

**CITY OF BUNKER HILL VILLAGE**  
**CITY COUNCIL**  
**Agenda Request**

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**Agenda Date:** November 17, 2020

**Agenda Item No:** IX

**Subject/Proceeding:** **PRESENTATION AND UPDATE ON THE RECONSTRUCTION OF  
BUNKER HILL ELEMENTARY SCHOOL**

**Exhibits:** N/A

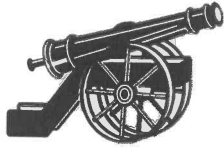
**Clearance:** Steve Smith, Director of Public Works/Building Official  
Karen Glynn, City Administrator

**Executive Summary**

Spring Branch Independent School District has been in discussion with the City regarding the redevelopment of Bunker Hill Elementary School at 11950 Taylorcrest. The school is currently scheduled for reconstruction per the District's approved 2017 Bond Referendum.

Bunker Hill Elementary School is located at 11950 Taylorcrest. The construction is expected to begin in January 2021 after the Holiday Break.

Staff will provide an update on the construction schedule and details with the City Council to prepare for this project.



**CITY OF BUNKER HILL VILLAGE**  
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**Agenda Request**

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**Agenda Date:** November 17, 2020

**Agenda Item No:** X

**Subject/Proceeding:** REVIEW AND APPROVAL OF THE PUBLIC FUNDS MANAGEMENT AND INVESTMENT POLICY

**Exhibits:** Investment Policy – Relined  
Resolution  
Investment Policy Clean Copy  
Minutes from the Investment Committee Meeting *(also on the Consent Agenda)*

**Clearance:** Susan Grass, Finance Manager  
Karen Glynn, City Administrator

### **Executive Summary**

The City's Investment Committee includes Mayor Robert Lord, Councilmember Susan Schwartz, and City Administrator Karen Glynn. Finance Manager, Susan Grass serves as the City's Investment Officer. The Committee met on Wednesday, November 11, 2020 to review the City's Investment Policy. This is required on an annual basis.

The minutes of the meeting are attached. As noted in the minutes, City Administrator Karen Glynn had asked our consultant, Claire Bogard to review the policy and recommend an update as needed. Claire Bogard attended the Committee Meeting and presented the recommended changes.

The Committee reviewed and discussed the changes and recommend approval of the revised policy.

## I. INVESTMENT AUTHORITY AND SCOPE OF POLICY

### A. GENERAL STATEMENT PURPOSE

~~The~~is purpose of this policy ~~serves is~~ to ~~satisfy~~comply with the statutory requirements of The Texas Government Code, Chapter 2256, (The Public Funds Investment Act “PFIA”) which requires each entity to define and adopt a ~~formal~~written investment policy regarding the investment of its funds and funds under its control. **(This investment policy must be adopted by resolution of the governing body); attach copy of resolution to investment policy).** ~~See attachment A: Resolution to Adopt Investment Policy.~~ This policy will be reviewed and adopted by resolution at least annually according to Section 2256.005(e).

### B. POLICY STATEMENT

It is the policy of the City of Bunker Hill Village, Texas (City) that the administration of its funds and the investment of those funds shall be ~~handled~~managed with a degree of professionalism that is worthy at its highest of the public trust. Investments shall be made in a manner which will provide the maximum security of principal invested through limitations and diversifications while meeting the daily cash flow needs of the City and conforming to all applicable state and City statutes governing the investment of public funds, and all related Governmental Accounting Standards Board Statements, and related financial accounting standards. ~~The receipt of a M~~market rate of return will be secondary to the requirement for safety and liquidity. The earnings from investments will be used in a manner that best serves the public trust and interest of the City.

### C. FUNDS INCLUDEDSCOPE

This investment policy applies to all ~~financial assets and~~ funds and investments held by the City and accounted for in the City’s Annual Financial Report at present time and any funds to be created in the future. These funds, as well as funds that may be created from time-to-time, shall be administered in accordance with the provisions of this policy. All funds invested under this policy shall be considered as a pooled group for investment purposes to ensure efficiency and maximum investment opportunity, except for monies as may be stipulated by law such as bond covenants.

Deferred compensation and the retirement system assets the City sets aside or holds for its employees are not subject to this policy.

### D. DELEGATION OF INVESTMENT AUTHORITYINVESTMENT COMMITTEE

The City Council hereby creates an Investment Committee composed of the Mayor, a Councilmember to be appointed by the Mayor and confirmed by the City Council, as adopted annually by resolution and the City Administrator. Such committee shall be authorized to act under this policy in the capacity of the Investment Committee for the City of Bunker Hill Village. The Committee shall meet upon the call of the Mayor or any two (2) of its members. A majority of the Committee shall constitute a quorum; all recommendations decisions of the committee to City Council regarding the investment of any of the City’s funds shall require the affirmative vote of a majority of the Committee’s

members. The Investment Committee may meet in person, by telephone, or by email communication.

#### E. DELEGATION OF AUTHORITY

The Finance ~~Director~~Manager, ~~acting on behalf of the Investment Committee~~, is designated as the Investment Officer of the City. ~~Responsibility for the operation of the investment program is hereby delegated to the Investment Officer, who shall act in accordance with established procedures and internal controls for the daily operations of the investment program. No other person(s) may engage in an investment transaction of the City without written authority by City Council. Except for deposits into interest-bearing checking accounts, all investments must be approved in writing by the Investment Officer and City Administrator, who sits on the Investment Committee. Authority granted to the Investment Officer is effective until rescinded by City Council or until termination of the person's employment. The Investment Officer shall be responsible for all transactions undertaken and shall establish a system of controls. In the event the position of Finance Manager becomes vacant, the City Administrator shall serve as Investment Officer during such vacancy. The City's investment officer(s) shall be bonded. (Section 2256.005(f))~~

~~The City Council shall be the final arbiter of all decisions regarding the investment of City funds. It shall have the authority~~<sup>[CB1]</sup>

- ~~(1) — to overrule or override any decision of the Investment Committee relating to the investment or non-investment of funds;~~
- ~~(2) — to determine what funds, by category and amount, shall or shall not be invested; and~~
- ~~(3) — with respect to invested or to be invested funds, to direct the amount, time, mode, and type of their investment in any manner permitted by law and this Policy. (Attach a copy of the resolution that designates the Investment Committee).~~

#### F. ETHICS and CONFLICTS of INTEREST

~~Investment Officer(s) shall refrain from personal business activities that could conflict with the proper execution of the investment program, or which could impair their ability to make impartial investment decisions. Investment Officer(s) who have a~~ If the Investment Officer has a personal business relationship with an entity or is related within the second degree by affinity or consanguinity to an individual seeking to sell an investment to the City, they ~~Investment Officer~~ must file a statement disclosing that personal business interest or relationship with the Texas Ethics Commission and the City Council in accordance with Government Code 2256.005(~~H~~<sup>[CB2]</sup>).

