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**CITY OF MILLSAP**

*"Working Toward Progress"*

**P.O. Box 057**

**Millsap, Texas 76066**

**(940) 682-7446**



**ORDINANCE 22-05**

An ordinance by the City Council of the City of Millsap, Texas, adopting rules governing the City's investment practices; Designating an investment officer; Defining the authority of the investment officer; and providing for a written annual report on investment transactions; Providing that all resolutions in conflict herewith are hereby repealed to the extent that they are in conflict; Providing a savings clause; Providing an effective date.

**Whereas,** the Texas Public Funds Investment Act, Chapter 2256 of the Government Code, requires each Texas county and City government to adopt rules governing investment practices, such rules are to include the designation of an investment officer, definition of the authority of the investment officer, and provisions for an annual report describing investment transactions; and

**Whereas,** the Texas Public Funds Investment Act, as now or hereafter amended required that the investment of public funds shall be made in accordance with written policies approved by the governing body and hat such policies must address liquidity, diversification, safety of principal, yield, maturity, and quality and capability of investment management, with primary emphasis on safety and liquidity; and

**Whereas,** it is the desire of the City Council for the City of Millsap, Texas to establish and maintain an investment and cash management program to ensure (a) protection of the City's funds, (b) availability of cash to meet current City obligations, and (c) maximization of interest earnings through the investment of city reserves;

NOW, THEREFORE, BE IT RESOLVED by the City Council of the City of Millsap, Texas that the following be adopted as the Investment Rules and Policy of the City:

**I.**

**SCOPE OF POLICY**

This investment policy applies to activities of the City with regard to investing the financial assets of all funds, including the following:

1. General Fund
2. Enterprise Funds (water and sewer)
3. Special Revenue Funds
4. Interest and Sinking (Debt Service) Funds
5. Capital Project Funds
6. Any new fund created by the City Council

**II.**

**STANDARDS**

Investments shall be made with judgment and care under circumstances 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 development.

**III.**

**OBJECTIVE**

The primary objectives (in priority order) of the City of Millsap investment

activities shall be:

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

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

**Yield:** The City of Millsap investment portfolio shall be designed with the objective of attaining a rate of return throughout budgetary and economic cycles, commensurate with the city's investment risk constraints and the cash flow characteristics of the portfolio.

1. **FINANCIAL MANAGEMENT RESPONSIBILITY**

Management responsibility for the investment program is hereby delegated to the Mayor. The Mayor shall serve as the City's Investment Officer.

The Mayor shall establish written procedures for the operations of the investment program consistent with this investment policy. Procedures should include reference to safekeeping, repurchase agreements, wire transfer agreements, banking service contracts and collateral/depository agreements. Such procedures shall include delegation of the authority to persons responsible for investment transactions. No person may engage in an investment transaction except as provided in the terms of this policy and the procedures established by the Mayor. The Mayor shall be responsible for transactions undertaken and shall establish a written system of controls to regulate the activities of subordinate officials, if any.

1. **ETHICS AND CONFLICTS OF INTEREST**

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 City Council any material financial interests in financial institutions that

conduct business with the City of Millsap, and they shall further disclose any large personal financial/investment positions that would be related to the performance of the City of Millsap, particularly with regard to the time of purchases and sales.

**VI.**

**AUTHORIZED INVESTMENTS**

The City of Millsap funds may be invested in the following:

1. Interest bearing checking accounts in a sum not to exceed an amount sufficient to operate and manage the City for a period of one hundred and eighty (180) days while meeting reasonable and ordinary operating expenses.
2. Certificates of deposit issued by state and national banks domiciled in Texas that are:
3. guaranteed or insured by the Federal Deposit Insurance Corporation, or its successor; or
4. secured by obligations that are described in Section 2256.009(a) Government Code, which are intended to include all direct federal agency or instrumentality issued mortgage backed securities that have a market value of not less than the principal amount of the certificates or in other manner and amount provided by law for deposits of participants.

**VII.**

**MATURITY**

Remaining maturities on all investments shall be consistent with the City's cash flow requirements, but shall not exceed three (3) years unless specifically approved by the City Council.

