

**THE TOWN OF HORIZON CITY
INVESTMENT POLICY
2027**

1.0 POLICY STATEMENT:

The policy of the Town of Horizon City, Texas is to invest public funds in a manner which will provide the maximum security and meet the liquidity and daily cash flow demands of the City. All investments will be made in full compliance with the Texas Public Funds Investment Act and all applicable state and local statutes governing the investment of public funds.

2.0 SCOPE:

This investment policy applies to the financial assets of the Town of Horizon City. These funds are accounted in the Town of Horizon City's Comprehensive Annual Financial Report and include:

2.1 General Fund: Any new funds created by the City Council of the Town of Horizon City, as the governing body, which shall adopt a separate investment strategy for each fund or group of funds under its control in compliance with Section 2256 of Texas Government Code.

All the listed funds will be pooled for investment purposes. The strategy developed for this pooled fund group will address the varying needs, goals, and objectives of each fund.

The investment of bonds proceeds, or pledged revenues shall be permitted only in compliance with the Texas Public Funds Investment Act Chapter 2256 of the Texas Government Code, and in accordance with statutory provisions governing the debt issuance or the agreement, as applicable and the City's investment policy regarding debt issuance or the agreement, as applicable. "Pledged Revenue" shall have the meaning set forth in Government Code Section 2256.008.

3.0 STANDARD OF CARE:

Investments shall be made with judgement and care under prevailing circumstances that a person of prudence, discretion and intelligence would 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 in the investment function shall be the "prudent person" standard and shall be applied in the context of managing the overall portfolio. The Investment Officer and those with delegated investment authority under this policy, when acting in accordance with written procedures and this policy and exercising due diligence shall be relieved of personal responsibility and liability in the management of the portfolio provided that deviations from expectations are reported in a timely fashion and that appropriate action is taken to control adverse developments.

4.0 OBJECTIVES:

It is the policy of the City that all management and investment of funds shall be governed by the following objectives, in order of priority.

4.1 Preservation and Safety of Principal: Safety of principal is the foremost objective of the investment program. Investments of the Town of Horizon 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 the portfolio's composition. The suitability of each investment decision will be based on these objectives. 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.

4.2 Liquidity: The Town of Horizon City's investment portfolio will remain sufficiently liquid to enable the Town of Horizon City to meet all reasonably expected operating requirements.

4.3 Yield/Return on Investment: The Town of Horizon City's investment portfolio shall be designated with the objective of attaining a rate of return throughout budgetary and economic cycles, commensurate with the Town of Horizon City's investment risk constraints and the cash flow characteristics of the portfolio.

4.4 Investment Strategy: The strategy of the pool is to ensure cash flows are matched with adequate liquidity. This may be accomplished by purchasing quality, short-term securities in a laddered strategy utilizing an investment pool. The dollar weighted average maturity will be 180 days or less to accomplish the goal.

5.0 DELEGATION OF AUTHORITY:

The authority to manage the Town of Horizon City investment program is derived from the following:

- a. Public Funds Investment Act, Chapter 2256, Texas Government Code;
- b. Town of Horizon City Resolution # 43; and
- c. Town of Horizon City Investment Funds Policy Manual.

Management responsibility for the investment program is hereby delegated to the Town of Horizon City's Finance Director who shall serve as the Investment Officer and shall establish written procedures for the operation 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, monitoring of the market price of investments and monitoring of rating changes in investments. Such procedures shall include explicit delegation of authority to the people responsible for all investments.

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. The Investment Officer 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 Officer, or the Mayor in the absence of the Investment Officer, may designate a person as a deputy in the event circumstances require timely action and the Investment Officer is not available.

The Investment Officer shall attend training sessions as required by the Public Funds Investment Act, Chapter 2256 of the Texas Government Code. The Town of Horizon City encourages its Investment Officer to obtain professional credentials.

6.0 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. The Investment Officer shall disclose to the City Council any material financial interests in financial institutions that conduct business within this jurisdiction, and they shall further disclose any large personal financial/investment positions that could be related to the performance of the Town of Horizon City, particularly with regard to the time of purchases and sales of investments.