#### EG. LIMITATION OF PERSONAL LIABILITYPRUDENCE

~~Investments shall be made with judgement 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. The determination of whether an investing official has exercised prudence with respect in an investment decision shall be applied in the context of managing an overall portfolio rather than a consideration of a single investment.~~

The Investment Officer, and those delegated investment authority under this policy, when acting in accordance with the written procedures and this policy and in accord with the Prudent Person Rule, shall be relieved of personal responsibility and liability in the management of the portfolio provided that deviations from the expectations for a specific security's credit risk or market price change or portfolio shifts are reported in a timely manner to the City Council and that appropriate action is taken to control adverse market effects. (Section 2256.006)

#### **FH. INVESTMENT TRAINING**

The Investment Officer shall take (a) 10 hours of training within twelve (12) months after taking office or assuming duties and (b) not less than eight (8) hours of training every (2) two years, relating to their investment responsibilities. The two-year training cycle begins on January 1 and ends two years later. Training must include education in investment controls, security risk, strategy risks, market risks, diversification, and compliance. The training must be provided by an independent source. For these purposes, courses or seminars offered by the Government Finance Officers Association, Government Finance Officers Association of Texas, Texas Municipal League, Southwest School of Government Finance, University of North Texas, Texas Association of Counties, Harris County Department of Education, Treasury Management Association or the gGovernment Treasurer Organization of Texas will satisfy the training requirements. Documentation of training hours shall be reviewed annually by an external auditor. (Section 2256.008)

#### **I. QUALITY and CAPABILITY OF INVESTMENT MANAGEMENT**

It is the City's policy to provide training required by the Public Funds Investment Act, Section 2256.008 and periodic training in investments as required by law for the Investment Officer through courses and seminars offered by professional organizations and associations in order to insure the quality, capability and currency of the Investment Officer in making investment decisions.

#### **G. GENERAL STATEMENT**

~~Funds of the City will be invested in accordance with federal and state laws, and this investment policy. The City will invest according to investment strategies for each fund as they are adopted by City Council resolution in accordance with Section 2256.005(d)).~~

#### **JH. SAFETY AND MAINTENANCE OF ADEQUATE LIQUIDITY, GOVERNMENT CODE 2256.005(B)(2)OBJECTIVES**

~~The City is concerned about the return of its principle; therefore, safety of principal is a primary objective in any investment transaction.~~

~~The City's investment portfolio must be structured in conformance with an asset/liability management plan, which provides for liquidity necessary to pay obligations as they become due.~~



The City strives to invest funds in a manner where the rate of return is secondary to the safety of principal and liquidity. To accomplish this, the city's principal investment objectives in order of priority are:

(1) Suitability – Each investment must be in conformance with all federal regulations, state statutes, city ordinances, and this investment policy.

(2) Safety – Safety of principal is the foremost objective of the investment program. Investments shall be undertaken in a manner that seeks to ensure preservation of capital in the overall portfolio. Investments are limited to the safest types of securities, and pre-qualifications is required for broker/dealers, financial institutions, and any investment advisors with which the City will do business.

Investments shall be diversified by type and maturity to eliminate the risk of loss resulting from the concentration of assets in a specific maturity, issuer, or a class of securities.

It is the City's full intent, at the time of purchase, to hold all investments until maturity to ensure the return on all invested principal.

(3) Liquidity – The City's portfolio will remain sufficiently liquid to enable the City to meet all operating requirements that might be reasonably anticipated. Liquidity shall be achieved by matching investment maturities with budgetary and economic cycles and forecasted cash flow requirements. Fully collateralized deposits, Investment pools and no-load money market mutual funds provide daily liquidity and can be utilized as an alternative to fixed maturity investments.

(4) Yield – The City's investment portfolio shall be designed with the objective of attaining a market rate of return throughout budgetary and economic cycles, taking into account the City's risk constraints and the cash flow characteristics of the portfolio. Return on Investment is of secondary importance compared to safety and liquidity objectives.

**~~I. DIVERSIFICATION, YIELD, MATURITY AND QUALITY/CAPABILITY OF INVESTMENT MANAGEMENT, GOVERNMENT CODE 2256.005(B)(3)~~**

**~~(1) Diversification~~**

~~It will be the policy of the City to diversify its portfolio to eliminate the risk of loss resulting from over-concentration of assets in a specific maturity, a specific issuer or a specific class of investments. Investments of the City shall be selected that provide for stability of income and reasonable liquidity.~~

**~~(2) Yield~~**

~~It will be the objective of the City to earn the maximum rate of return on its investments within the policies imposed by its safety and liquidity objectives, investment strategies for each fund, and state and federal law governing investment of public funds.~~

**~~(3) Maturity (Government Code 2256.005(4)(b))~~**

~~Portfolio maturities will be structured to meet the obligations of the City first and then to achieve the highest return of interest. When the City has funds that will not be needed to meet current year obligations, maturity restraints will be imposed based upon the investment strategy for each fund. The targeted weighted average maturity allowed, based on the stated maturity date of any individual investment owned by the City is 365 days or 12 months.~~

**~~(4) Quality and Capability of Investment Management~~**

~~It is the City's policy to provide training required by the Public Funds Investment Act, Section 2256.008 and periodic training in investments as required by law for the City Investment Officer Investment Officer through courses and seminars offered by professional organizations and associations in order to insure the quality, capability and currency of the City Investment Officer Investment Officer in making investment decisions.~~

**KJ. INVESTMENT STRATEGIES**

In accordance with the Public Funds Investment Act, Section 2256.005(d), the governing body shall adopt a separate written investment strategy ~~will be developed~~ for each the funds or pooled group of funds under the City's control. Each investment strategy must describe the investment objectives for the particular fund using the following priorities of importance:

- (1) understanding of the suitability of the investment to the financial requirements of the entity;
- (2) preservation and safety of principal;
- (3) liquidity;
- (4) marketability of the investment if the need arises to liquidate the investment before maturity;
- (5) diversification of the investment portfolio; and
- (6) yield; and
- ~~(7) maturity restrictions.~~

## III.II. INVESTMENT TYPES

### Authorized UTHORIZED INVESTMENTS Government Code(2256.0095(4)(a))

Funds of the City may be invested in the following instruments as authorized by the Public Funds Investment Act. While the PFIA authorizes additional investment types, only those instruments listed below are authorized.

The City's Investment Officer shall use any or all of the following authorized investment instruments consistent with governing law (Government Code 2256):

AA.—Current Investments Except as provided by Government Code 2256.009(b), the following are authorized investments:

- (1) obligations of the United States or its agencies and instrumentalities;
- (2) direct obligations of this state or its agencies and instrumentalities;
- (3) collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States;
- other obligations, the principal and interest of which are unconditionally guaranteed or insured by, or backed by the full faith and credit of, this state or the United States or their respective agencies and instrumentalities; and

— 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.

- (1) interest-bearing banking deposits that are guaranteed or insured by: the FDIC or its successor; or the National Credit Union Share Insurance Fund;
- (2) Certificates of Deposit if issued by a depository institution that has its main office or a branch office in this state, or purchased through a broker/dealer located in this state, and is:

(a) — Guaranteed or insured by the Federal Deposit Insurance Corporation or its successor or

(b) — Secured by obligations that are described in Collateral or secured in any other manner and amount provided by law for deposits of the City

CD's purchased through a broker shall meet criteria for maturity and interest rates determined by the City's Investment Officer in advance of purchase. The City must appoint an entity or the broker/dealer as custodian with respect to the CD's issued for the account of the City. The custodian shall provide monthly reports of CD's owned by the City. All funds must have the collateralization level of 102% of the market value of the principal and interest.



