

CITY OF JACKSBORO INVESTMENT POLICY

Revised and approved

November 25, 2024

CITY OF JACKSBORO, TEXAS INVESTMENT POLICY

It is the policy of the City of Jacksboro to:

- * Ensure the safety of its principal in the overall portfolio as the foremost objective.
- * Structure the investment portfolio in a manner which will provide the liquidity necessary to pay its obligations as they come due. Optimize return on investments within the constraints of safety and liquidity.
- * Diversify its investments and restrict its investment vehicles to only those high grade instruments which qualify under State Law.
- * Maintain accountability of investments, subjecting them to internal controls, annual reporting and independent audit.

CITY OF JACKSBORO INVESTMENT POLICY

I. POLICY

It is the policy of the City of Jacksboro (hereinafter referred to as "City") that after allowing for the anticipated cash flow requirements of the City and giving due consideration to the safety and risk of investment, all available funds shall be invested in conformance with these legal and administrative guidelines and to the maximum extent possible, at the highest rates obtainable at the time of investment.

Effective cash management is recognized as essential to good fiscal management. Investment interest is a viable and material source of revenue to City funds. The City's investment portfolio shall be designed to be managed in a manner designed to maximize this revenue source, to be responsive to the public trust and to be in compliance with legal requirements and limitations.

Investments shall be made with the primary objectives of:

- A. Safety - Preservation of Principal.
- B. Liquidity - Maintenance of Liquidity to Fund Operations.
- C. Yield - Maximization of the Portfolio.
- D. Public Trust - Prudent Investment Activities.

II. PURPOSE

The purpose of this investment policy is to comply with Chapter 2256 of Title 10 of the Texas Local Government Code ("Public Funds Investment Act") which requires each city to adopt a written investment policy regarding the investment of its funds and funds under its control; and Chapter 2257 of Title 10 of the Texas Local Government Code ("Public Funds Collateral Act"). The Investment Policy addresses the methods, procedures and practices that must be exercised to ensure effective and judicious fiscal management of the City of Jacksboro funds.

III. SCOPE

This Investment Policy shall govern the investment of all financial assets of the City of Jacksboro. These funds are accounted for in the City's Annual Program of Services (budget) and the Comprehensive Annual Financial Report (CAFR) when it is prepared.

A. Funds Included

POOLED FUND GROUP

- 1. General Fund
- 2. Special Revenue Funds
- 3. Capital Projects Funds
- 4. Enterprise Funds

SEPARATELY INVESTED ASSETS:

- 1. Trust And Agency Funds - To the extent required by law or existing contract to be kept segregated and managed separately.
- 2. Debt Service Funds - Including reserves and sinking funds, to the extent not required by law or existing contract to be kept segregated and managed separately.
- 3. New Funds - Created by the City, unless specifically exempted from this Policy by the City Council by law.

B. Funds Excluded

This policy shall not govern funds that are managed under separate investment programs. Such funds currently include the City's participation in the Texas Municipal Retirement system and any deferred compensation programs administered for the benefit of the City by outside agencies. The City shall maintain responsibility for these funds only as required by State Law and Code of Ordinances. PFIA 2256.004

IV. INVESTMENT OBJECTIVES

The City of Jacksboro shall manage and invest its cash with four primary objectives listed in the order of priority as follows: safety, liquidity, yield and public trust. 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 and consistent with State and local law.

The City shall maintain a comprehensive cash management program which includes collection of accounts receivable, vendor payments in accordance with invoice terms and prudent investment of available cash. Cash management is defined as the process of managing monies in order to ensure maximum cash availability and maximum yield on short-term investment of pooled idle cash.

A. Safety

Safety of principal is the foremost objective of the investment program. Investments shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. The objective will be to mitigate credit and interest rate risk.

1. Credit Risk - The City will minimize credit risk, the risk of loss due to the failure of the issuer or backer, by:
 - a. Limiting investments to the safety types of securities.
 - b. Pre-qualifying the financial institutions and broker/dealers with which the City will do business.
 - c. Diversifying the investment portfolio so that potential losses on individual securities will be minimized.
2. Interest Rate Risk - The City will minimize the risk that the market value of securities in the portfolio will fall due to changes in interest rates, by:
 - a. Structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity.
 - b. Investing operating funds primarily in shorter-term securities, money market mutual funds or similar investment pools.

B. Liquidity

The investment portfolio shall remain sufficiently liquid to meet all operating requirements that may be reasonably anticipated. This is accomplished by structuring the portfolio so that securities mature concurrent with cash needs to meet anticipated demands. Because all possible cash demands cannot be anticipated, the portfolio will also be placed in money market mutual funds or local government investment pools that offer same day liquidity for short-term funds.

