

RESOLUTION NO. 20220124

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF BUFFALO, TEXAS, ADOPTING THE CITY OF BUFFALO INVESTMENT POLICY ATTACHED HERETO; DECLARING THAT THE CITY COUNCIL HAS COMPLETED ITS REVIEW OF THE INVESTMENT POLICY AND INVESTMENT STRATEGIES OF THE CITY AND THAT 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, Texas Government Code, the City Council of the City of Buffalo, Texas, by resolution adopted an investment policy; and

WHEREAS, Section 2256.005, Texas Government Code requires the City 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 CITY COUNCIL OF THE CITY OF BUFFALO, TEXAS:

SECTION 1. That the City of Buffalo Investment Policy attached hereto, be and the same is hereby adopted and shall govern the investment policies and investment strategies for the City, and shall define the authority of the investment official of the City from and after the effective date of this resolution.

SECTION 2. That the City Council of the City of Buffalo 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, hereto.

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of the City of Buffalo, Texas in conflict with the provisions of this resolution be, and the same are hereby, repealed, and all other provisions not in conflict with the provisions of this resolution shall remain in full force and effect.

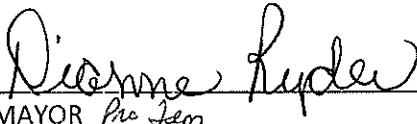
SECTION 4. That should any word, sentence, paragraph, subdivision, clause, phrase or section of this resolution be adjudged or held to be void or unconstitutional, the same shall not affect the validity of the remaining portions of said resolution which shall remain in full force and effect.

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

passage.

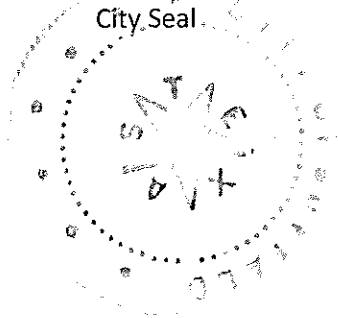
DULY RESOLVED AND ADOPTED by the City Council of the City of Buffalo, Texas, on this the 24th day of January, 2022.

CITY OF BUFFALO, TEXAS


MAYOR *Pro Tem*

ATTEST:


CITY SECRETARY



I. INVESTMENT AUTHORITY AND SCOPE OF POLICY

General Statement

This policy serves to satisfy the statutory requirements of Local Government Code 116.112 and Government Code Chapter 2256 to define and adopt a formal investment policy. This policy will be reviewed at least annually according to Section 2256.005(e).

Funds Included

This investment policy applies to all financial assets of all funds of the City of Buffalo, Texas at the present time and any funds to be created in the future and any other funds held by the City, unless expressly prohibited by law or unless it is in contravention of any depository contract between the City and any bank which may have a depository contract with the City.

City's Investment Officer

The City Secretary or Financial Officer shall be the City's investment officer. In accordance with Sec. 116.112(a), Local Government Code and/or Chapter 2256, Sec. 2256.005(f) and (g), the Investment Officer may invest City funds that are not immediately required to pay obligations of the City.

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, the 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 2256.055(i).

II. INVESTMENT OBJECTIVES

General Statement

The City will invest according to investment strategies for each fund that are adopted by the City Council and in accordance with this investment policy and written administrative procedures and federal and state laws.

Safety and Maintenance of Adequate Liquidity

The City of Buffalo is concerned with the return of its principal; therefore, safety of principal is a primary objective in any and all investment transactions.

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

Diversification

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

Yield

It is the objective of the City to earn the maximum rate of return allowed 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.

Maturity

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 maximum allowable stated maturity of any individual investment owned by the City is one year, unless otherwise provided in a specific investment strategy that complies with current law.

Quality and Capability of Investment Management

It is the City's policy to provide the training required by the Public Funds Act, Sec. 2256.008 and periodic training in investments for the City Investment Officer and subordinates through courses and seminars offered by professional organizations and associations in order to insure the quality, capability and currency of the City Investment Officer in making investment decisions. The investment officer shall attend initial training of 10 hours within twelve months of appointment. Further, must attend 10 hours of training, not less than once in a two year period, that begins on the first day of the entity's fiscal year, which is 10-1 for the City of Buffalo and every fiscal year thereafter.

Investment Strategies

In accordance with the Public Funds Investment Act, Section 2256.005(d), a separate written investment strategy will be developed for each of the funds under the

City of Buffalo's control. For investment strategy must describe the investment objectives for the particular funds using the following priorities of importance:

- (1) understanding of the suitability of the investment to the financial requirements of the entity;
- (2) preservation of 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;
- (6) yield; and
- (7) maturity restrictions.