(5) —

**B. Other Obligations**

- (1) obligations of the United States or its agencies and instrumentalities;
- (2) direct obligations of this state or its agencies and instrumentalities
- (3) other obligations, the principal and interest of which are unconditionally guaranteed or insured by, or backed by the full faith and credit of, this state or the United States or their respective agencies and instrumentalities; and
- (4) 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

~~Authorized investment if the certificate of deposit is issued by a depository institution that has its main office or a branch office in this state, or purchased through a broker/dealer located in this state, and is:~~

- ~~(1) Guaranteed or insured by the Federal Deposit Insurance Corporation or its successor.~~
- ~~CD's purchased through a broker shall meet criteria for maturity and interest rates determined by the City's investment Officer in advance of purchase. The City must appoint an entity or the broker/dealer as custodian with respect to the CD's issued for the account of the City. The custodian shall provide monthly reports of CD's owned by the City. All funds, must have the collateralization level of 102% of the market value of the principal and interest.~~

**C. A fully collateralized repurchase agreement, as defined in the Public Funds Investment Act, if it:**

- ~~(1) has a defined termination date;~~
- ~~(2) Can be secured either Obligations of, or Guaranteed by, Governmental Entities, or cash held by a third party.~~
- ~~—requires the securities being purchased by the City to 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; and~~
- ~~(3) is placed through a primary government securities dealer, as defined by the Federal Reserve, or a financial institution doing business in this state.~~

~~Notwithstanding any law, the term of any reverse security repurchase agreement may not exceed 90 days after the date the reverse security repurchase agreement is delivered.~~

**D. A bankers' acceptance if it:**

- ~~(1) has a stated maturity of 270 days or fewer from the date of its issuance;~~
- ~~(1) Can be liquidated in full at maturity~~
- ~~(1) are eligible for collateral for borrowing from a Federal Reserve Bank; and~~
- ~~(1) are accepted by a bank organized and existing under the laws of the United States, if the short term obligations of the bank, are rated not less than A-1 or P-1 or an equivalent rating by at least one nationally recognized credit rating agency.~~

**EC. Mutual funds and money market funds with limitations described below:**

No-load money market mutual fund is authorized if it:

- (1) is registered and regulated by the Securities and Exchange Commission;
- (1)(2) provides the City with a prospectus and other information required

- ~~(2)~~(3) \_\_\_\_\_ has a dollar-weighted average stated maturity of 90 days or fewer; and  
~~(3)~~(4) \_\_\_\_\_ includes in its investment objectives the maintenance of a stable net asset value of \$1 for each share.

A no-load mutual fund is authorized if it:

- (1) is registered with the Securities and Exchange Commission;
- (2) has an average weighted maturity of less than two (2) years;
- (3) is invested exclusively in obligations as approved in the City's investment policy;
- (4) is continuously rated as to investment quality by at least one nationally recognized investment rating firm of not less than AAA or its equivalent; and

Relative to mutual funds and money market mutual funds, the City may not;

- (1) ~~invest in the aggregate more than 80 percent of its monthly average fund balance, excluding bond proceeds and reserves and other funds held for debt service, in money market mutual funds or mutual funds, either separately or collectively.~~
- (2) invest in the aggregate more than 15 percent of its monthly average fund balance, excluding bond proceeds and reserves and other funds held for debt service, in mutual funds;
- (3) invest any portion of bond proceeds, reserves and funds held for debt service, in mutual funds; or
- (4) invest its funds or funds under its control, including bond proceeds and reserves and other funds held for debt service, in any one mutual fund or money market mutual fund in an amount that exceeds 10 percent of the total assets of the mutual fund or money market mutual fund.

~~FD.~~ Eligible investment pools (as discussed in the Public Funds Investment Act, Section 2256.016-2256.019) ~~o~~Only if the City Council by resolution authorizes ~~participation investment~~ in the particular pool. An investment pool shall invest the funds it receives from entities in authorized investments permitted by the Public Funds Investment Act. A public fund investment pool created to function as a money market mutual fund must mark to market daily and, to the extent possible, stabilize at a \$1 net asset value. The investment pool must be continuously rated no lower than AAA or AAAM or no lower than investment grade by at least one nationally recognized rating service and have a weighted average maturity no greater than 90 days.

~~99999E.~~ All other investments as authorized under the Public Funds Investment Act, if determined to be in the best interest of the City.

#### ~~Prohibited~~ **PROHIBITED INVESTMENTS** – Section 2256.009(b)

The ~~City Investment Officer~~ Investment Officer has no authority to use any of the following investment instruments which are strictly prohibited:

- (1) obligations whose payment represents the coupon payments on the outstanding principal balance of the underlying mortgage-backed security collateral and pays no principal;

- (2) obligations whose payment represents the principal stream of cash flow from the underlying mortgage-backed security collateral and bears no interest;
- (3) collateralized mortgage obligations that have a stated final maturity date of greater than 10 years; and
- (4) collateralized mortgage obligations the interest of which is determined by an index tha
- (5) t adjusts opposite to the changes in a market index.

Further, the City will not invest in Commercial Paper, including investment pools which invest in Commercial Paper, planned amortization classes (PAC), derivatives and other instruments with embedded features, such as swaps, forwards or futures, options, foreign exchange, floaters, interest rate caps, floors, and collars, etc.

### **INVESTMENTS with REQUIRED RATINGS**

Investments with minimum required ratings such as investment pools, no-load mutual funds do not qualify as authorized investments during the period the investment does not have the minimum rating. The City shall take all prudent measures that are consistent with its investment policy to liquidate an investment that does not have the minimum rating.

## **V.III. INVESTMENT RESPONSIBILITY AND CONTROL**

### **Investment Institutions Defined**

~~The City Investment Officer~~Investment Officer shall invest City funds with any or all of the following institutions or groups consistent with federal and state law and the current Depository Bank contract:

- ~~— Depository Bank;~~
- (1) ~~Other state or national banks domiciled in Texas that are insured by FDIC;~~
- (1) ~~Government securities brokers and dealers.~~

### **A. BROKER/DEALERS/FINANCIAL INSTITUTIONS**

The Investment Officer shall maintain a list of financial institutions, broker/dealers and local government investment pools authorized by the City Council to provide investment services to the City. The Investment Officer shall not conduct business with any firm or financial institution not approved by City Council. No public deposit shall be made except in a qualified public depository as established by state laws. The Investment Committee shall review and recommend an approved list to City Council for approval annually as required under 2256.025 of the PFIA.(See Exhibit B)

The City will prepare a Request for Investment Services as deemed appropriate. The City shall follow the RFQ process to solicit the broker qualifications. All financial institutions and broker/dealers who desire to become qualified bidders for investment services must



submit the required documents to the City by stated day and time. After review of all qualified submissions, a list of selected firms will be prepared, reviewed by the Investment Committee and approved by City Council.

The top two to three firms shall be selected to appear on the approved list. If, after the firm is selected, they no longer qualify or provide services inconsistent with acceptable levels, the Investment Officer may recommend removing the firm and replace it with the next qualified firm based on the last RFQ. Should an approved firm merge with or be acquired by another while on the City's approved list, the new institution must agree to meet the same certification or collateralization requirements or will be removed from the approved list.

**B. Qualifications for Approval of Broker/Dealers****CERTIFICATION** (See AttachmentExhibit-A)

In accordance with 2256.005 (k), a written copy of this investment policy shall be presented to any person/firm seeking to ~~sell~~engage in an investment transaction with ~~to~~the City ~~an authorized investment and~~ shall execute a written instrument substantially to the effect 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.

The Investment Officer may not buy any securities from an organization (broker/dealer, financial institutions and investment pools) ~~person~~ who has not delivered to the City such an instrument in substantially the form provided ~~above~~on Exhibit A according to Section 2256.005 (l). The Investment Policy shall also be provided annually, after its annual adoption, to all authorized firms and Certification signed annually.

**C. COMPETITIVE BIDS**

Each investment purchase, excluding investment pools, mutual funds, and bank deposits, must be based on competitive quotations received from at least two broker/dealers authorized by this policy. An exception to the competitive bidding requirement is a new issue offering still in the primary market. The investment will be made with the broker/dealer offering the greatest return and quality to the City within the specified maturity window. If two or three bids are solicited but not all offers received within the time frame specified in the solicitation, then the Investment Officer may act based on the offer(s) received, as long as documented. Quotes will be accepted either written or electronically, or a combination thereof.