The Investment Officer who has a personal business relationship with a business organization offering to engage in an investment transaction with the City shall file a statement disclosing that personal business interest. An Investment Officer who is related within the second degree by affinity or consanguinity, as determined under Chapter 573, of the Government Code to an individual seeking to sell an investment to the City shall file a statement disclosing that relationship with the Texas Ethics Commission and the City Council. The Investment Officer has a personal business relationship with a business organization if:

- 1) the Investment Officer owns 10 percent or more of the voting stock or shares of the business organization or owns \$5,000 or more of the fair market value of the business organization;
- 2) funds received by the Investment Officer from the business organization exceed 10 percent of the Investment Officer's gross income for the previous year; or
- (3) the Investment Officer has acquired from the business organization during the previous year investments with a book value of \$2,500 or more for the personal account of the Investment Officer.

7.0 AUTHORIZED FINANCIAL DEALERS AND INSTITUTIONS:

7.1 List of Authorized Financial Institutions: The Town of Horizon City Town Clerk will maintain a list of financial institutions authorized to provide investment services that has been approved at least annually by the City Council. 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. These may include "primary" dealers or regional dealers qualified under Securities & Exchange Commission Rule I 15C3- I (uniform 1 net capital rule). No public deposit shall be made except in the qualified public depository as established by state laws.

All financial institutions and broker/dealers who desire to become qualified bidders for investment transactions must supply the Town Clerk with the following:

- a. Audited financial statements.
- b. Proof of National Association of Security Dealers certification.
- c. Proof of state registration.
- d. Certification of having read Town of Horizon City' s Investment and depository policy
- e. A current audited financial statement is required to be on file for each financial institution and broker/dealer in which the Town of Horizon City invests.

7.2 Signed Written Instrument: A written copy of this investment policy shall be presented to any business organization offering to engage in an investment transaction with the Town of Horizon City. The Investment Officer may not acquire or otherwise obtain any authorized investment from a business organization that has not delivered the written instrument described below.

The qualified representative of the business organization (as defined in Section 2256.005 of Texas Government Code) offering to engage in an investment transaction with the Town shall sign a statement in a form acceptable to the Town of Horizon City and business organization to the effect that the business organization has (1) received and reviewed the Investment Policy of the Town and (2) acknowledged that the business organization has implemented reasonable procedures and controls to preclude investment transactions conducted between the Town and the organization that are not authorized by the Investment Policy, except to the extent that the authorization is dependent on an analysis of the makeup of the City's entire portfolio or requires an interpretation of subjective investment standards.

7.3 Investment Pools: To be eligible to receive funds from and invest funds on behalf of the Town, an investment pool must furnish to the Investment Officer or other authorized Town representative an offering circular or other similar disclosure statement that contains at a minimum the information required by section 2256.016 of the Texas Government code and will obtain the approval of the Town council if the investment pool does not meet the requirements and ratios of the market value of the portfolio divided by the book value as set forth in such statute.

8.0 AUTHORIZED AND SUITABLE INVESTMENTS:

The Town of Horizon City is authorized to invest in the following types of securities (subject to the requirements in the referenced sections of Texas Government Code Chapter 2256, Texas Public Funds Investment Act in compliance with the terms and conditions of each of the referenced authorizing statutes:

- a. Commercial paper (Section 2256.013)
- b. Bankers acceptances (Section 2256.012)
- c. Repurchase agreements (Section 2256.011)
- d. Certificates of deposit that are issued by a depository institution that has its main office or a branch in this state and meets the requirements of (Section 2256.010)
- e. Obligations of, or Guaranteed by the United States, the State of Texas or its respective agencies or instrumentalities, including the Federal Home Loan Banks, such as letters of credit or direct obligations (Section 2256.009)
- f. Obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than A or its equivalent; (Section 22.56.009)
- g. Money Market Mutual Funds (Section 2256.014)
- h. Investment Pools if the pool is approved by resolution of the Town Council (Section 2256.016)
- i. interest-bearing banking deposits that are guaranteed or insured by the Federal Deposit Insurance Corporation or the National Credit Union Share Insurance Fund or its successor (Section 2256.009)

The City is expressly prohibited from investing in Collateralized Mortgage Obligations as set forth in Section 2256.009.

