



**TOWN OF SHADY SHORES
INVESTMENT COMMITTEE
REGULAR SESSION
AUGUST 28, 2020; 2:30 PM
VIRTUAL MEETING
SHADY SHORES, TX 76208**

**THIS IS A VIRTUAL MEETING. NO ONE WILL BE PRESENT AT THE SHADY SHORES COMMUNITY CENTER.
RESIDENTS ARE ENCOURAGED TO JOIN THE MEETING WITH THE INFORMATION BELOW.**

Join Zoom Meeting

Register in advance for this webinar:

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After registering, you will receive a confirmation email containing information about joining the webinar.

AGENDA

1. CALL TO ORDER
2. ROLL CALL
Establish a quorum
3. MINUTES
 1. Minutes- Consider and act on approval of the July 13, 2020 Investment Committee Meeting Minutes.
4. NEW BUSINESS
Discuss any new projects to be considered at the next monthly meeting.
 1. Review of Investment Policy- Conduct a worksession to review the current Investment Policy,
 2. Investments- Consider and act on changes to maximize the Town of Shady Shore Investment Portfolio.
5. ADJOURN

I, _____, _____ of the Town of Shady Shores do hereby certify that the above notice of the Investment Committee Meeting was posted on the bulletin board at the Community Center, 101 S. Shady Shores Road, Shady Shores, Texas on _____ Day of _____, _____, at _____ M.

Wendy Withers, Town Secretary



**SHADY SHORES INVESTMENT COMMITTEE
JULY 13, 2020; 6:45 PM
SHADY SHORES COMMUNITY CENTER
101 S. SHADY SHORES ROAD
SHADY SHORES, TX 76208**

In response to the coronavirus pandemic, effective March 16, 2020, Texas Governor Abbott suspended certain Open Meeting rules to allow meetings of government bodies that are accessible to the public to decrease large groups of people from assembling. The suspension temporarily removes the requirement that government officials and members of the public be physically present at a meeting location. The meeting was held via Zoom Teleconference Meeting ID [860 7532 0372](#).

MINUTES

MEMBERS PRESENT

Cindy Aughinbaugh	Mayor	Present
Tom Newell	Mayor Pro Tem	Present
Charles Grimes	Councilmember	Present
Matthew Haines	Councilmember	Present

STAFF PRESENT: Wendy Withers, Town Administrator

1. CALL TO ORDER

Mayor Aughinbaugh called the meeting to order at 6:45 pm.

2. ROLL CALL

Establish a quorum

Mayor Aughinbaugh called the roll and a quorum was established for the record.

3. MINUTES

1. Consider and act on approve of the May 18, 2020 Investment Committee Meeting Minutes.

Tom Newell made a motion to approve the May 18, 2020 Investment Committee Meeting Minutes.

Matthew Haines seconded the motion.

Discussion: None

Ayes: Newell, Haines, Aughinbaugh, Grimes

Nays: None

The motion passed unanimously.

4. QUARTERLY REPORTS

1. Consider and act on approval of the 3rd Quarter (April -June 2020) Investment Committee Report.

Matthew Haines made a motion to approve the 3rd quarter 2020 Investment Committee Report. Tom Newell seconded the motion.

Discussion: Town Administrator Wendy Withers pointed out the interest rates had dropped mainly due to the COVID situation.

Ayes: Grimes, Haines, Newell, Aughinbaugh

Nays: None

The motion passed unanimously.

5. NEW BUSINESS

Discuss any new projects to be considered at the next monthly meeting.

There was no new business to discuss.

6. ADJOURN

Charles Grimes made a motion to adjourn. Matthew Haines seconded the motion. The meeting was adjourned at 6:53 pm.

PASSED AND APPROVED THIS THE _____ DAY OF _____, 2020.

APPROVED:

Cindy Aughinbaugh, Mayor

ATTEST:

Wendy Withers, Town Administrator/Secretary



AGENDA MEMORANDUM

DATE: August 28, 2020
TO: Investment Committee
FROM: Wendy Withers, Town Administrator
SUBJECT: Review of Investment Policy- Conduct a worksession to review the current Investment Policy,

BACKGROUND/INFORMATION:

State Law requires that the Governing Body review its investment policy each year for compliance and changes. A copy of the current investment policy is attached as well as the proposed resolution for Council to adopt.