C. Yield

The investment portfolio shall be designed with the objective of attaining a market rate of return throughout budgetary and economic cycles, taking into account the investment risk constraints and liquidity needs. Return on investment is of secondary importance compared to the safety and liquidity objectives described above. The core of investments is limited to relatively low risk securities in anticipation of earning a fair return relative to the risk being assumed.

D. 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 which might impair public confidence in the City's ability to govern effectively.

V. RESPONSIBILITY AND CONTROL

A. Delegation of Authority

Management responsibility for the Investment Program is assigned to the City Manager with designation by him as provided for in the City's Code of Ordinances. The Director of Finance is hereby designated as the primary Investment Officer and is responsible for establishing a system of controls to regulate the activities of investment.

No person may engage in an investment transaction or the management of funds except as provided under the terms of this Investment Policy as approved by the City Council. The investment authority granted to the investing officers is effective until rescinded by the governing body.

The City Council shall designate by resolution one or more officers or employees as members of the Investment Advisory Committee assigned to review investment policies and procedures, investment strategies and investment performance. Members of the Committee shall demonstrate knowledge and expertise in the area of finance, investments or cash management. The Committee shall elect the Chairman and the meetings shall be called as needed.

B. Training Requirement

The Director of Finance and any other designated investment officers must attend ten (10) hours of training within twelve (12) months of taking office. The investment training session shall be provided by an independent source approved by the City Council. For purposes of this policy, an "independent source" from which investment training shall be obtained shall include a professional organization, an institute of higher learning or any other sponsor other than a business organization with whom the City of Jacksboro may engage in investment transaction. The Director of Finance and any other designated investment officers shall also comply with any continuing education or retraining requirement prescribed by law.

C. Internal Controls

The Director of Finance is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the entity are protected from loss, theft or misuse. The internal control structure shall be designed to provide reasonable assurance that these objectives are met. The concept of reasonable assurance recognizes that the cost of a control should not exceed the benefits likely to be derived and the valuation of costs and benefits requires estimates and judgments by management.

Accordingly, the Director of Finance shall establish a process for annual independent review by an external auditor to assure compliance with policies and procedures. The internal controls shall address the following points.

1. Control of collusion.
2. Separation of transactions authority from accounting and record keeping.
3. Custodial safekeeping.
4. Avoidance of physical delivery securities.
5. Clear delegation of authority to subordinate staff members.
6. Written confirmation for telephone (voice) transactions for investments and wire transfers.
7. Development of a wire transfer agreement with the depository bank or third party custodian.

D. Prudence

The standard of prudence to be applied by the investment officer shall be the "prudent investor" rule. This rule states that "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."

In determining whether an investment officer has exercised prudence with respect to an investment decision, the determination shall be made taking into consideration the following:

1. The investment of all funds or funds under the City's control over which the officer had responsibility rather than a consideration as to the prudence of a single investment.
2. Whether the investment decision was consistent with the written investment policy of the City.

E. Indemnification

The investment officer, acting in accordance with written procedures and exercising due diligence, shall not be held personally responsible for a specific security's credit risk or market price changes, provided that these deviations are reported immediately and the appropriate action is taken to control adverse developments.

F. Ethics and Conflicts Of Interest

Officers and employees involved in the investment process shall refrain from personal business activity that would conflict with the proper execution and management of the investment program, or that would impair their ability to make impartial decisions. Employees and investment officials shall disclose any material interests in financial/investment positions that could be related to the performance of the investment portfolio. Employees and officers shall refrain from undertaking personal investment transactions with the same individual with which business is conducted on behalf of the City.

An investment officer of the City who has a personal business relationship with an organization seeking to sell an investment to the City shall file a statement disclosing that personal business interest. An investment officer who is related within the second degree by affinity or sanguinity to an individual seeking to sell an investment to the City shall file a statement disclosing that relationship. A statement required under this subsection must be filed with the Texas Ethics Commission and the governing body of the entity.

VI. SUITABLE AND AUTHORIZED INVESTMENTS

A. Portfolio Management

The City currently has a "buy and hold" portfolio strategy. Maturity dates are matched with cash flow requirements and investments purchased with the intent to be held until maturity. However, securities may be sold before they mature if market conditions present an opportunity for the City to benefit from the trade. Securities may be sold for the following reasons:

1. A security with declining credit may be sold early to minimize loss of principal.
2. A security swap would improve the quality, yield or target duration in the portfolio.
3. Liquidity needs of the portfolio require that the security be sold.