The maximum allowable stated maturity of any authorized investment type shall not exceed two years to maturity, except any specific investment type shall comply with any lower maximum maturity requirements in the authorizing statute.

9.0 COLLATERIZATION:

Collateralization will be required on two types of investments: Certificates of deposit and repurchase (and reverse) agreements. In order to anticipate market changes and provide a level of security for all funds, the collateralization level will be 100 % of the market value of principal and accrued interest. Collateral will always be held by an independent third party with whom the entity has a current custodial agreement. Clearly marked evidence of ownership (safekeeping receipt) must be supplied to the entity and retained.

The right of collateral substitution is granted.

10.0 SAFEKEEPING AND CUSTODY:

All security transactions, including collateral for repurchase agreements entered into by the Town of Horizon City shall be conducted on a delivery-versus payment basis. Securities will be held by a third-party custodian designated by the Investment Officer and evidenced by safekeeping receipts.

11.0 DIVERSIFICATION:

The Town of Horizon City will diversify its Investments by security type and institution. With the exception of US Treasury securities and authorized pools, no more than 50% of the Town of Horizon City's total investment portfolio will be invested in a single security type or with a single financial institution. The City recognizes that investment risks can result from issuer defaults, market price changes or various technical complications leading to temporary illiquidity. Risk is controlled through portfolio diversification.

12.0 MAXIMUM MATURITIES:

To the extent possible, the Town of Horizon City will attempt to match its investments with the anticipated cash flow requirements. Unless matched to a specific cash flow, the Town of Horizon City will not directly invest in securities maturing more than two years from the date purchase, except any specific investment type shall comply with any lower maximum maturity requirements in the authorizing statute. However, the Town of Horizon City may collateralize its repurchase agreements using longer-dated investments not to exceed two years to maturity.

13.0 INTERNAL CONTROL:

The Investment Officer shall establish a system of written internal controls which will be reviewed annually. The controls shall be designed to prevent loss of public funds due to fraud, employee error, misrepresentation by third parties, unanticipated market changes, or imprudent actions by City employees.

The Investment Officer and Town Clerk shall establish an annual process of independent review by an external auditor. The review will include a compliance audit of management controls on investments and adherence with the established investment process, policies, and procedures.

14.0 PERFORMANCE STANDARDS:

The investment portfolio shall be designed with the objective of obtaining a rate of return through budgetary and economic cycles, commensurate with the investment risk constraints and the cash flow needs.

14.1 Market Yield (Benchmark): The Town of Horizon City's investment strategy is active. Given this strategy, the basis used by the Investment Officer to determine whether market yields are being achieved shall be the corresponding US Treasury Bill rate and the average Fed Funds rates.

15.0 REPORTING:

The Investment Officer is charged with the responsibility of including a market report to the City Council on investment activity and returns and will include the performance of the Town of Horizon City's financial report. Reports will include performance, market sector breakdown, number of trades, and interest earnings.

Detail and summary reports will be prepared by the Investment Officer and presented to the Town of Horizon City Council no less than quarterly. Reports will comply with Section 2256.023 of the Public Funds Investment Act and GASB 31 at a minimum.

16.0 LOSS OF REQUIRED RATING:

This Investment Policy requires certain minimum ratings of certain investments. At least monthly, the Investment Officer will review the ratings of each of the investments in the City's portfolio. In the event an investment does not meet that minimum rating during the period that the investment is being held by the City, that investment does not qualify as an authorized investment. The City shall take all prudent measures that are consistent with this Investment Policy to liquidate an investment that does not have the minimum rating.

17.0 INVESTMENT POLICY ADOPTION:

This Investment Policy, which includes strategies for each fund, shall be adopted by resolution by the City Council of the Town of Horizon City and shall be reviewed annually by the City Council. The Town of Horizon City Council must approve any modifications.