FINANCIAL IMPLICATIONS:

RECOMMENDATION/ACTION DESIRED:

ATTACHMENTS/SUPPORTING DOCUMENTATION:

1. Resolution 675 for review
2. Investment Policy Resolution 2019-2020

REVIEWED BY:

RESOLUTION NO. 675
(Investment Policy)

A RESOLUTION OF THE TOWN COUNCIL OF THE TOWN OF SHADY SHORES, TEXAS. ADOPTING THE TOWN OF SHADY SHORES INVESTMENT POLICY ATTACHED HERETO AS EXHIBIT "A"; DECLARING THAT THE TOWN COUNCIL HAS COMPLETED ITS REVIEW OF THE INVESTMENT POLICY AND INVESTMENT STRATEGIES OF THE TOWN AND THAT EXHIBIT "A" RECORDS ANY CHANGES TO EITHER THE INVESTMENT POLICY OR INVESTMENT STRATEGIES; PROVIDING A REPEALING CLAUSE; PROVIDING A SEVERABILITY CLAUSE; AND PROVIDING FOR AN EFFECTIVE DATE.

WHEREAS, in accordance with the Public Funds Investment Act, Chapter 2256, Tex. Gov't Code, the Town Council of the Town of Shady Shores, Texas by resolution adopted an Investment policy; and

WHEREAS, Section 2256.005, Tex. Gov't Code requires the Town Council to review the investment policies and investment strategies not less than annually and to adopt a resolution or order stating the review has been completed and recording any changes made to either the investment policies or investment strategies.

NOW, THEREFORE, BE IT RESOLVED BY THE TOWN COUNCIL OF THE TOWN OF SHADY SHORES, TEXAS:

SECTION 1. That the Town of Shady Shores Investment Policy attached hereto as Exhibit "A" be and the same is hereby adopted and shall govern the investment policies and investment strategies for the Town, and shall define the authority of the investment official of the Town from and after the effective date of this resolution.

SECTION 2. That the Town Council of the Town of Shady Shores has completed its review of the investment policies and investment strategies and any changes made to either the investment policies or investment strategies are recorded in Exhibit "A" hereto.

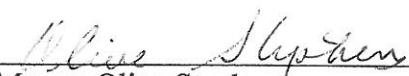
SECTION 3. That all provisions of the resolutions of the Town of Shady Shores, Texas, in conflict with the provisions of this resolution be, and the same are hereby, repealed, and all other provisions not in conflict with the provisions of this resolution shall remain in full force and effect.

SECTION 4. That should any word, sentence, paragraph, subdivision, clause, phrase or section of this resolution be adjudged or held to be void or unconstitutional, the same shall not affect the validity of the remaining portions of said resolution which shall remain in full force and effect.

SECTION 5. That this resolution shall become effective immediately from and after its passage.

DULY RESOLVED AND ADOPTED by the Town Council of the Town of Shady Shores, Texas, on this the 4th day of DECEMBER, 2006.

TOWN OF SHADY SHORES, TEXAS



Mayor, Olive Stephens

ATTEST:

Town Secretary

APPROVED AS TO FORM:

TOWN ATTORNEY, Jim Shepherd

Exhibit A
Town of Shady Shores
Investment Policy

ARTICLE I
PURPOSE AND NEED FOR POLICY

Chapter 2256 of the Government Code, as amended from time to time by the Texas State Legislature ("Public Funds Investment Act") requires each city to adopt rules governing its investment practices and to define the authority of the investment official. The Investment Policy addresses the methods, procedures and practices which must be exercised to ensure effective and prudent fiscal management of the Town of Shady Shores funds.

ARTICLE II
SCOPE

The Investment Policy applies to the investment and management of all funds under direct authority of the Town of Shady Shores.

- A. These funds are accounted for in the Town's Annual Financial Report and include the following:
- (1) the General Fund;
 - (2) Special Revenue Funds;
 - (3) Capital Project Funds;
 - (4) Enterprise Funds;
 - (5) Trust and Agency Funds, to the extent not required by law or existing contract to be kept segregated and managed separately;
 - (6) Debt Service Funds, including reserves and sinking funds to the extent not required by law or existing contract to be kept segregated and managed separately; and
 - (7) Any new fund created by the Town unless specifically exempted from this policy by the Town or by law.

