RESOLUTION #376

CITY OF HIGHLAND HAVEN

A RESOLUTION ADOPTING AN INVESTMENT POLICY COMPLIANT WITH THE TEXAS PUBLIC FUNDS INVESTMENT ACT; DESIGNATING THE INVESTMENT OFFICER; PROVIDING FOR ANNUAL REVIEW; AND PROVIDING AN EFFECTIVE DATE.

WHEREAS, the City of Highland Haven, Texas (the "City"), is a Type A general-law municipality subject to the Public Funds Investment Act (PFIA), Texas Government Code Chapter 2256; and

WHEREAS, the PFIA requires the City's governing body to adopt a written investment policy by ordinance or resolution to ensure safe, liquid, and prudent management of public funds; and

WHEREAS, the attached Exhibit A constitutes the City's Investment Policy, which emphasizes preservation of capital, liquidity, and yield; authorizes only PFIA-permitted investments (including TexPool); sets maximum maturities and diversification standards; designates the City Administrator as Investment Officer; and requires annual training and reporting; and

WHEREAS, this policy applies to all City funds, including the General Fund, Water Fund, and Solid Waste Fund, and will be reviewed annually by the Board of Aldermen;

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF ALDERMEN OF THE CITY OF HIGHLAND HAVEN, TEXAS:

Section 1. The recitals above are incorporated as findings.

Section 2. The Investment Policy attached as Exhibit A is hereby adopted and incorporated by reference.

Section 3. The City Administrator, Joseph Adams, is designated as the City's Investment Officer, responsible for executing the policy and attending required PFIA training.

Section 4. The Board shall review and approve this policy annually, with any amendments adopted by ordinance or resolution.

Section 5. This Ordinance shall be effective immediately upon passage.

PASSED AND APPROVED on the 6th day of January 2026, at a scheduled meeting by the Board of Aldermen of the City of Highland Haven, Texas.

Olan Kelley

Olan Kelley, Mayor

Attest:

Sarah Collard

Sarah Collard, City Secretary

CITY OF HIGHLAND HAVEN TEXAS 1995

EXHIBIT A

CITY OF HIGHLAND HAVEN INVESTMENT POLICY

Annual Review Date: October 1st of each fiscal year

I. INTRODUCTION AND PURPOSE

This Investment Policy (the "Policy") is adopted pursuant to the Public Funds Investment Act (PFIA), Texas Government Code Chapter 2256, to govern the investment of all public funds of the City of Highland Haven, Texas (the "City"), a Type A general-law municipality. The Policy ensures that all investments prioritize the preservation of capital, liquidity, and yield, while promoting diversification and compliance with state law. It applies to all funds under the City's control, including but not limited to the General Fund, Water Fund, Solid Waste Fund, and any bond or reserve accounts.

The Policy will be reviewed and approved annually by the Board of Aldermen. Any material changes require adoption by ordinance or resolution. The City Administrator is designated as the Investment Officer, responsible for implementing this Policy and completing PFIA-required training annually (at least once every two years for the officer and biennially for the governing body).

II. OBJECTIVES

In order of priority, the City's investment objectives are:

1. **Safety of Principal**: Investments shall preserve capital and avoid undue risk.
2. **Liquidity**: Funds must be available when needed for operations, debt service, or emergencies.
3. **Yield**: Investments shall seek competitive market returns consistent with the above objectives.
4. **Diversification**: The portfolio shall mitigate risks through diversification by type, issuer, and maturity.
5. **Compliance and Transparency**: All activities shall adhere to PFIA, Texas Local Government Code, and this Policy, with full disclosure to the Board.

III. Investment Officer Designation and Board Approval

The Board of Aldermen must formally designate one or more qualified Investment Officers by resolution, and any changes in designation must also be approved and recorded in the official minutes. (PFIA §2256.005(f))

The Treasurer shall participate in investment decision-making by reviewing proposed investment actions, monitoring cash balances and liquidity needs, and assisting in ensuring compliance with this Policy. The Treasurer shall not execute investment transactions unless separately designated by the Board as an Investment Officer.

IV. SCOPE

This Policy applies to all City public funds, including operating, reserve, and investment accounts (e.g., TexPool holdings). Excluded are pass-through funds held in a custodial capacity (e.g., grant funds with restrictions prohibiting investment).

IV. AUTHORIZED INVESTMENT INSTRUMENTS

The City is authorized to invest in the following instruments, as permitted by PFIA §2256.004 (updated as of October 2025). Investments must be investment-grade (minimum BBB/Baa or equivalent) and purchased at par or below.