B. Investments

Assets of the City of Jacksboro may be invested in the following instruments provided, however, that at no time shall assets of the City be invested in any instrument or security not authorized for investment under the Act, as the Act may from time to time be amended. *

1. Authorized.
 - a. Obligations of the United States of America, its agencies and instrumentalities.
 - b. Certificates of Deposit of state and national banks domiciled in Texas, a savings and loan association domiciled in this state, or a state or federal credit union domiciled in this state that is guaranteed or insured by the Federal Deposit Insurance Corporation or its successor or secured by obligations in a manner and amount provided by law for deposits of the investing entity.
 - c. Fully collateralized direct repurchase agreements with a defined termination date secured by obligations of the United States or its agencies and instrumentalities. These shall be pledged to the City, held in the City's name and deposited at the time the investment is made with the City or with a third party selected and approved by the City. Repurchase agreements must be purchased through a primary government securities dealer, as defined by the Federal Reserve, or a bank domiciled in Texas. A Master Repurchase Agreement must be signed by the bank/dealer prior to investment in a repurchase agreement. All repurchase agreement transactions will be on a delivery vs. payment basis. Securities received for repurchase agreements must have a market value greater than or equal to 110 percent at the time funds are disbursed.
 - d. Money Market Mutual funds that are:
 - i. Registered and regulated by the SEC;
 - ii. Have a dollar weighted average stated maturity of 90 days or less; and
 - iii. Maintain a net asset value of \$1 for each share.

*"Exemption for Existing Investments" – in the event the Act is amended, the City is not required to liquidate investments that were authorized investments at the time of purchase.

- e. Government investment pools which:
 - i. Meet the requirements of Chapter 2256.016 of the Public Funds Investment Act;
 - ii. Are rated no lower than AAA or an equivalent rating by at least one nationally recognized rating service; and
 - iii. Are authorized by resolution or ordinance by the City Council.
2. Not Authorized

Under no circumstances shall investments be made in interest -only or principal-only strips of obligations with underlying mortgage-backed security collateral, or in collateralized mortgage obligations with an inverse floating interest rate or a final maturity date of over 10 years. Neither shall investments be made in obligations that are secured by these prohibited investments.

VII. INVESTMENT PARAMETERS

A. Maximum Maturities

The longer the maturity of investments the greater the price volatility. Therefore, it is the City's policy to concentrate its investment portfolio in shorter-term securities in order to limit principal risk caused by changes in interest rates.

The City attempts to match its investments with anticipated cash flow requirements. Unless matched to a specific cash flow, the City will not directly invest in securities maturing more than twenty- four (24) months from the date of purchase. Additionally, the above described obligations, certificates or agreements may be collateralized using only those investments meeting these same criteria, provided that securities pledged for collateral may not mature more than sixty (60) months from the date of purchase or pledge.

Because no secondary market exists for repurchase agreements, the maximum maturity shall be 120 days. Each Fund portfolio will have a weighted average maturity of one (1) year or less. This dollar weighted average maturity will be calculated using the stated final maturity dates of each security.

B. Diversification

The City of Jacksboro 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 that shall be achieved by the following general guidelines.

1. Limiting investments to avoid overconcentration in securities from a specific issuer or business sector (excluding U. S. Treasury securities).
2. Limiting investment in securities that have higher credit risks.
3. Investing in securities with varying maturities.
4. Continuously investing a portion of the portfolio in readily available funds such as local government investment pools (LGIPs), money market funds or repurchase agreements to ensure that appropriate liquidity is maintained in order to meet ongoing obligations.

The following maximum limits, by instrument, are established for the City's total portfolio.

1.	U. S. Treasury Securities	100%
2.	Agencies and Instrumentalities	80%
3.	Certificates of Deposit	50%
4.	Repurchase Agreements	50%
5.	Money Market Mutual Funds	50%
6.	Authorized Pools	50%

VIII. INVESTMENT STRATEGY BY FUND TYPE

A. Operating Funds and Commingled Funds Containing Operating Funds

Operating Fund will have as their primary objective to support the goals of the investment policy on these funds for safety and assure that cash flows are matched with adequate liquidity while obtaining reasonable market yields. This will be accomplished by purchasing quality, short-term securities and liquid-securities in a laddered structure or utilizing an investment pool.

The dollar weighted average will be 180 days or less to accomplish this goal. The portfolio shall be diversified to protect against credit and market risk in any one sector. Diversification requirements can be fully met through use of an authorized pool. No security will be purchased with maturity over eighteen (18) months. Operating fund reserves or fund balances shall only be invested in securities that have a maximum maturity of 365 days or less.