This investment policy shall apply to all transactions involving the financial assets and related activity of all the foregoing funds.

- B. This policy excludes:

- (1) Employee Retirement and Pension Funds administered or sponsored by the Town.
- (2) Defeased bond funds held in trust escrow accounts.

C. Review and Amendment

The Town Council is required by state statute and by this investment policy to review this investment policy and investment strategies not less than annually and to adopt a resolution or an ordinance stating the review has been completed and recording any changes made to either the policy or strategy statements.

**ARTICLE III
PRUDENCE**

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.

In determining whether an investment official 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 entity'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 Town.

All participants in the investment program will seek to act responsibly as custodians of the public trust. Investment officials will avoid any transaction that might impair public confidence in the Town's ability to govern effectively. Investment officials shall recognize that the investment portfolio is subject to public review and evaluation. The overall program shall be designed and managed with a degree of professionalism which is worthy of the public trust. Nevertheless, the Town recognizes that in a marketable, diversified portfolio, occasional measured losses are inevitable and must be considered within the context of the overall portfolio's investment rate of return.

Investment officials, acting in accordance with written procedures and exercising due diligence, shall not be held personally responsible for market price changes, provided that these deviations from expectations are reported immediately to the Mayor and the Town Council of the Town of Shady Shores, and that appropriate action is taken by the Investment Official to control adverse developments.

ARTICLE IV OBJECTIVES

A. Preservation and Safety of Principal

Preservation of capital is the foremost objective of the Town. Each investment transaction shall seek first to ensure that capital losses are avoided, whether the loss occurs from the default of a security or from erosion of market value.

B. Liquidity

The Town's investment portfolio will remain sufficiently liquid to enable the Town to meet all operating requirements which can be reasonably anticipated. Liquidity will be achieved by matching investment maturities with forecasted cash flow requirements and by investing in securities with active secondary markets.

C. Yield

The investment portfolio of the Town shall be designed to meet or exceed the average rate of return on 91-day U.S. treasury bills throughout budgetary and economic cycles, taking into account the Town's investment risk constraints and the cash flow characteristics of the portfolio. Legal constraints on debt proceeds that are not exempt from federal arbitrage regulations are limited to the arbitrage yield of the debt obligation. Investment officials will seek to maximize the yield of these funds in the same manner as all other Town funds. However, if the yield achieved by the Town is higher than the arbitrage yield, positive arbitrage income will be averaged over a five year period, netted against any negative arbitrage income and the net amount shall be rebated to the federal government as required by federal regulations.

ARTICLE V RESPONSIBILITY AND CONTROL

A. Delegation

Management responsibility to establish written procedures for the operation of the investment program consistent with this investment policy has been assigned to the Mayor Pro Tem. Such procedures shall include explicit delegation of authority to persons responsible for the daily cash management operation, the execution of investment transactions, overall portfolio management and investment reporting. The Mayor Pro tem shall be the chief Investment Official, and the chair of the Investment Officers Committee and may delegate the daily investment responsibilities to either an internal investment official or an external investment advisor in combination with an internal investment official. The Investment Official and/or his or her representative(s) will be limited by conformance with all federal regulations, ordinances, and the statements of investment strategy.

B. Subordinates

No person shall engage in an investment transaction except as provided under the terms of this policy, the procedures established by the Town Council and the explicit authorization by the Investment Officer to withdraw, transfer, deposit and invest the Town's funds. The Town Council, by resolution, has authorized and appointed these individuals. The Mayor Pro Tem shall be responsible for all transactions undertaken, and shall establish a system of controls to regulate the activities of subordinate Investment Officials, if any are appointed by the Town Council.

C. Internal Controls

Internal controls shall be designed to prevent losses of public funds arising from fraud, employee error, misrepresentation by third parties, unanticipated changes in financial markets, or imprudent actions by investment officials. Controls deemed most important would include: control of collusion, separation of duties, third-party custodial safekeeping, avoidance of bearer-form securities, clear delegation of authority, specific limitations regarding securities losses and remedial action, written confirmation of telephone transactions, minimizing the number of authorized investment officials, and documentation of and rationale for investment transactions.

In conjunction with the annual independent audit, a compliance audit of management controls on investments and adherence to the Investment Policy and the Investment Strategy shall be performed by the Town's independent auditor.