Authorized Investment	Maximum Maturity	Maximum % of Portfolio	Minimum Rating	Notes
Obligations of the U.S. Government or Agencies (e.g., Treasury bills, notes)	3 years from date of purchase	100%	N/A	Fully collateralized by U.S. full faith and credit.
Direct Obligations of Texas or Its Agencies (e.g., Texas Treasury notes)	2 years	100%	N/A	Backed by the State of Texas.
Fully Collateralized Certificates of Deposit (FDIC-insured banks)	1 year	25% per issuer	N/A	Collateralized at 102% of market value; daily mark-to-market.
Secured Repurchase Agreements (backed by U.S./Texas obligations)	7 days (overnight preferred)	50%	N/A	Third-party custody; collateral at 102%.
Local Government Investment Pools (e.g., TexPool, TexSTAR)	N/A (daily liquidity)	100%	AAAm (or equivalent)	Rated by S&P/Moody's; complies with SEC Rule 2a-7.
Money Market Mutual Funds (SEC-registered, no-load)	N/A	50%	AAAm	Invested in short-term, high-quality securities.
Bankers' Acceptances	6 months	15%	A-1/P-1	Issued by domestic banks.
Commercial Paper	270 days	15%	A-1/P-1 (short-term)	Non-subordinated; max 10% per issuer.

Authorized Investment	Maximum Maturity	Maximum % of Portfolio	Minimum Rating	Notes
Corporate Bonds/Debentures	5 years	25%	A (long-term)	Max 5% per issuer.
No-Load Mutual Funds (investing in authorized types)	N/A	50%	AAAm	Prospectus review required annually.

- **Prohibitions**: No derivatives, structured notes, inverse floaters, or investments with principal at risk (e.g., mortgage-backed securities beyond U.S. agencies). No investments exceeding 30% of issuer's outstanding obligations.

VI. INVESTMENT STRATEGIES AND METHODS

A. Portfolio Management

- **Portfolio:** The aggregate of all City investments that are subject to this Policy, excluding funds held solely in demand deposit accounts for daily operating purposes.
- **Diversification**: No more than 25% of the portfolio in any single issuer (except U.S./Texas obligations or pools). Limit sector exposure (e.g., max 20% financials).
- **Maturity Limits**: Individual securities ≤2 years (3 years for U.S. obligations); weighted average maturity (WAM) ≤1 year; weighted average life (WAL) ≤3 years. In accordance with PFIA §2256.005(b)(4)(C), the maximum stated maturity date of any individual investment shall not exceed the anticipated cash flow requirements of the fund for which the investment is made. This ensures investments are structured to meet the City’s liquidity needs and complies with PFIA.
- **Liquidity**: At least 50% of the portfolio in overnight or ≤90-day maturities to meet cash flow needs.

B. Selection Process

- **Competitive Bidding**: For CDs and repurchase agreements, solicit bids from at least three qualified providers (e.g., via phone/email; document for audit).
- **Broker/Dealer Selection**: Maintain a pre-qualified list of 5–10 brokers (e.g., those registered with the SEC, no felony convictions). Annual review; prioritize those with municipal experience.
- **Pools**: Default to TexPool (or similar AAAm-rated pools) for simplicity and daily liquidity.

C. Safekeeping and Custody

- All securities held in third-party safekeeping (e.g., via TexPool or bank custodian). No bearer form. Monthly confirmations reconciled by staff.

VII. INVESTMENT OFFICER RESPONSIBILITIES

The Investment Officer (City Administrator) shall:

- Execute all transactions in compliance with this Policy.
- Complete annual PFIA training (e.g., via Texas Municipal League).
- Monitor market conditions, credit ratings, and portfolio performance.
- Ensure diversification and maturity limits are maintained.

VIII. REPORTING AND REVIEW

A. Quarterly Reports

The Investment Officer shall provide the Board a written report within 30 days of each quarter-end, including:

- Portfolio inventory (par value, cost, market value).
- Income earned, realized/unrealized gains/losses.
- Compliance certification (e.g., "All investments conform to Policy").
- Weighted average yield, WAM/WAL, and maturity distribution.

B. Annual Review

- The Board shall review and approve the Policy annually (by October 1).
- Submit updates to brokers/pools.
- Conduct an independent audit of investments in the annual CAFR (GASB-compliant).

C. Exceptions

Any deviation requires prior Board approval and documentation of rationale.

IX. TRAINING AND CONFLICTS

- **Training**: Investment Officer: Annual; Governing Body/Delegates: Biennial.
- **Conflicts**: Disclose any personal financial interests; no self-dealing (PFIA §2256.020).

X. EMERGENCY PROVISIONS

In crises (e.g., market disruption), the Investment Officer may liquidate holdings for liquidity, with immediate Board notification.

XI. AMENDMENTS

This Policy may be amended by majority vote of the Board via ordinance or resolution.

XII. RECORD RETENTION POLICY

All investment transaction records shall be required to be maintained for a minimum period of five (5) years or as otherwise required by state law, and such records shall be available for public inspection and audit. (PFIA §2256.023)