**D. ~~Delivery vs. Payment~~DELIVERY vs. PAYMENT**

It will be the policy of the City that all Treasury Bills, Notes and Bonds and Government Agencies' securities shall be purchased using the "Delivery vs. Payment" (DVP) method through the Federal Reserve System. By so doing, City funds are not released until the City has received, through the Federal Reserve wire, the securities purchased. Securities

will be held in the City's name by a third-party custodian as evidenced by safekeeping receipts of the institution with which the securities are deposited. (Section 2256.005(e))

#### **E. ELECTRONIC FUNDS TRANSFER**

The City may use electronic means to transfer or invest all funds collected or controlled by the City. (Section 2256.051)

#### **F. DIVERSIFICATION**

The City of Bunker Hill will diversify its investments by security type, institution and broker/dealer to avoid incurring an over concentration in a specific maturity, specific issue or specific security type. The asset allocation in the portfolio should be flexible and responsive to the outlook for the economy and the markets. With the exception of interest-bearing checking accounts that are fully collateralized, no more than thirty percent (35%) of the total investment portfolio will be invested in any one investment type, excluding mutual funds which have investment limitations. Diversification of the portfolio also considers maturity date. In no case shall a single investment transaction be more than 25% of the entire portfolio at the time of purchase, except bond proceeds.

#### **G. MAXIMUM MATURITIES (Section 2256.005(b))**

To the extent possible, the City will attempt to match its investments with anticipated cash flows. Maximum maturity on City reserve funds will not exceed two (2) years from date of purchase. Maturities on bond proceeds should closely match the cash flow expectations of the project. The composite portfolio will have a targeted weighted average maturity, based on the stated maturity date for the portfolio, of 365 days or less.

#### **H.> AUDIT CONTROL ~~Audit Control~~**

The City, in conjunction with its annual audit by an independent auditor, shall have a compliance audit of management controls on investments and adherence to the City's investment policy. Investment Officer will establish liaison with the City Auditor in preparing investment forms to assist the City Auditor for accounting and auditing control. The Investment Officer is subject to audit by the City Auditor. In addition, the City Council, at a minimum, will have an annual financial audit of all City funds by an independent auditing firm, as well as an annual compliance audit of management controls on investments and adherence to the entity's established investment policies in accordance with Government Code(Section 2256.005(m)).

#### **Standard of Care**

In accordance with Government Code 2256.006, investments shall be made with judgment and care, under prevailing circumstances, that a person of prudence, discretion, and intelligence would exercise in the management of the person's own affairs, not for speculation, but for investment, considering the probable safety of capital and the probable income to be derived. Investment of funds shall be governed by the following investment objectives, in order of priority; preservation and safety of principal; liquidity; and yield.

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



- ~~(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; and~~
- ~~(2) whether the investment decision was consistent with the written investment policy of the City.~~

#### IV. INVESTMENT REPORTING AND PERFORMANCE EVALUATION

##### A. INVESTMENT REPORT~~Quarterly Report~~

In accordance with the Government Code 2256.023, ~~not less than quarterly~~, the Investment Officer shall prepare and submit to the City Council a written report of investment transactions for all funds for the preceding reporting period within a reasonable time after the end of the period. ~~This would only apply if the City had applicable investments.~~ The report must:

- (1) describe in detail the investment position of the City on the date of the report;
- (2) be prepared jointly by all investment officers of the City;
- (3) be signed by each investment officer of the City;
- (4) contain a summary statement of each pooled fund group that states the:
  - (A) beginning market value for the reporting period;
  - (B) additions and changes to the market value during the period; and
  - (C) ending market value for the period;
  - ~~(C)(D) fully accrued interest for the reporting period;~~
- (5) state the book value and market value of each separately invested asset at the beginning and end of the reporting period by type of asset and fund type invested;
- (6) state the maturity date of each separately invested asset that has a maturity date;
- (7) state the account or fund or pooled group fund in the City for which each individual investment was acquired; and
- (8) state the compliance of the investment portfolio of the City as it relates to:
  - (A) the investment strategy expressed in the City's investment policy; and
  - (B) relevant provisions of this chapter.

##### Notification of Investment Changes

~~It shall be the duty of the City Investment Officer to notify the City Council of any significant changes in current investment methods and procedures prior to their implementation, regardless of whether they are authorized by this policy or not.~~

##### YEAR-END GENERAL LEDGER ADJUSTMENTS

In order to ensure compliance with Governmental Accounting Standards Board Statements #31 and #72, the City shall use the market values of the investments at year-end, and if necessary, adjust the investment values on the General Ledger to the market values at year-end as part of the year-end process.

## **B. PERFORMANCE STANDARDS**

The investment portfolio shall be managed in accordance with the objectives specified in this policy (safety, liquidity, and yield). The portfolio should obtain a market average rate of return during a market/economic environment of stable interest rates. The Investment Officer shall determine whether market yields are being achieved by comparing the portfolio market yield to the three (3) month US Treasury Bill and another such index that most closely matches the average maturity of the portfolio.

## **C. MARKING to MARKET**

If applicable, the market value of the portfolio shall be calculated at least monthly and part of the investment report. The market value of each investment shall be obtained from a source such as the Wall Street Journal, Bloomberg, or from one of the City's authorized broker/dealers. (Section 2256.005(d))

## **V. INVESTMENT COLLATERAL AND SAFEKEEPING**

### **Collateral or Insurance**

Collateralization shall be required on ~~two~~ three types of investments:

(1) certificates of deposits over \$250,000;

(1)(2) demand deposits

(2)(3) repurchase agreements

In order to anticipate market changes and provide a level of additional security for all funds, the collateralization level required will be 102% of the market value of the principal and interest net of FDIC coverage. Pledged securities shall be marked-to-market at least monthly.

A written collateral agreement must be executed, approved by the Banks Board of Directors, and executed contemporaneously with the acquisition of the asset. The City chooses to accept collateral based on the list of investments authorized under the Public Funds Collateral Act. The right of collateral substitution is granted with the approval of the Investment Officer or City Administrator. They may approve and release pledged collateral as well as request additional collateral in the event they deem that deposits or investments are not sufficiently protected by the pledged collateral.

Securities pledged as collateral will be held in the City's name by an independent third party. A City shall receive a monthly collateral report listing each security, description, maturity, cusip number, par value and market value of each security and collateral totals. Collateral shall be reviewed monthly to assure that the market value of the pledged collateral is adequate.

### **Safekeeping**

~~The laws of the State and prudent treasure management require that all securities be bought on a delivery versus payment basis and be held in safekeeping by either the City, the City's designated depository, a City account in an independent third party financial institution or with the Federal Reserve Bank.~~

~~All safekeeping arrangements shall be designated by the Investment Officer and an agreement of the terms executed in writing. The third party custodian shall be required to issue safekeeping receipts to the City listing each specific security, rate, description, maturity, cusip number, and other pertinent information. Each safekeeping receipt will be clearly marked that the security is held for the City or pledged to the City.~~

**EXHIBIT A**  
**BROKER/DEALER CERTIFICATION FORM**  
**As required by Texas Government Code 2256.005(k)**

**CITY OF BUNKER HILL VILLAGE, TEXAS**

The City acknowledges that the only means the firm has to preclude imprudent investment activities arising out of transactions between the firm and the City is to confirm that all provisions of the City's investment policy are followed in investment transactions conducted between the firm and the City, and the second paragraph below should be read accordingly.