D. Ethics and Conflicts of Interest

The investment officer of the Town who has a personal business relationship with a business organization offering to engage in an investment transaction with the Town shall file a statement disclosing that personal business interest. An investment officer who is related within the second degree of affinity or consanguinity to an individual seeking to sell an investment to the Town shall file a statement disclosing that relationship with the Texas Ethics Commission and the Town Council. For purposes of this section, an investment officer has a personal business relationship with a business organization if:

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

Investment officials of the Town shall refrain from personal and business activities involving any of the Town's custodians, depositories, broker/dealers or investment advisors which may influence the officer's ability to conduct his duties in an unbiased manner. Investment officials will not utilize investment advice concerning specific

securities or classes of securities obtained in the transaction of the Town's business for personal investment decisions, will in all respects subordinate their personal investment transactions to those of the Town, particularly with regard to the timing of purchase and sales and will keep all investment advice obtained on behalf of the Town and all transactions contemplated and completed by the Town confidential, except when disclosure is required by law.

E. Investment Training Requirements

The Investment official(s) shall attend at least one ten hour training session relating to their investment responsibilities within 12 months after assuming their duties. In addition to this ten hour requirement, each investment officer shall receive not less than ten hours of instruction in their investment responsibilities at least once during each two year period. The investment training session shall be provided by an independent source approved by the investment committee. For purposes of this policy, an "independent source" from which investment training shall be obtained shall include a professional organization, an institute of higher learning or any other sponsor other than a Business Organization with whom the Town of Shady Shores may engage in an investment transaction. Such training shall include education in investment controls, credit risk, market risk, investment strategies, and compliance with investment laws, including the Texas State Public Funds Investment Act. A list will be maintained of the number of hours and conferences attended for each investment official and a report of such information will be provided to the Town Council. Investment "officials" includes the Investment Officer, and may include the Mayor or other member of the Town Council selected by the Town Council as an alternate Budget or Investment Officer.

ARTICLE VI AUTHORIZED INVESTMENTS

- A. Obligations of the United States or its agencies and instrumentalities.
- B. Direct obligations of the State of Texas or its agencies and instrumentalities.
- C. Other obligations, the principal and interest of which are unconditionally guaranteed or insured by, the State of Texas, or the United States or its instrumentalities.
- D. Obligations of states, agencies, 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.
- E. Joint Investment Pools of political subdivisions in the State of Texas which invest in instruments and follow practices allowed by current law. A pool must be continuously rated no lower than AAA or AAA-m or at an equivalent rating by at least one nationally recognized rating service.
- F. Certificates of Deposit issued by a depository institution that has its main office or branch office in Texas:

- (1) and such Certificates of Deposit are:
 - a. Guaranteed or insured by the Federal Deposit Insurance Corporation or the National Credit Union Share Insurance Fund or their successors; or
 - b. Secured by obligations described in Article VI, sections A through D above.
 - (2) or such depository institution contractually agrees to place the funds in federally insured depository institutions in accordance with the conditions prescribed in Section 2256.101(b) of the Government Code (Public Funds Investment Act) as amended.
- G. Fully collateralized repurchase or reverse repurchase agreements, including flexible repurchase agreements (flex repo), with a defined termination date secured by obligations of the United States or its agencies and instrumentalities pledged to the Town held in the Town's name by a third party selected by the Town. Repurchase agreements must be purchased through a primary government securities dealer, as defined by the Federal Reserve, or a financial institution doing business in Texas. The securities received for repurchase agreements must have a market value greater than or equal to 103 percent at the time funds are disbursed. All transactions shall be governed by a Master Repurchase Agreement between the Town and the primary government securities dealer or financial institution initiating Repurchase Agreement transactions.
- The term of any reverse security repurchase agreement may not exceed 90 days after the date the reverse security repurchase agreement is delivered. Money received under the terms of a reverse security repurchase agreement shall be used to acquire additional authorized investments, but the term of the authorized investments acquired must mature not later than the expiration date stated in the reverse security repurchase agreement.
- H. No-load money market mutual funds if the mutual fund:
- (1) Is registered with and regulated by the Securities and Exchange Commission;
 - (2) Has a dollar-weighted average stated maturity of 90 days or fewer; and
 - (3) Includes in its investment objectives the maintenance of a stable net asset value of one dollar for each share.
- I. Investment instruments not authorized for purchase by the Town of Shady Shores include the following:
- (1) Banker's Acceptances;
 - (2) "Bond" Mutual Funds;
 - (3) Collateralized Mortgage Obligations of any type; and
 - (4) Commercial Paper, except that the Town can invest in local government investment pools and money market mutual funds that have commercial paper as authorized investments. A local government investment pool or money market mutual fund that invests in commercial paper must meet the requirements of Article VI, Sections E and H above.