B. Debt Service

Investment strategies for debt service funds shall have as the primary objective the guarantee of investment liquidity adequate to cover the debt service obligation on the required payment date. Investment will be made that will promise safety of principal and liquidity first and yield and diversification second. Securities purchased will not have maturity dates that exceed the next debt service payment date until the next debt service payment is fully funded, and in no instance will have a maximum weighted average maturity of six months.

C. Debt Service Reserves

Investments will have as the primary objective the ability to generate a dependable revenue stream to the appropriate debt service fund within the limits set forth by the bond ordinance or debt covenants specific to each individual bond issue.

Since this is one of the highest priorities of the City, securities will be chosen with the highest priorities of safety. Securities will be chosen for their maturity dates and not require the highest degree of diversification.

Securities purchased shall not have a stated final maturity date which exceeds the next debt service payment date until fully funded and shall be chosen secondarily with regard to yield and diversification.

Reserve funds will have the same primary objective but shall be further controlled with the purchase of securities carrying the highest yield available within the desired maturity and quality range with a maximum weighted average maturity of six months.

D. Capital Project and Special Purpose Funds

These funds will have as their primary objective to ensure that anticipated cash outflows are matched with adequate investment liquidity. No funds will be invested longer than the related anticipated expenditures.

These portfolios should have liquid securities to allow for unanticipated project expenditures or accelerated project outlays due to a better than expected or changed construction schedule. The dollar weighted average life of the portfolio should match the weighted expenditures of the liabilities. Funds invested for capital projects may be from bond proceeds that are subject to arbitrage rebate regulations.

The City will have an arbitrage rebate calculation performed annually to determine the income, if any, that has exceeded the arbitrage yield of the bonds. Any positive arbitrage income will be averaged over a five year period and rebated to the Federal Government according to arbitrage regulations. A secondary objective of these funds is to achieve a yield equal to or greater than the arbitrage yield on the applicable bond.

IX. SELECTION OF BANKS AND DEALERS

A. Depository

At least every five years, as allowed by State Law, a Depository shall be selected through the City's banking services procurement process, which shall include a formal request for proposal (RFP). The term of said banking services shall be for a maximum of an initial three (3) year term, with options to renew for either one (1) two-year term or two (2) one year terms. The selection of a depository will be determined by competitive bid and evaluation of bids will be based on the following selection criteria:

1. The ability to qualify as a depository for public funds in accordance with state and local laws.
2. The ability to provide requested information or financial statements for the periods specified.
3. The ability to meet all requirements in the banking RFP and the investment policy.
4. Complete response to all required items on the bid form.
5. Lowest net banking service cost, consistent with the ability to provide an appropriate level of service.
6. The creditworthiness and financial stability of the bank.

B. Authorized Brokers/Dealers

The City shall select dealers reporting to the Market Reports Division of the Federal Reserve Board of New York, also known as "Primary Government Security Dealers", or regional dealers that qualify under Securities and Exchange Commission (SEC) Rule 15C3-1 (uniform net capital rule).

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

1. Audited financial statements.
2. Completed broker/dealer questionnaire.
3. Certification of having read and understood the City's investment policy and agreeing to comply with the policy.

The governing body must adopt and annually review a list of qualified brokers/dealers authorized to engage in investment transactions with the City.

C. Competitive Bids

Competitive quotes must be taken from at least three qualifying institutions for any investment transaction, other than the investment of funds in an authorized pool, or certificate of deposit through the depository bank. Investment transactions may be done orally, yet must be followed by electronic or written communication. Funds will be authorized to be released after notification that the purchased security has been received. Written confirmation shall be received from the financial institution or broker/dealer. All investments purchased will be held in safekeeping at a third party custodial institution with a safekeeping receipt being sent to the City.

D. Delivery versus Payment

Securities shall be purchased using the delivery versus payment method with the exception of investment pools and mutual funds. Funds shall not be wired or paid until verification has been made that the Trustee received the correct security. The security shall be held in the name of the City or held on behalf of the City. The Trustee's records shall assure the notation of the City's ownership of or explicit claim on the securities. The original copy of all safekeeping receipts shall be delivered to the City.

X. SAFEKEEPING OF SECURITIES

A. Safekeeping Agreement

The City shall contract with a bank or banks for the safekeeping of securities either owned by the City as part of its investment portfolio or held as collateral to secure demand or time deposits.