I, as a registered principal for the firm \_\_\_\_\_ do hereby certify that I, and the broker covering this account, \_\_\_\_\_ have received and both have thoroughly reviewed the investment policy of the City. We acknowledge that this firm has implemented reasonable internal procedures and controls in an effort to preclude imprudent investments between this firm and the City arising from transactions between the City and the firm.

Signature: \_\_\_\_\_

Printed Name: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

**Government Code – Chapter 2256.005**

**The governing body of an investing entity shall review its investment policy and investment strategies not less than annually. The governing body shall adopt a written instrument by rule, order, ordinance, or resolution stating that it has reviewed the investment policy and investment strategies and that the written instrument so adopted shall record any changes made to either the investment policy or investment strategies.**

## EXHIBIT B

### APPROVED BROKER/DEALERS/ FINANCIAL INSTITUTIONS, AND INVESTMENT

#### POOLS

##### Broker/Dealers

##### Public Depositories<sup>[CB3]</sup>

\_\_\_\_\_ BBVA Compass Bank

\_\_\_\_\_ Allegiance Bank

Certificates of Deposit may be purchased from Texas depository institutions, which are not on the approved broker list, as they are considered depository in nature. Certificates of Deposit purchased from brokerage firms, however, must be on the approved broker/dealer list as they fall under the Public Funds Investment Act. All deposits over the FDIC limit must be collateralized.

##### Local Government Investment Pools



## RESOLUTION NO. 11-17-2020A

**A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF BUNKER HILL VILLAGE, TEXAS, ACKNOWLEDGING REVIEW OF THE PUBLIC FUNDS INVESTMENT STRATEGY, INVESTMENT POLICY AND APPROVED LIST OF INVESTMENT INSTITUTIONS AND THE ADOPTION THEREOF FOR THE CITY OF BUNKER HILL VILLAGE, TEXAS**

**BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF BUNKER HILL VILLAGE, TEXAS:**

**Section 1.** That the Investment Committee, composed of Mayor Robert P. Lord, Councilmember Susan Schwartz, and City Administrator Karen Glynn met on November 11, 2020 with the Finance Manager and City's Consultant to provide the annual review of the Public Funds Investment Policy, Investment Strategy, and approved Investment Institutions.

**Section 2.** That the Committee agrees and confirms the changes to the City's Investment Strategy and Investment Policy.

**Section 3.** That the City's Investment Strategy, Investment Policy and Investment Institutions attached hereto, are to be made a part hereof for all purposes be, and it is hereby, approved as the official Public Funds Investment Strategy, Investment Policy, and approved Investment Institutions of the City of Bunker Hill Village, Texas.

**Section 2.** That the Investment Committee continues to be composed of Mayor Robert P. Lord, Councilmember Susan Schwartz, and City Administrator Karen Glynn.

**Section 3.** The City Secretary is hereby directed to place on said Investment Policy an endorsement, which shall be signed by the City Secretary, which shall read as follows:

**“The Investment Strategy, Investment Policy and List of Authorized Investment Institutions of the City of Bunker Hill Village, Texas, approved by City Council on the 17th day of November 2020.”**

Such Investment Strategy, Policy, and approved Investment Institutions, as thus endorsed, shall be kept on file in the office of the City Secretary as a public record.

**PASSED, APPROVED, AND RESOLVED** this 17th day of November 2020.

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Robert P. Lord, Mayor

**ATTEST:**

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Karen Glynn, City Administrator/Acting City Secretary  
Attachment A: Investment Strategy  
Attachment B: Investment Policy  
Exhibit A: Business Organization Certification Form  
Exhibit B: Approved Investment Institutions

## **ATTACHMENT A**

### **INVESTMENT STRATEGY**

The City of Bunker Hill Village shall adopt by resolution a separate written investment strategy for each of the funds under its control. For Investment purposes, the City shall use a “Pooled Fund Group” which means that all funds under the City’s control shall be treated as one fund.

### **INVESTMENT STRATEGY**

#### **I. Suitability**

Investments are to be purchased based on the financial requirements of the City. Any investment eligible in the Investment Policy is suitable for all City funds.

#### **II. Safety of Principal**

Investments of the City shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. All investments shall be of high quality with no perceived default risk. It is the City’s full intent, at the time of purchase, to hold all investments until maturity in order to ensure the return of all invested principal.

#### **III. Liquidity**

The City’s investment portfolio will remain sufficiently liquid to enable the City to meet all operating requirements that might be reasonably anticipated. Liquidity shall be achieved by matching investment maturities with budgetary and economic cycles and forecasted cash flow requirements. Fully collateralized deposits, investment pools, and money market mutual funds provide daily liquidity and can be used as a competitive yield alternative to fixed maturity investments.

#### **IV. Marketability**

The City shall invest in securities that, if the need arises, can be liquidated before maturity. Investments will never be prematurely sold at less than book value plus accrued interest, without approval of the Investment Committee.

#### **V. Diversification**

The City will diversify its investments by security type, broker/dealer, and institution. Except for fully collateralized interest-bearing checking accounts and U.S. Treasury securities, no more than thirty (30%) of the total investment portfolio will be invested in any one security type, excluding mutual funds, which have investment limitations.

#### **VI. Yield**

The investment portfolio shall obtain a competitive rate of return throughout budgetary and economic cycles, commensurate with the investment risk constraints and cash flow needs. The City shall attempt to obtain an acceptable return provided that the requirements of safety and liquidity are first met.

**Attachment B**

**CITY OF BUNKER HILL VILLAGE  
INVESTMENT POLICY**

**The Investment Policy of Bunker Hill Village, Texas reviewed and  
approved by City Council on the 17th day of November, 2020**

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## **I. INVESTMENT AUTHORITY AND SCOPE OF POLICY**

### **A. PURPOSE**

The purpose of this policy is to comply with the statutory requirements of The Texas Government Code, Chapter 2256, (The Public Funds Investment Act “PFIA”) which requires each entity to adopt a written investment policy regarding the investment of its funds and funds under its control. **(This investment policy must be adopted by resolution of the governing body).** This policy will be reviewed and adopted by resolution at least annually according to Section 2256.005(e).

### **B. POLICY**

It is the policy of the City of Bunker Hill Village, Texas (City) that the administration of its funds and the investment of those funds shall be managed with a degree of professionalism that is worthy of the public trust. Investments shall be made in a manner which will provide the maximum security of principal invested through limitations and diversifications while meeting the daily cash flow needs of the City and conforming to all applicable state and City statutes governing the investment of public funds, and all related Governmental Accounting Standards Board Statements, and related financial accounting standards. Market rate of return will be secondary to the requirement for safety and liquidity. The earnings from investments will be used in a manner that best serves the public trust and interest of the City.

### **C. SCOPE**

This investment policy applies to all funds and investments held by the City and accounted for in the City’s Annual Financial Report. These funds, as well as funds that may be created from time-to-time, shall be administered in accordance with the provisions of this policy. All funds invested under this policy shall be considered as a pooled group for investment purposes to ensure efficiency and maximum investment opportunity, except for monies as may be stipulated by law such as bond covenants.

Deferred compensation and the retirement system assets the City sets aside or holds for its employees are not subject to this policy.

### **D. INVESTMENT COMMITTEE**

The City Council hereby creates an Investment Committee composed of the Mayor, a Councilmember to be appointed by the Mayor and confirmed by the City Council, as adopted annually by resolution. Such committee shall be authorized to act under this policy in the capacity of the Investment Committee for the City of Bunker Hill Village. The Committee shall meet upon the call of the Mayor or any two (2) of its members. A majority of the Committee shall constitute a quorum; all recommendations of the committee to City Council regarding the investment of any of the City’s funds shall require the affirmative vote of a majority of the Committee’s members. The Investment Committee may meet in person, by telephone, or by email communication.