ARTICLE VII PORTFOLIO AND INVESTMENT ASSET PARAMETERS

A. Bidding Process for Investments

It is the policy of the Town to require competitive bidding for all investment transactions (securities and bank C.D.'s) except for:

- (1) transactions with money market mutual funds and local government investment pools (which are deemed to be made at prevailing market rates); and
- (2) treasury and agency securities purchased at issue through an approved broker/dealer.

At least three bids or offers must be solicited for all other investment transactions. In a situation where the exact security being offered is not offered by other dealers, offers on the closest comparable investment may be used to establish a fair market price of the security. Security swaps are allowed as long as maturity extensions, credit quality changes and profits or losses taken are within the other guidelines set forth in this policy.

B. Maximum Maturities

The Town of Shady Shores will manage its investments to meet anticipated cash flow requirements. Unless matched to a specific cash flow, the Town will not directly invest in securities maturing more than five years from the date of purchase.

C. Maximum Dollar-Weighted Average Maturity

Under most market conditions, the composite portfolio will be managed to achieve a one-year or less dollar-weighted average maturity. However, under certain market conditions, investment officials may need to shorten or lengthen the average life or duration of the portfolio to protect the Town. The maximum dollar-weighted average maturity based on the stated final maturity, authorized by this investment policy for the composite portfolio of the Town shall be three years.

D. Diversification

The allocation of assets in the portfolios should be flexible depending upon the outlook for the economy and the securities markets. In establishing specific diversification strategies, the following general policies and constraints shall apply.

- (1) Portfolio maturities and call dates shall be staggered in a way that avoids undue concentration of assets in a specific sector. Maturities shall be selected which provide for stability of income and reasonable liquidity.
- (2) To attain sufficient liquidity, the Town shall schedule the maturity of its investments to coincide with known disbursements. Risk of market price volatility shall be controlled through maturity diversification such that aggregate realized price losses on instruments with maturities exceeding one year shall not

be greater than coupon interest and investment income received from the balance of the portfolio.

- (3) The following maximum limits, by instrument, are established for the Town's total portfolio:

- U.S Treasury Notes/Bills..... 100%
- U.S. Government Agencies & Instrumentalities..... 100%
- U.S. Treasury & U.S. Agency Callables 25%
- Certificates of Deposit..... 25%
- Repurchase Agreements (See D. (4) below)..... 50%
- Money Market Mutual Funds (See D.(5) below) 100%
- Local Government Investment Pools (See D.(5) below)..... 100%
- State of Texas Obligations & Agencies 25%
- Obligations of states, agencies, cities and other political subdivisions of any state 25%

- (4) The Town shall not invest more than 50% of the investment portfolio in repurchase agreements, excluding bond proceeds and reserves.
- (5) The Town shall not invest more than 20% of the investment portfolio in any individual money market mutual fund or government investment pool.
- (6) The investment committee shall review diversification strategies and establish or confirm guidelines on at least an annual basis regarding the percentages of the total portfolio that may be invested in securities other than U.S. Government Obligations. The investment committee shall review quarterly investment reports and evaluate the probability of market and default risk in various investment sectors as part of its consideration.

ARTICLE VIII AUTHORIZED BROKER/DEALERS AND FINANCIAL INSTITUTIONS

- A. Investment officials will maintain a list of financial institutions and broker/dealers selected by credit worthiness, who are authorized to provide investment services to the Town. These firms may include:

- (1) all primary government securities dealers; and
- (2) those regional broker/dealers who qualify under Securities and Exchange Commission Rule 15C3-1(uniform net capital rule), and who meet other financial credit criteria standards in the industry.

The investment officials may select up to six firms from the approved list to conduct a portion of the daily Town investment business. These firms will be selected based on their competitiveness, participation in agency selling groups and the experience and background of the salesperson handling the account. The approved broker/dealer list will be reviewed and approved along with this investment policy at least annually by the investment committee.