**VIII.**

**INTERNAL CONTROLS**

The Mayor 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.

**IX.**

**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.

**X.**

**COLLATERIZATION AND SAFEKEEPING**

The City will accept as collateral for its certificates of deposit and other evidences of deposit the following:

1. Federal Deposit Insurance Corporation guarantee or insurance;
2. Obligations of the United States or its agencies and instrumentalities;
3. Direct obligations of the State of Texas or its agencies;
4. Direct obligations of other Texas governmental entities (city, county, school or road district), with a remaining maturity of twenty (20) years or less. Such obligations may be general obligation or revenue bonds, but must had (and continue to have) a rating of A or better by Moody's Investors or Standard & Poor's.

The above listed items constitute the only acceptable means of collateralizing the City's deposits. Collateral securities must be owned outright by the pledging financial institution.

Certificates of deposit and other evidences of deposit shall be collateralized at 100% of market value or par value, whichever is lower, for U.S. Treasury bills, notes or bonds with a remaining maturity of three (3) years or less, and at 105% of market or par value whichever is lower, for the other listed securities.

Securities pledged as collateral must be retained in a third party bank in the State of Texas, and the City shall be provided the original safekeeping receipt on each pledged security. The City, financial institution, and the safekeeping bank(s) shall operate in accordance with a master safekeeping agreement signed by all three parties

The City must have confirmation from its safekeeping bank that collateral pledged from a financial institution is in the City's account before investing in certificates of deposit or other evidences of deposit at the financial institution. This confirmation must be in writing with the original safekeeping receipt provided to the City at the time of deposit.

The investment officer must approve release of collateral in writing prior to its removal from the safekeeping account.

Collateral shall be reviewed on a monthly basis by the City's investment officer and may be audited by the City at any time during normal business hours of the safekeeping bank. In addition, collateral shall be audited not less than one time annually by the City's independent auditors.

1. **REPORTING**

The Mayor is charged with the responsibility of including a report on investment activity and returns to the City Council not less than quarterly. Reports shall (a) describe in detail the investment position of the City on the date of the report; (b) be signed by the Mayor; (c) state the book value and market value of each separately invested assets at the beginning and end of the reporting period by the type of asset and fund type invested; (d) state the maturity date of each separately invested asset that has a maturity date; and (e) state the compliance of the investment portfolio as it relates to the investment strategy expressed in this policy and relevant provisions of the Public Funds Investment Act.

1. **INTERESTED PARTIES**

The City must present a written copy of the investment policy to any person or entity seeking to sell an authorized investment. The registered principal of the business organization seeking to sell an authorized investment shall execute a written instrument evidencing that the registered principal has: (1) received and thoroughly reviewed the investment policy of the City, and (2) acknowledged that the organization has implemented reasonable procedures **and** controls in an effort to preclude imprudent investment activities arising out of investment transactions conducted between the City and the organization.

**XIII.**

**ANNUAL REVIEW AND ADOPTION**

The City Council will adopt by rule, order, ordinance or resolution, as appropriate, the investment policy and strategies of its funds and funds under its control not less than annually. In conjunction with its annual financial audit, the City shall perform a compliance audit of management controls on investments and adherence to the City's Investment Policy.

**XIV.**

This Ordinance shall be and is hereby cumulative of all other ordinances of the City of Millsap and this Ordinance shall not operate to repeal or affect any such other ordinances except insofar as the provisions thereof might be inconsistent or in conflict with the provisions of this Ordinance, in which event such conflicting provision, if any, in such other ordinance are hereby repealed.

**XV.**

If any section, subsection, sentence, clause or phrase of this Ordinance shall for any reason be held to be invalid, such decision shall not affect the validity of the remaining portions of this Ordinance.

**XVI.**

This Ordinance shall become effective and shall be in full force and effect from and after the date of passage and adoption by the City Council of the City of Millsap, Texas and upon approval thereof by the Mayor of the City of Millsap.

**ADOPTED AND APPROVED THIS 30thDAY OF August 2022.**

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**Jamie French, Mayor Ashley Davis, City Secretary**