

CITY OF SAN BENITO

INVESTMENT POLICY

PURPOSE

This Policy establishes policies for the cash management and investment of funds of the City of San Benito (the “City”) in accordance with the Public Funds Investment Act, Chapter 2256, Texas Government Code, (the “Act”), Public Funds Collateral Act, Chapter 2257, Texas Government Code, and other applicable federal, state and local requirements.

SCOPE

This Investment Policy applies to the cash management and investment activities of the City. All financial assets of the City, including the following fund types, shall be administered in accordance with the provisions of these policies.

- General Fund
- Water Fund
- Waste Water Fund
- Debt Service Fund
- Capital Project Fund
- All other funds as may be created from time to time

Objectives

The cash management and investment of all funds shall be governed by the following investment objectives, in order of priority:

1. **Safety** – The primary objective of the City’s investment activity is the preservation and safety of principal. Each investment transaction shall seek to first avoid capital losses, whether they arise from issuer defaults or erosion of market value. Credit risk shall be managed through collateralization of bank deposits and prohibition of corporate entity risk.
2. **Liquidity** – The second objective of the City’s investment portfolio is to remain sufficiently liquid to meet operating requirements. Liquidity shall be achieved by matching investment maturities with estimated cash flow requirements, maintaining liquid reserves and by investing in securities with active secondary markets.
3. **Diversification** – It is the City’s policy to diversify its investment portfolio. Invested funds shall be diversified to minimize risk or loss resulting from over-concentration of assets in a specific maturity, specific issuer, or specific class of investment, when appropriate. Cash flow projections shall be utilized to spread investment maturities, smooth market fluctuations, and reduce reinvestment risk.
4. **Yield** – Subordinate to the safety and liquidity objectives, the City’s investment

govern effectively. The San Benito Commission recognizes that in a diversified portfolio, occasional measured losses due to market volatility are inevitable, and must be considered within the context of the overall portfolio's return and that an Investment Officer acting in accordance with written procedures and exercising prudence shall be relieved of personal liability and responsibility for an individual investment's performance.

Ethics

Investment Officers 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. Investment Officers shall disclose to the San Benito Commission any material financial interests in financial institutions that conduct business with the City and they shall further disclose any large personal financial/investment positions that could be related to the performance of the City's portfolio. Investment Officers shall subordinate their personal investment transactions to those of this jurisdiction.

If an Investment Officer has a personal business relationship with an entity seeking to sell an investment to the City, or is related within the second degree by affinity or consanguinity to an individual seeking to sell an investment to the City, the Investment Officer shall file a statement of disclosure with the San Benito Commission and the Texas Ethics Commission.

Investments

- I. Authorized Investment Instruments – Financial assets of the City may be invested:
 - a. Obligations, including letters of credit, of the United States or its agencies or instrumentalities, including the Federal Home Loan Banks, but excluding all mortgage backed securities;
 - b. Other obligations, the principal and interest of which are unconditionally guaranteed or insured by, or backed by the full faith and credit of the United States or its agencies and instrumentalities, including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation or by the explicit full faith and credit of the United States;
 - c. Financial institution deposits that are issued by a state or national bank, a savings bank or a state or federal credit union that a) has its main office or a branch office in Texas and is guaranteed or insured by the Federal Deposit Insurance Corporation or its successor or the National Credit Union Share Insurance Fund or its successor, and b) is secured by obligations in a manner and amount provided by law for deposits of the City, or c) is placed through a depository institution or approved broker that has its main office or a branch office in Texas that meets the requirements of the Act;
 - d. Security and Exchange Commission (the "SEC") registered, no load, government money market mutual funds that comply with the requirements of State law;
 - e. Texas local government investment pools that seek to maintain a stable dollar asset value, would be described as "government" portfolios, are specifically authorized by the San Benito Commission and comply with the requirements of State law;

The objective of liquidity stems from the need of the City to maintain available cash balances sufficient to cover financial outlays. Since the timing and amount of some financial disbursements are not predictable, fund-type strategies shall adjust for the certainty of projected cash flows.

Security marketability will be maintained based on the fund-type strategies to sufficiently and reasonably assure that investments could be liquidated prior to the maturity, if cash needs dictate.

It is the also the policy of the City to diversify its investment portfolio. Whenever practical, assets held in the investment portfolio shall be diversified to minimize the risk of loss resulting from concentration of assets in a specific maturity, a specific issuer, or a specific class of investment.

The City will group investment instruments into “fund-type investment groups”. These groups will reflect similar needs as to maturity limits, diversity, and liquidity.

City funds shall seek to achieve a competitive yield appropriate for each strategy. A comparably structured U.S. Treasury security portfolio shall represent the minimum yield objective. Weighted average yield to maturity shall be the portfolio’s performance measurement standard. Yield objectives shall at all times be subordinate to the objectives of safety and liquidity. Tax-exempt debt proceeds shall be invested to maximize the interest earnings retained by the City, while at the same time fully complying with all applicable State laws and federal regulations, including the arbitrage rebate regulations.

All investment-specific restrictions shall be measured at the time of purchase and based on portfolio book value.

Fund-Types

Short-Term/Operating – Most of the City’s functional accounts maintain fund balances to perform normal operations. Cash flow projections are reasonably accurate, but occasional circumstances may create unpredicted cash requirements. To reduce market risk and assure liquidity, investment maturities shall be matched with or shorter than anticipated cash flows. The dollar weighted average maturity of operating funds shall not exceed nine months. The maximum maturity of an individual investment shall not exceed two years. To further offset the risk of unpredictable events and to anticipate market movements, a portion of the fund balances shall be invested in financial institution deposits, investment pools, or money market mutual funds.