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

- (1) Audited financial statements;
- (2) Proof of National Association of Securities Dealers (N.A.S.D.) certification, unless it is a bank;
- (3) Resumes of all sales representatives who will represent the financial institution or broker/dealer firm in dealings with the Town; and
- (4) An executed written instrument, by the qualified representative, in a form acceptable to the Town and the business organization substantially to the effect that the business organization has received and reviewed the investment policy of the Town and acknowledges that the business organization has implemented reasonable procedures and controls in an effort to preclude investment transactions conducted between the Town and the organization that are not authorized by the Town's investment policy, except to the extent that this authorization is dependent on an analysis of the makeup of the Town's entire portfolio or requires an interpretation of subjective investment standards.

ARTICLE IX SAFEKEEPING AND CUSTODY OF INVESTMENT ASSETS

All security transactions, including collateral for repurchase agreements entered into by the Town shall be conducted using the delivery vs. payment (DVP) basis. That is, funds shall not be wired or paid until verification has been made that the correct security was received by the safekeeping bank. The only exceptions to DVP settlement shall be wire transactions for money market funds and government investment pools. The safekeeping or custody bank is responsible for matching up instructions from the Town's investment officials on an investment settlement with what is wired from the broker/dealer, prior to releasing the Town's designated funds for a given purchase. The security shall be held in the name of the Town or held on behalf of the Town in a bank nominee name. Securities will be held by a third party custodian designated by the investment officials and evidenced by safekeeping receipts or statements. The safekeeping bank's records shall assure the notation of the Town's ownership of or explicit claim on the securities. The original copy of all safekeeping receipts shall be delivered to the Town. A safekeeping agreement must be in place which clearly defines the responsibilities of the safekeeping bank.

ARTICLE X COLLATERAL

The Town's depository bank shall comply with Chapter 2257 of the Government Code, Collateral for Public Funds, as required in the Town's bank depository contract.

A. Market Value

The Market Value of pledged Collateral must be equal to or greater than 102% of the principal and accrued interest for cash balances in excess of the Federal Deposit Insurance Corporation (FDIC) or National Credit Union Share Insurance Fund (NCUSIF) insurance coverage. The Federal Reserve Bank and the Federal Home Loan Bank are designated as custodial agents for collateral. An authorized Town representative will approve and release all pledged collateral. The securities comprising the collateral will be marked to market on a monthly basis using quotes by a recognized market pricing service quoted on the valuation date, and the Town will be sent reports monthly.

B. Collateral Substitution

Collateralized investments often require substitution of collateral. The Safekeeping bank must contact the Town for approval and settlement. The substitution will be approved if its value is equal to or greater than the required collateral value.

C. Collateral Reduction

Should the collateral's market value exceed the required amount, the Safekeeping bank may request approval from the Town to reduce Collateral. Collateral reductions may be permitted only if the collateral's market value exceeds the required amount.

ARTICLE XI INVESTMENT REPORTS

A. Reporting Requirements

The investment officials shall prepare a quarterly investment report in compliance with section 2256.023 of the Public Funds Investment Act of the State of Texas. The report shall be submitted to the Town Council and the Investment Committee within 45 days following the end of the quarter.

B. Investment Records

An investment official designated by the Assistant Director of Finance shall be responsible for the recording of investment transactions and the maintenance of the investment records with reconciliation of the accounting records and of investments carried out by an accountant. Information to maintain the investment program and the reporting requirements, including pricing or marking to market the portfolio, may be derived from various sources such as: broker/dealer research reports, newspapers, financial on-line market quotes, direct communication with broker/dealers, market pricing services, investment software for maintenance of portfolio records, spreadsheet software, or external financial consulting services relating to investments.

C. Auditor Review

The Town's independent external auditor must formally review the quarterly investment reports annually to insure compliance with the State of Texas Public Funds Investment Act and any other applicable State Statutes.

ARTICLE XII INVESTMENT COMMITTEE

A. Members

An Investment Committee, consisting of the Mayor or his or her designee, the Mayor Pro Tem, and an appointed investment official, if any, shall review the Town's investment strategies and monitor the results of the investment program at least quarterly. This review can be done by reviewing the quarterly written reports and by holding committee meetings as necessary. The committee will be authorized to invite other advisors to attend meetings as needed.