B. Safekeeping

All securities owned by the City shall be held by its safekeeping agent, except the collateral for certificates of deposits in banks. The collateral for certificates of deposit or banks will be registered in the City's name, or a third-party bank in the City's name, at the City's discretion. Original safekeeping receipts shall be obtained.

C. Collateralization

Consistent with the requirements of the Public Funds Collateral Act, it is the policy of the City to require full collateralization of all City investments and funds on deposit with a depository bank, other than investments which are obligations of the U. S. government and its agencies and instrumentalities. In order to anticipate market changes and provide a level of security for all funds, the collateralization level will be 105% of market value of principal and accrued interest on the deposits or investments less an amount insured by the FDIC or FSLIC. At its discretion, the City may require a higher level of collateralization for certain investment securities.

Securities pledged as collateral shall be held by an independent third party with whom the City has a current custodial agreement. The Director of Finance is responsible for entering into collateralization agreements with third-party custodians in compliance with this Policy. The agreements are to specify the acceptable investment securities for collateral, including provisions relating to possession of the collateral, the substitution or release of investment securities, ownership of securities and the method of valuation of securities.

A clearly marked evidence of ownership (safekeeping receipt) must be supplied to the City and retained. Collateral shall be reviewed at least weekly to assure that the market value of the pledged securities is adequate and reported monthly. The City, at its sole discretion, may change the reporting frequency yet in no case shall that be greater than weekly.

D. Collateral Defined

The City of Jacksboro shall accept only the following securities as collateral:

1. FDIC and FSLIC 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 by 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 with a remaining maturity of two (2) years or less.

The maximum maturity of any pledged security shall be sixty (60) months and the weighted average maturity of all collateral shall be no more than twenty-four (24) months. Should the pledged security fail to meet this requirement, it shall be the sole responsibility of the financial institution to immediately, without notice from the City or cost to the City, correct any such non-conformity.

E. Subject To Audit

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

XI. PERFORMANCE

A. Performance Standards

The City's investment portfolio will be managed in accordance with the parameters specified within this policy. The 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 requirements of the City.

B. Performance Benchmark

It is the policy of the City to purchase investments with maturity dates coinciding with cash flow needs. Through this strategy the City attempts to purchase the highest yielding allowable investments available on the market at that time. Market value will be calculated on a quarterly basis on all securities owned and compared to current book value of those securities to determine portfolio performance during that period of time. The City's portfolio shall be designed with the objective of regularly meeting or exceeding the average rate of return on U. S. Treasury Bills at a maturity level comparable to the City's weighted average maturity in days.

XII. REPORTING

A. Methods

The Investment Officer shall prepare an investment report on no less than a quarterly basis that summarizes investment strategies employed in the most recent quarter and describes the portfolio in terms of investment securities, maturities and shall explain the total investment return for the quarter.

The quarterly investment report shall include a summary statement of investment activity prepared in compliance with generally accepted accounting principles. This summary will be prepared in a manner which will allow the City to ascertain whether investment activities during the reporting period have conformed to the Investment Policy. The report will be provided to the City Manager and the City Council. The report will include the following:

1. A listing of individual securities held at the end of the reporting period.
2. Unrealized gains or losses resulting from appreciation or depreciation by listing the beginning and ending book and market value of securities for the period.
3. Additions and changes to the market value during the period.
4. Average weighted yield to maturity of portfolio as compared to applicable benchmark.
5. Listing of investments by maturity date.
6. Fully accrued interest for the reporting period.
7. The percentage of total portfolio which each type of investment represents.
8. Statement of compliance of the City's investment portfolio with state law and the investment strategy and policy approved by the City Council.

An independent auditor will perform a final annual review of the quarterly reports with the results reported to the governing body.


B. Marking to Market

Market value of all securities in the portfolio will be determined on a quarterly basis. These values will be obtained from a reputable and independent source and disclosed to the governing body quarterly in a written report.

XIII. INVESTMENT POLICY ADOPTION


The City of Jacksboro Investment Policy shall be adopted by resolution of the City Council. It is the City's intent to comply with state laws and regulations. The City's investments policies shall be subject to revisions to stay current with changing laws, regulations and needs of the City. The policy shall be reviewed annually by the City Council and any changes or modifications must be approved by the City Council.

**REVIEWED AND APPROVED BY THE CITY COUNCIL OF THE CITY OF JACKSBORO, TEXAS ON
THIS THE 25 DAY OF NOVEMBER, 2024.**



Craig Fenter
Mayor

Attest:



Shalyn Burritt
City Secretary
City of Jacksboro