**E. DELEGATION OF AUTHORITY**

The Finance Manager is designated as the Investment Officer of the City. Responsibility for the operation of the investment program is hereby delegated to the Investment Officer, who shall act in accordance with established procedures and internal controls for the daily operations of the investment program. No other person(s) may engage in an investment transaction of the City without written authority by City Council. Except for deposits into interest-bearing checking accounts, all investments must be approved in writing by the Investment Officer and City Administrator, who sits on the Investment Committee. Authority granted to the Investment Officer is effective until rescinded by City Council or until termination of the person's employment. The Investment Officer shall be responsible for all transactions undertaken and shall establish a system of controls. In the event the position of Finance Manager becomes vacant, the City Administrator shall serve as Investment Officer during such vacancy. The City's investment officer(s) shall be bonded. (Section 2256.005(f))

**F. ETHICS and CONFLICTS of INTEREST**

Investment Officer(s) shall refrain from personal business activities that could conflict with the proper execution of the investment program, or which could impair their ability to make impartial investment decisions. Investment Officer(s) who have a personal business relationship with an entity or is related within the second degree by affinity or consanguinity to an individual seeking to sell an investment to the City, they must file a statement disclosing that personal business interest or relationship with the Texas Ethics Commission and the City Council in accordance with Government Code 2256.005(I).

**G. PRUDENCE**

Investments shall be made with judgement 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. The determination of whether an investing official has exercised prudence with respect in an investment decision shall be applied in the context of managing an overall portfolio rather than a consideration of a single investment.

The Investment Officer, and those delegated investment authority under this policy, when acting in accordance with the written procedures and this policy and in accord with the Prudent Person Rule, shall be relieved of personal responsibility and liability in the management of the portfolio provided that deviations from the expectations for a specific security's credit risk or market price change or portfolio shifts are reported in a timely manner to the City Council and that appropriate action is taken to control adverse market effects. (Section 2256.006)

**H. INVESTMENT TRAINING**

The Investment Officer shall take (a) 10 hours of training within twelve (12) months after taking office or assuming duties and (b) not less than eight (8) hours of training every (2) two years, relating to their investment responsibilities. The two-year training cycle begins on January 1 and ends two years later. Training must include education in investment

controls, security risk, strategy risks, market risks, diversification, and compliance. The training must be provided by an independent source. For these purposes, courses or seminars offered by the Government Finance Officers Association, Government Finance Officers Association of Texas, Texas Municipal League, Southwest School of Government Finance, University of North Texas, Texas Association of Counties, Harris County Department of Education, Treasury Management Association or the Government Treasurer Organization of Texas will satisfy the training requirements. Documentation of training hours shall be reviewed annually by an external auditor. (Section 2256.008)

## **I. QUALITY and CAPABILITY OF INVESTMENT MANAGEMENT**

It is the City's policy to provide training required by the Public Funds Investment Act, Section 2256.008 and periodic training in investments as required by law for the Investment Officer through courses and seminars offered by professional organizations and associations in order to insure the quality, capability and currency of the Investment Officer in making investment decisions. (Section 2256.005(d))

## **J. OBJECTIVES**

The City strives to invest funds in a manner where the rate of return is secondary to the safety of principal and liquidity. To accomplish this, the city's principal investment objectives in order of priority are:

- (1) Suitability – Each investment must be in conformance with all federal regulations, state statutes, city ordinances, and this investment policy.
- (2) Safety – Safety of principal is the foremost objective of the investment program. Investments shall be undertaken in a manner that seeks to ensure preservation of capital in the overall portfolio. Investments are limited to the safest types of securities, and pre-qualifications is required for broker/dealers, financial institutions, and any investment advisors with which the City will do business.

Investments shall be diversified by type and maturity to eliminate the risk of loss resulting from the concentration of assets in a specific maturity, issuer, or a class of securities.

It is the City's full intent, at the time of purchase, to hold all investments until maturity to ensure the return on all invested principal.

- (3) Liquidity – The City's portfolio will remain sufficiently liquid to enable the City to meet all operating requirements that might be reasonably anticipated. Liquidity shall be achieved by matching investment maturities with budgetary and economic cycles and forecasted cash flow requirements. Fully collateralized deposits, Investment pools and no-load money market mutual funds provide daily liquidity and can be utilized as an alternative to fixed maturity investments.
- (4) Yield – The City's investment portfolio shall be designed with the objective of attaining a market rate of return throughout budgetary and economic cycles, taking into account the City's risk constraints and the cash flow characteristics of the portfolio. Return on Investment is of secondary importance compared to safety and liquidity objectives.

## **K. INVESTMENT STRATEGIES**

In accordance with the Public Funds Investment Act, Section 2256.005(d), the governing body shall adopt a separate written investment strategy for each fund or pooled group of funds under the City's control. Each investment strategy must describe the investment objectives for the particular fund using the following priorities of importance:

- (1) understanding of the suitability of the investment to the financial requirements of the entity;
- (2) preservation and safety of principal;
- (3) liquidity;
- (4) marketability of the investment if the need arises to liquidate the investment before maturity;
- (5) diversification of the investment portfolio; and
- (6) yield; and

## **II. INVESTMENT TYPES**

### **AUTHORIZED INVESTMENTS (2256.009)**

Funds of the City may be invested in the following instruments as authorized by the Public Funds Investment Act. While the PFIA authorizes additional investment types, only those instruments listed below are authorized.

#### **A. Current Investments**

- (1) interest-bearing banking deposits that are guaranteed or insured by: the FDIC or its successor; or the National Credit Union Share Insurance Fund.
- (2) Certificates of Deposit if issued by a depository institution that has its main office or a branch office in this state, or purchased through a broker/dealer located in this state, and is:
  - (a) Guaranteed or insured by the Federal Deposit Insurance Corporation or its successor or
  - (b) Secured by obligations that are described in Collateral or secured in any other manner and amount provided by law for deposits of the City

CD's purchased through a broker shall meet criteria for maturity and interest rates determined by the City's Investment Officer in advance of purchase. The City must appoint an entity or the broker/dealer as custodian with respect to the CD's issued for the account of the City. The custodian shall provide monthly reports of CD's owned by the City. All funds must have the collateralization level of 102% of the market value of the principal and interest.

B. Other Obligations

- (1) obligations of the United States or its agencies and instrumentalities;
- (2) direct obligations of this state or its agencies and instrumentalities;
- (3) other obligations, the principal and interest of which are unconditionally guaranteed or insured by, or backed by the full faith and credit of, this state or the United States or their respective agencies and instrumentalities; and
- (4) 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

C. Mutual funds and money market funds with limitations described below:

No-load money market mutual fund is authorized if it:

- (1) is registered and regulated by the Securities and Exchange Commission
- (2) provides the City with a prospectus and other information required
- (3) has a dollar-weighted average stated maturity of 90 days or fewer, and
- (4) includes in its investment objectives the maintenance of a stable net asset value of \$1 for each share.

A no-load mutual fund is authorized if it:

- (1) is registered with the Securities and Exchange Commission;
- (2) has an average weighted maturity of less than two (2) years;
- (3) is invested exclusively in obligations as approved in the City's investment policy;
- (4) is continuously rated as to investment quality by at least one nationally recognized investment rating firm of not less than AAA or its equivalent; and

Relative to mutual funds and money market mutual funds, the City may not;

- (1) invest in the aggregate more than 15 percent of its monthly average fund balance, excluding bond proceeds and reserves and other funds held for debt service, in mutual funds;
- (2) invest any portion of bond proceeds, reserves and funds held for debt service, in mutual funds; or
- (3) invest its funds or funds under its control, including bond proceeds and reserves and other funds held for debt service, in any one mutual fund or money market mutual fund in an amount that exceeds 10 percent of the total assets of the mutual fund or money market mutual fund.