B. Scope

The Investment Committee shall include in its deliberations such topics as economic outlook, investment strategies, portfolio diversification, maturity structure, potential risk to the Town's funds, evaluation and authorization of broker/dealers, rate of return on the investment portfolio, review and approval of training providers and compliance with the investment policy. The Investment Committee will also advise the Town Council of any future amendments to the investment policy that are deemed necessary or recommended.

C. Procedures

The investment policy shall require the Investment Committee to provide minutes of investment information discussed at any meetings held. The committee should meet at least annually to discuss the investment program and policies.

ARTICLE XIII INVESTMENT STRATEGY STATEMENTS

The Town of Shady Shores portfolio will be structured to benefit from anticipated market conditions and to achieve a reasonable return. Relative value among asset groups shall be analyzed and pursued as part of the investment program within the restrictions set forth by the investment policy.

The Town of Shady Shores maintains portfolios which utilize four specific investment strategy considerations designed to address the unique characteristics of the fund groups represented in the portfolios.

A. Operating Funds

Suitability - All investments authorized in the Investment Policy are suitable for Operating Funds.

Preservation and Safety of Principal - All investments shall be high quality securities with no perceived default risk.

Liquidity - Investment strategies for the pooled operating funds have as their primary objective to assure that anticipated cash flows are matched with adequate investment liquidity. The dollar-weighted average maturity of operating funds, based on the stated final maturity date of each security, will be calculated and limited to one year or less. Constant \$1 NAV investment pools and money market mutual funds shall be an integral component in maintaining daily liquidity. Investments for these funds shall not exceed an 18-month period from date of purchase.

Marketability - Securities with active and efficient secondary markets will be purchased in the event of an unanticipated cash requirement.

Diversification - Maturities shall be staggered throughout the budget cycle to provide cash flows based on anticipated needs. Investment risks will be reduced through diversification among authorized investments.

Yield - The Town's objective is to attain a competitive market yield for comparable securities and portfolio constraints. The benchmark for Operating Funds shall be the 91 day Treasury bill.

B. Reserve and Deposit Funds

Suitability - All investments authorized in the Investment Policy are suitable for Reserve and Deposit Funds.

Preservation and Safety of Principal - All investments shall be high quality securities with no perceived default risk.

Liquidity - Investment strategies for reserve and deposit funds shall have as the primary objective the ability to generate a dependable revenue stream to the appropriate reserve fund from investments with a low degree of volatility. Except as may be required by the bond ordinance specific to an individual issue, investments should be of high quality, with short-to-intermediate-term maturities. The dollar-weighted average maturity of reserve and deposit funds, based on the stated final maturity date of each security, will be calculated and limited to three years or less.

Marketability - Securities with active and efficient secondary markets will be purchased in the event of an unanticipated cash requirement.

Diversification - Maturities shall be staggered throughout the budget cycle to provide cash flows based on anticipated needs. Investment risks will be reduced through diversification among authorized investments.

Yield - The Town's objective is to attain a competitive market yield for comparable securities and portfolio constraints. The benchmark for Reserve and Deposit Funds shall be the 91 day Treasury bill.

C. Bond and Certificate Capital Project Funds and Special Purpose Funds

Suitability - All investments authorized in the Investment Policy are suitable for Bond and Certificate Capital Project Funds and Special Purpose Funds.

Preservation and Safety of Principal - All investments shall be high quality securities with no perceived default risk.

Liquidity - Investment strategies for bond and certificate capital project funds, special projects and special purpose funds portfolios will have as their primary objective to assure that anticipated cash flows are matched with adequate investment liquidity. The stated final maturity dates of investments held should not exceed the estimated project completion date or a maturity of no greater than five years. The dollar-weighted average maturity of bond and certificate capital project funds and special purpose funds, based on the stated final maturity date of each security, will be calculated and limited to three years or less.

Marketability - Securities with active and efficient secondary markets will be purchased in the event of an unanticipated cash requirement.

Diversification - Maturities shall be staggered throughout the budget cycle to provide cash flows based on anticipated needs. Investment risks will be reduced through diversification among authorized investments.

Yield - The Town's objective is to attain a competitive market yield for comparable securities and portfolio constraints. The benchmark for Bond and Certificate Capital Project Funds and Special Purpose Funds shall be the 91 day Treasury bill. A secondary objective of these funds is to achieve a yield equal to or greater than the arbitrage yield of the applicable bond or certificate.

