cash without a substantial loss of value. In the money market, a security is said to be liquid if the spread between bid and asked prices is narrow and reasonable size can be done at those quotes.

LOCAL GOVERNMENT INVESTMENT POOL (LGIP): The aggregate of all funds from political subdivisions that are placed in the custody of the State Treasurer for investment and reinvestment.

MARKET VALUE: The price at which a security is trading and could presumably be purchased or sold.

MASTER REPURCHASE AGREEMENT: A written contract covering all future transactions between the parties to repurchase---reverse repurchase agreements that establishes each party's rights in the transactions. A master agreement will often specify, among other things, the right of the buyer-lender to liquidate the underlying securities in the event of default by the seller-borrower.

MATURITY: The date upon which the principal or stated value of an investment becomes due and payable.

MONEY MARKET: The market in which short-term debt instruments (bills, commercial paper, bankers' acceptances, etc.) are issued and traded.

OFFER: The price asked by a seller of securities. (When you are buying securities, you ask for an offer). See Asked and Bid.

OPEN MARKET OPERATIONS: Purchases and sales of government and certain other securities in the open market by the New York Federal Reserve Bank as directed by the FOMC in order to influence the volume of money and credit in the economy. Purchases inject reserves into the bank system and stimulate growth of money and credit; sales have the opposite effect. Open market operations are the Federal Reserves' most important and most flexible monetary policy tool.

POOLS: The purpose of a pool is to allow political subdivisions to pool investable funds in order to achieve a potentially higher yield. There are basically three types of pools: 1) state-run pools; 2) pools that are operated by a political subdivision where allowed by law and the political subdivision is the trustee; and 3) pools that are operated for profit by third parties. Prior to any political subdivision being involved with any type of pools, a thorough investigation of the pool and its policies and procedures must be reviewed.

PORTFOLIO: Collection of securities held by an investor.

PRIMARY DEALER: A group of government securities dealers who submit daily reports of market activity and positions and monthly financial statements to the Federal Reserve Bank of New York and are subject to its informal oversight. Primary dealers include Securities and Exchange Commission (SEC)-registered securities broker-dealers, banks, and a few unregulated firms.

PRUDENT PERSON RULE: An investment standard. In some states, the law requires that a fiduciary, such as a trustee, may invest money only in a list of securities selected by the custody state---the so-called legal list. In other states, the trustee may invest in a security if it is one, which would be bought by a prudent person of discretion and intelligence who is seeking a reasonable income and preservation of capital.

QUALIFIED PUBLIC DEPOSITORIES: A financial institution which does not claim exemption from the payment of any sales or compensating use or ad valorem taxes under the laws of this state, which has segregated for the benefit of the commission eligible collateral having a value of not less than its maximum liability and which has been approved by the Public Deposit Protection Commission to hold public deposits.

RATE OF RETURN: The yield obtainable on a security based on its purchase price or its current market price. This may be the amortized yield to maturity on a bond or the current income return.

REPURCHASE AGREEMENT (RP OR REPO): A holder of securities sells these securities to an investor with an agreement to repurchase them at a fixed price on a fixed date. The security "buyer" in effect lends the "seller" money for the period of the agreement, and the terms of the agreement are structured to compensate him for this. Dealers use RP extensively to finance their positions. Exception: when the Fed is said to be doing RP, it is lending money, that is, increasing bank reserves.

SAFEKEEPING: A service to customers rendered by banks for a fee whereby securities and valuables of all types and descriptions are held in the bank's vaults for protection.

SECONDARY MARKET: A market made for the purchase and sale of outstanding issues following the initial distribution.

SECURITIES & EXCHANGE COMMISSION: Agency created by Congress to protect investors in securities transactions by administering securities legislation.

SEC RULE 15C3-1: See Uniform Net Capital Rule.

TREASURY BILLS: A non-interest bearing discount security issued by the U.S. Treasury to finance the national debt. Most bills are issued to mature in three months, six months, or one year.

TREASURY BOND: Long-term U.S. Treasury securities having initial maturities of more than 10 years.

TREASURY NOTES: A non-interest bearing discount security issued by the U.S. Treasury to finance the national debt. Most bills are issued to mature in three months, six months or one year.

UNIFORM NET CAPITAL RULE: Securities and Exchange Commission requirement that member firms as well as nonmember broker-dealers in securities maintain a maximum ratio of indebtedness to liquid capital of 15 to 1; also called net capital rule and net capital ratio. Indebtedness covers all money owed to a firm, including margin loans and commitments to purchase securities, one reason new public issues are spread among members of underwriting syndicates. Liquid capital includes cash and assets easily converted into cash.

YIELD: The rate of annual income return on an investment, expressed as a percentage. (a) **INCOME YIELD** is obtained by dividing the current dollar income by the current market price for the security. (b) **NET YIELD OR YIELD TO MATURITY** is the current income yield minus any premium above par or plus any discount from par in purchase price, with the adjustment spread over the period from the date of purchase to the date of maturity of the bond.

CERTIFICATION

I hereby certify that I have personally read and understand the investment policies and master repurchase agreement conditions of the City of Snyder, and have implemented reasonable procedures and controls designed to fulfill those objectives and conditions. Transactions between this firm and the City of Snyder will be directed towards precluding imprudent investment activities and protecting the City from credit or market risks.

All the personnel of this firm dealing with the City of Snyder's account have been informed and will be routinely informed of the City's investment horizons, limitations, strategy and risk constraints, whenever we are so informed.

This firm pledges due diligence in informing the City of foreseeable risks associated with financial transactions connected to this firm.

______________________ (Firm)	______________________ (Registered Principal of Firm)

Primary Representative

____
(Signature)

____
(Name)

____
(Title)

____
(Date)