Capital Project Funds – Fund balances designated for capital projects may be scheduled for expenditure separate from the flow of operating funds. Bond proceeds (which may be subject to the arbitrage rebate regulations) are a main source of capital project funds. As with operating funds, a key strategy is to assure that investment maturities are matched with anticipated cash flows. The maximum weighted average maturity of capital project funds shall not exceed two years. The maximum maturity of an individual investment shall not exceed three years. To further offset the risk of unpredictable events and to anticipate market movements, a portion of the fund balances shall be invested in financial institution deposits, investment pools, or money market mutual funds.

Bond proceeds subject to the arbitrage regulations may necessitate an altered investment strategy under some market conditions. Investment selection for these funds may be dependent on market conditions, cash flow needs, and State law and federal regulation compliance.

Insurance, Pledged Collateral or Purchased Securities – With the exception of deposits secured with irrevocable letters of credit at 100% of amount, all deposits of City funds with eligible depositories shall be secured by pledged collateral with a market value equal to or greater than 102% of the deposits, less any amount insured by the FDIC. Repurchase agreements shall be documented by a specific agreement noting the “purchased securities” in each agreement. Collateral pledged and purchased securities shall be held at an independent safekeeping agent approved by the City and reports of said securities reviewed at least monthly to assure the market value equals or exceeds the related City investment.

Eligible Securities for Pledged Collateral or Purchased Securities – The City shall accept pledged securities as defined by the Public Funds Collateral Act. The City reserves the right to accept or reject any proposed collateral.

The Depository shall be liable for monitoring and maintaining the collateral and collateral margins at all times. Letters of Credit shall expire not less than two business days after the anticipated deposit withdrawal. If rolling letters of credit are utilized, advance notice prior to any expiration must be provided along with a letter of credit extension. Any letter of credit extension issued to cover the expiration of an investment should expire no less than two business days beyond the final maturity date of the investment.

Subject to Audit – All collateral shall be subject to inspection and audit by the City or the City’s auditors.

Reporting

Each quarter, the Investment Officers shall submit to the San Benito Commission an investment report that complies with the Act and includes (but not limited to):

- Detailed description of the City’s investment position,
- Summary statement of each pooled fund group (if applicable),
- Beginning and ending book and market value of each separately invested asset by fund and asset type,
- Maturity date of each asset, and
- Signatures of each Investment Officer attesting to the portfolio’s compliance with the Investment Policy and State law.

The market valuations obtained by the City shall be from independent sources believed to be accurate and representative of the securities’ true value. This report shall be prepared jointly by all of the Investment Officers, and each Investment Officer shall sign the report.

At least annually, the City’s independent auditor shall formally review each quarterly report in conjunction with the annual audit and report the results of that review to the San Benito Commission.

Authorized Investment Providers

Investment Advisors and Providers – The Investment Officers shall establish criteria to evaluate

SAMPLE

Investment Provider Certification

1. The City of San Benito (the "City") has presented a copy of its Investment Policy to the undersigned.
2. The undersigned has received the Investment Policy and reviewed it.
3. The undersigned has implemented reasonable procedures and controls in an effort to preclude imprudent investment transactions conducted between the City and the undersigned that are not authorized by the City's Investment Policy, except to the extent that this authorization is dependent on an analysis of the makeup of the City's portfolio or requires an interpretation of subjective investment standards or relates to investment transactions of the City that are not made through accounts or other contractual arrangements over which the business organization has accepted discretionary investment authority.

Signed this 5th day of January, 2021.

City of San Benito
Organization

Ricardo Guerra
Signature – Qualified Representative
Ricardo Guerra

Name
Mayor
Title

Richard G Long Jr
Signature – Salesperson

RICHARD G. LONG, JR
Name
MANAGER
Title

STATE OF TEXAS

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§ RESOLUTION NUMBER 2020-0018

COUNTY OF CAMERON

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A RESOLUTION OF THE CITY COMMISSION OF THE CITY OF SAN BENITO, TEXAS AMENDING AND APPROVING THE CITY OF SAN BENITO INVESTMENT POLICY; AND DETERMINING THAT THE MEETING AT WHICH THIS RESOLUTION IS PASSED WAS NOTICED AND HAS BEEN OPEN TO THE PUBLIC AS REQUIRED BY LAW

WHEREAS, the City of San Benito City Commission adopted an Investment Policy governing investment of City funds in compliance with the Public Funds Investment Act; and

WHEREAS, the Public Funds Investment Act requires that an annual review of public fund investment policies and strategies be conducted; and

WHEREAS, amendments to the Investment Policy are required by the Public Funds Investment Act to be approved by the City of San Benito City Commission; and

WHEREAS, the City's Investment Advisor, City Manager, and Finance Director have reviewed the Investment Policy and are in agreement that it is of benefit to the City of San Benito to amend the Investment Policy; and

WHEREAS, the attached Investment Policy amends the City's former Investment Policy and complies with the Public Fund Investment Act, and authorizes the investment of City funds in safe and prudent investments.

NOW, THEREFORE, BE IT RESOLVED BY THE CITY COMMISSION OF THE CITY OF SAN BENITO, TEXAS:

SECTION 1. The facts and recitations contained in the above preamble of this Resolution are hereby incorporated for all purposes.

SECTION 2. The City Council of the City of San Benito approves the revised investment policy (as shown in the attached Exhibit A) and is hereby adopted by the City of San Benito to be effective immediately.

SECTION 3. It is hereby officially found and determined that the meeting at which this resolution is passed was noticed and has been open to the public as required by law.

PASSED AND APPROVED by the City of San Benito City Commission at its' Regular City Commission Meeting on this the 5th day of January, 2021.

CITY OF SAN BENITO



Honorable Ricardo Guerra
Mayor

ATTEST:


Ruth A. McGinnis
City Secretary