D. Debt Service Funds

Suitability - All investments authorized in the Investment Policy are suitable for Debt Service Funds.

Preservation and Safety of Principal - All investments shall be high quality securities with no perceived default risk.

Liquidity - Investment strategies for debt service funds shall have as the primary objective the assurance of investment liquidity adequate to cover the debt service

obligation on the required payment date. Securities purchased shall not have a stated final maturity date which exceeds the debt service payment date. The dollar-weighted average maturity of debt service funds, based on the stated final maturity date of each security, will be calculated and limited to one year or less.

Marketability - Securities with active and efficient secondary markets will be purchased in the event of an unanticipated cash requirement.

Diversification - Maturities shall be staggered throughout the budget cycle to provide cash flows based on anticipated needs. Investment risks will be reduced through diversification among authorized investments.

Yield - The Town's objective is to attain a competitive market yield for comparable securities and portfolio constraints. The benchmark for Debt Service Funds shall be the 91 day Treasury bill.

RESOLUTION NO. _____
(2019-2020 Investment Policy)

A RESOLUTION OF THE TOWN COUNCIL OF THE TOWN OF SHADY SHORES, DENTON COUNTY, TEXAS, DECLARING THAT THE TOWN COUNCIL HAS COMPLETED ITS REVIEW AND REVISION OF THE INVESTMENT POLICY AND INVESTMENT STRATEGIES OF THE TOWN AND THAT EXHIBIT “A” RECORDS ANY CHANGES TO EITHER THE INVESTMENT POLICY OR INVESTMENT STRATEGIES; REVISING AND RESTATING THE TOWN OF SHADY SHORES INVESTMENT POLICY OF 2019-2020 AND, AS REVISED, ADOPTING IT AS THE TOWN OF SHADY SHORES 2013-2014 INVESTMENT POLICY ATTACHED HERETO AS EXHIBIT “A”; PROVIDING A REPEALING CLAUSE; PROVIDING A SEVERABILITY CLAUSE; AND PROVIDING FOR AN EFFECTIVE DATE.

WHEREAS, in accordance with the Public Funds Investment Act, Chapter 2256, TEX. GOV’T CODE, the Town Council of the Town of Shady Shores, Denton County, Texas by resolution adopted an investment policy; and

WHEREAS, Section 2256.005, TEX. GOV’T CODE requires the Town Council to review the investment policies and investment strategies not less than annually and to adopt a resolution or order stating the review has been completed and recording any changes made to either the investment policies or investment strategies.

NOW, THEREFORE, BE IT RESOLVED BY THE TOWN COUNCIL OF THE TOWN OF SHADY SHORES, DENTON COUNTY, TEXAS:

SECTION 1. The Town Council of the Town of Shady Shores has completed its review of the investment policies and investment strategies and any changes made to either the investment policies or investment strategies are recorded in Exhibit “A” hereto.

SECTION 2. The Town of Shady Shores 2019-2020 Investment Policy attached hereto as Exhibit “A” be and the same is hereby adopted and shall govern the investment policies and investment strategies for the Town, and shall define the authority of the Investment Officer and any additional Investment Committee members, collectively referred to as “Investment Officials,” from and after the effective date of this resolution.

SECTION 3. All provisions of the resolutions of the Town of Shady Shores, Texas, in conflict with the provisions of this resolution be, and the same are hereby, repealed, and all other provisions not in conflict with the provisions of this resolution shall remain in full force and effect. Financial reports of investments of the town received by council for the preceding year are approved, and ratified.

SECTION 4. Should any word, sentence, paragraph, subdivision, clause, phrase or section of this resolution be adjudged or held to be void or unconstitutional, the same shall not affect the validity of the remaining portions of said resolution which shall remain in full force and effect.

SECTION 5. This resolution shall become effective immediately from and after its passage.

DULY RESOLVED AND ADOPTED by the Town Council of the Town of Shady Shores, Denton County, Texas, on this the _____ day of _____, 20_____.

TOWN OF SHADY SHORES, TEXAS

Cindy Aughinbaugh, Mayor

ATTEST:

Wendy Withers, Town Administrator/Secretary

APPROVED AS TO FORM:

James E. Shepherd, Town Attorney