D. Eligible investment pools (as discussed in the Public Funds Investment Act, Section 2256.016-2256.019) only if the City Council by resolution authorizes participation in the particular pool. An investment pool shall invest the funds it receives from entities in authorized investments permitted by the Public Funds Investment Act.

A public fund investment pool created to function as a money market mutual fund must mark to market daily and, to the extent possible, stabilize at a \$1 net asset value. The investment pool must be continuously rated no lower than AAA or AAAM or no lower than investment grade by at least one nationally recognized rating service and have a weighted average maturity no greater than 90 days.

- E. All other investments as authorized under the Public Funds Investment Act, if determined to be in the best interest of the City.

### **PROHIBITED INVESTMENTS– Section 2256.009(b)**

The Investment Officer has no authority to use any of the following investment instruments which are strictly prohibited:

- (1) obligations whose payment represents the coupon payments on the outstanding principal balance of the underlying mortgage-backed security collateral and pays no principal;
- (2) obligations whose payment represents the principal stream of cash flow from the underlying mortgage-backed security collateral and bears no interest;
- (3) collateralized mortgage obligations that have a stated final maturity date of greater than 10 years; and
- (4) collateralized mortgage obligations the interest of which is determined by an index that adjusts opposite to the changes in a market index.

Further, the City will not invest in Commercial Paper, including investment pools which invest in Commercial Paper, planned amortization classes (PAC), derivatives and other instruments with embedded features, such as swaps, forwards or futures, options, foreign exchange, floaters, interest rate caps, floors, and collars, etc.

### **INVESTMENTS with REQUIRED RATINGS**

Investments with minimum required ratings such as investment pools, no-load mutual funds do not qualify as authorized investments during the period the investment does not have the minimum rating. The City shall take all prudent measures that are consistent with its investment policy to liquidate an investment that does not have the minimum rating.

## **III. INVESTMENT RESPONSIBILITY AND CONTROL**

### **A. BROKER/DEALERS/FINANCIAL INSTITUTIONS**

The Investment Officer shall maintain a list of financial institutions, broker/dealers and local government investment pools authorized by the City Council to provide investment services to the City. The Investment Officer shall not conduct business with any firm or financial institution not approved by City Council. No public deposit shall be made except in a qualified public depository as established by state laws. The Investment Committee



shall review and recommend an approved list to City Council for approval annually as required under 2256.025 of the PFIA. (See Exhibit B)

The City will prepare a Request for Investment Services as deemed appropriate. The City shall follow the RFQ process to solicit the broker qualifications. All financial institutions and broker/dealers who desire to become qualified bidders for investment services must submit the required documents to the City by stated day and time. After review of all qualified submissions, a list of selected firms will be prepared, reviewed by the Investment Committee, and approved by City Council.

The top two to three firms shall be selected to appear on the approved list. If, after the firm is selected, they no longer qualify or provide services inconsistent with acceptable levels, the Investment Officer may recommend removing the firm and replace it with the next qualified firm based on the last RFQ. Should an approved firm merge with or be acquired by another while on the City's approved list, the new institution must agree to meet the same certification or collateralization requirements or will be removed from the approved list.

#### **B. CERTIFICATION (See Exhibit A)**

In accordance with 2256.005 (k), a written copy of this investment policy shall be presented to any person/firm seeking to engage in an investment transaction with the City and shall execute a written instrument substantially to the effect 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.

The Investment Officer may not buy any securities from an organization (broker/dealer, financial institutions and investment pools) who has not delivered to the City such an instrument in substantially the form provided on Exhibit A according to Section 2256.005(l). The Investment Policy shall also be provided annually, after its annual adoption, to all authorized firms and Certification signed annually.

#### **C. COMPETITIVE BIDS**

Each investment purchase, excluding investment pools, mutual funds, and bank deposits, must be based on competitive quotations received from at least two broker/dealers authorized by this policy. An exception to the competitive bidding requirement is a new issue offering still in the primary market. The investment will be made with the broker/dealer offering the greatest return and quality to the City within the specified maturity window. If two or three bids are solicited but not all offers received within the time frame specified in the solicitation, then the Investment Officer may act based on the offer(s) received, as long as documented. Quotes will be accepted either written or electronically, or a combination thereof.

#### **D. DELIVERY vs. PAYMENT**

It will be the policy of the City that all Treasury Bills, Notes and Bonds and Government Agencies' securities shall be purchased using the "Delivery vs. Payment" (DVP) method through the Federal Reserve System. By so doing, City funds are not released until the City has received, through the Federal Reserve wire, the securities purchased. Securities will be held in the City's name by a third-party custodian as evidenced by safekeeping receipts of the institution with which the securities are deposited. (Section 2256.005(e))

#### **E. ELECTRONIC FUNDS TRANSFER**

The City may use electronic means to transfer or invest all funds collected or controlled by the City. (Section 2256.051)

#### **F. DIVERSIFICATION**

The City of Bunker Hill will diversify its investments by security type, institution and broker/dealer to avoid incurring an over concentration in a specific maturity, specific issue or specific security type. The asset allocation in the portfolio should be flexible and responsive to the outlook for the economy and the markets. With the exception of interest-bearing checking accounts that are fully collateralized, no more than thirty percent (35%) of the total investment portfolio will be invested in any one investment type, excluding mutual funds which have investment limitations. Diversification of the portfolio also considers maturity date. In no case shall a single investment transaction be more than 25% of the entire portfolio at the time of purchase, except bond proceeds.

#### **G. MAXIMUM MATURITIES (Section 2256.005(b))**

To the extent possible, the City will attempt to match its investments with anticipated cash flows. Maximum maturity on City reserve funds will not exceed two (2) years from date of purchase. Maturities on bond proceeds should closely match the cash flow expectations of the project. The composite portfolio will have a targeted weighted average maturity, based on the stated maturity date for the portfolio, of 365 days or less.

#### **H. AUDIT CONTROL**

The City, in conjunction with its annual audit by an independent auditor, shall have a compliance audit of management controls on investments and adherence to the City's investment policy. (Section 2256.005(m)).

## **IV. INVESTMENT REPORTING AND PERFORMANCE EVALUATION**

### **A. INVESTMENT REPORT**

In accordance with the Government Code 2256.023, , the Investment Officer shall prepare and submit to the City Council a written report of investment transactions for all funds for the preceding reporting period within a reasonable time after the end of the period. The report must:

- (1) describe in detail the investment position of the City on the date of the report;
- (2) be prepared jointly by all investment officers of the City;
- (3) be signed by each investment officer of the City;
- (4) contain a summary statement of each pooled fund group that states the:
  - (A) beginning market value for the reporting period;
  - (B) additions and changes to the market value during the period; and
  - (C) ending market value for the period;
  - (D) fully accrued interest for the reporting period;
- (5) state the book value and market value of each separately invested asset at the beginning and end of the reporting period by type of asset and fund type invested;
- (6) state the maturity date of each separately invested asset that has a maturity date;
- (7) state the account or fund or pooled group fund in the City for which each individual investment was acquired; and
- (8) state the compliance of the investment portfolio of the City as it relates to:
  - (A) the investment strategy expressed in the City's investment policy; and
  - (B) relevant provisions of this chapter.

### **YEAR-END GENERAL LEDGER ADJUSTMENTS**

In order to ensure compliance with Governmental Accounting Standards Board Statements #31 and #72, the City shall use the market values of the investments at year-end, and if necessary, adjust the investment values on the General Ledger to the market values at year-end as part of the year-end process.

### **B. PERFORMANCE STANDARDS**

The investment portfolio shall be managed in accordance with the objectives specified in this policy (safety, liquidity, and yield). The portfolio should obtain a market average rate of return during a market/economic environment of stable interest rates. The Investment Officer shall determine whether market yields are being achieved by comparing the portfolio market yield to the three (3) month US Treasury Bill and another such index that most closely matches the average maturity of the portfolio.

## **C. MARKING to MARKET**

If applicable, the market value of the portfolio shall be calculated at least monthly and part of the investment report. The market value of each investment shall be obtained from a source such as the Wall Street Journal, Bloomberg, or from one of the City's authorized broker/dealers. (Section 2256.005(d))

## **V. COLLATERAL**

### **Collateral or Insurance**

Collateralization shall be required on three types of investments:

- (1) certificates of deposits
- (2) demand deposits
- (3) repurchase agreements

In order to anticipate market changes and provide a level of additional security for all funds, the collateralization level required will be 102% of the market value of the principal and interest net of FDIC coverage. Pledged securities shall be marked-to-market at least monthly.

A written collateral agreement must be executed, approved by the Banks Board of Directors, and executed contemporaneously with the acquisition of the asset. The City chooses to accept collateral based on the list of investments authorized under the Public Funds Collateral Act. The right of collateral substitution is granted with the approval of the Investment Officer or City Administrator. They may approve and release pledged collateral as well as request additional collateral in the event they deem that deposits or investments are not sufficiently protected by the pledged collateral.

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**As required by Texas Government Code 2256.005(k)**

**CITY OF BUNKER HILL VILLAGE, TEXAS**

The City acknowledges that the only means the firm has to preclude imprudent investment activities arising out of transactions between the firm and the City is to confirm that all provisions of the City's investment policy are followed in investment transactions conducted between the firm and the City, and the second paragraph below should be read accordingly.

I, as a registered principal for the firm \_\_\_\_\_ do hereby certify that I, and the broker covering this account, \_\_\_\_\_ have received and both have thoroughly reviewed the investment policy of the City. We acknowledge that this firm has implemented reasonable internal procedures and controls in an effort to preclude imprudent investments between this firm and the City arising from transactions between the City and the firm.

Signature: \_\_\_\_\_

Printed Name: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

**Government Code – Chapter 2256.005**

**The governing body of an investing entity shall review its investment policy and investment strategies not less than annually. The governing body shall adopt a written instrument by rule, order, ordinance, or resolution stating that it has reviewed the investment policy and investment strategies and that the written instrument so adopted shall record any changes made to either the investment policy or investment strategies.**

**EXHIBIT B**  
**APPROVED BROKER/DEALERS/ FINANCIAL INSTITUTIONS, AND INVESTMENT**  
**POOLS**

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BBVA Compass Bank

Allegiance Bank

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Local Government Investment Pools

**MINUTES OF THE FINANCE AUDIT COMMITTEE  
OF THE CITY OF BUNKER HILL VILLAGE, TEXAS  
NOVEMBER 11, 2020 AT 8:30 A.M.**

Mayor Robert Lord called the meeting to order in the City Council Chambers of City Hall, 11977 Memorial Drive, Houston, Texas.

**Present:**

Mayor Robert Lord  
Councilwoman Susan Schwartz  
Karen Glynn, City Administrator  
Susan Grass, Finance Manager  
Claire Bogard, Consultant

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**ANNUAL REVIEW OF POLICY**

Karen Glynn shared that she had asked the City's consultant, Claire Bogard to review the policy in full following Ms. Bogard's time with the City working as Interim Finance Director.

Ms. Bogard stepped through the recommended changes to the policy. The Committee discussed the policy and various investment options that the City could consider in the future. With current conditions and interest rates, the City's banking accounts provide the best interest at this time; however, the policy provides the means to consider other options over time.

The Committee unanimously approved the recommended policy. This policy will be presented to the City Council as a resolution at the November meeting.

**REVIEW OF INVESTMENTS**

The City was utilizing CDs for investment through Compass Bank. When the CDs matured this year, Compass provided a reate which was lower than the City's checking account as a result of the COVID 19 pandemic. The City has kept all funds in the City's checking accounts.

The City currently utilizes BBVA Compass Bank for the City's main checking account and has approximately \$1 Million at Allegiance Bank in a checking account.

**PLAN FOR BOND ISSUE FOR WATER WELL/TRANSMISSION LINE DEBT ISSUE**

Karen Glynn also shared the proposed plan for the construction of the new water well at Bunker Hill Elementary School. The well is under design. Plans will be submitted to TCEQ in late November and the bidding process will begin in January 2021. Staff expects to bring forward a construction contract to the City Council at the March 2021 Meeting.

In discussion with the City's Financial Advisor, the City can begin the bond process in January with a resolution and intent to reimburse. It is expected that a bond closing would be in April 2021 which closely coincides with the construction timeframe and funding needed.



Ms. Glynn also noted that the City is working with SBISD regarding detention opportunities. The Drainage Committee is recommending the City participate with SBISD should detention be available. The City's model shows this would be a significant improvement for this area which is still experiencing street flooding over 18 inches in depth lasting over 1 hour.

The benchmark for detention is \$1 Million per acre foot. There is a possibility that up to 2 acre feet could be achieved on the site. The Engineer for the District estimated the cost at \$900,000 per acre foot. There is \$500,000 allocated in the 2021 Budget for this project. Ms. Glynn shared that the City's Financial Advisor shared that the cost for detention could be added to the proposed debt issuance for the well if the City felt this was favorable especially based on interest rates. Staff will be working with the School District over the next few months to clearly understand the available capacity and evaluate funding opportunities. This will be presented at the January 2021 Meeting.

#### **BANKING CONTRACT – LAST ONE YEAR EXTENSION MARCH 1, 2021 - 2022**

The City's current banking contract with BBVA Compass has one remaining one year extension to March 2022; however, Compass has indicated that they may not be able to honor the City's base interest rate and terms. Staff will be working with Compass to confirm their position on the one year extension. Staff will also ask for a month to month opportunity should this not be extended for the same terms. The City will plan to go out for RFPs and evaluate other opportunities. Staff will be developing a schedule for this process.

#### **COVID EXPENSES – UPDATES ON SCAP**

Staff provided an update on expenses submitted and approved to date. In addition, staff discussed the opportunity to add a vehicle to the City's fleet and seek reimbursement for this expense. The Committee concurred with this approach and staff will proceed with acquisition and request City Council ratify the expense at the November Council Meeting.

#### **FINANCIAL MANAGEMENT POLICY STATEMENTS**

Karen Glynn has asked Claire Bogard to organize the City's current financial policies and practices and develop/process Financial Management Policy Statements for approval by the City Council. This will document and formalize these efforts.

This will be available in early 2021.

### **SUMMARY OF RECOMMENDATIONS**

In summary, the Committee is recommending the following:

- Take the Revised Investment Policy to City Council for approval at the November Meeting.
- Proceed with the purchase of an additional vehicle and take a ratification item to the City Council at the November Meeting.
- Conduct an RFP Process for the City's Banking Services if BBVA Compass cannot honor the City's final year extension at the same terms.
- Begin the bond process for the City's water well with a recommendation to the City Council in January 2021
- Outline possible funding opportunities to partner for detention at Bunker Hill Elementary School.
- Continue efforts on the Financial Management Policy Statements to be approved in 2021.
- Continue efforts to seek reimbursement for COVID 19 expenses and safety improvements.

The meeting was adjourned.