Attachment A includes investment strategies for all funds. In accordance with the Public Funds Investment Act, Section 2256.005(e), investment strategies will be reviewed at least annually. The review will be done within 90 days after September 30, the closing date of the City's fiscal year.

III. INVESTMENT TYPES

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

- A. 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 the State of Texas 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;
 - (4) 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;
 - (5) 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;
 - (6) certificates of deposit if issued by a state or national bank domiciled in this state or a savings and loan association domiciled in this state that are:
 - (a) guaranteed or insured by the Federal Deposit Insurance Corporation or its successors; or

- (b) secured by obligations that are described by Section 2256.009(a) of the Public Funds Investment Act, including mortgage backed securities directly issued by a federal agency or instrumentality that have a market value of not less than the principal amount of the certificates, but excluding those mortgage back securities of the nature described by Section 2256.009(b) of the Public Funds Investment Act; or
- (7) a fully collateralized repurchase agreement, as defined in the Public Funds Investment Act, that:
 - (a) has a defined termination date;
 - (b) is secured by obligations described by Section 2256.009(a)(1) of the Public Funds Investment Act; and
 - (c) 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
 - (d) 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.

Money received by the City under the terms of a reverse security repurchase agreement shall be used to acquire additional investment, but the term of the authorized investments acquired must mature not later than the expiration date stated in the reverse security repurchase agreement.

- (8) Eligible investments pools (as discussed in the Public Funds Investment Act, Sec 2256.016-2256.019) if the City Council by resolution authorizes 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. The City by contract may delegate to TexPool the authority to hold legal title as custodian of investments purchased with its local funds.

Prohibited

The City of Buffalo Investment Officer does not have 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 pay 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 rate of which is determined by an index that adjusts opposite to the charges in a market index.

IV. INVESTMENT RESPONSIBILITY AND CONTROL

Investment Institutions Defined

The City of Buffalo 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:

- (1) any depository bank
- (2) other state or national banks domiciled in Texas that are insured by FDIC
- (3) TexPool

Qualifications for Approval of Broker/Dealers

In accordance with 2256.005(k), a written copy of this investment policy shall be presented to any person seeking to sell to the City an authorized investment. The registered principal of the business organization seeking to sell an authorized investment shall execute an affidavit 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 City 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 a person who has not delivered to the City an affidavit in substantially the form provided above according to Section 2256.005(1).

Standards of Operation

The City Investment Officer shall develop and maintain written administrative procedures for the operation of the investment program, consistent with this investment policy.

Delivery Vs. Payment

It will be the policy of the City that all Treasury Bills, Notes, Bonds, and Government Agencies' 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.

Audit Control

The City of Buffalo City Council, 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 City established investment policies in accordance with Gov. Code 2256.005(m).

Standard of Care

In accordance with Government Code 2256.006, investments shall be made with the same 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.

V. INVESTMENT REPORTING AND PERFORMANCE EVALUATION

Quarterly Report

In accordance with Government Code 2256.023, the Investment Officer shall prepare and submit to the City Council not less often than quarterly a written period 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 by the Investment Officer;
- (3) be signed by Investment Officer;

- (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;
- (5) state the book value and market value of each separately invested asset at the beginning and end of the reporting period by the 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.
- (9) state the total rate of return.
- (10) state the Market Value of pledged securities.

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.

VI. INVESTMENT COLLATERAL SAFEKEEPING

Collateral or Insurance

The City of Buffalo Investment Officer shall insure that all City funds are fully collateralized or insured consistent with federal and state law and the current depository contract. Unless the City approves a surety bond as provided by law, the depository bank shall secure the funds of the City by pledging with the City, subject to the approval of the City as to kind and value, "investment securities" as defined by Article 2529b-1, Vernon's Texas Civil Statutes.

The securities pledged shall be transferred to and held by hereinafter referred to as the "Safekeeping Bank". The securities pledged shall have a separate financial institution approved by the City, a market value greater than or equal to one hundred percent (100%) of the funds which the City may have on deposit at any one time, reduced by the amount of Federal Deposit Insurance Corporation (FDIC) insurance available. Should the market value of the securities pledged ever be less than one hundred percent (100%) of the funds secured, the Bank shall immediately cause additional securities approved by the City to be pledged with the City, in such aggregate amount as may be necessary to restore the market value of the securities pledged to one hundred percent (100%) of the amount of funds secured. The Bank shall have the right to substitute or withdraw pledged securities upon obtaining prior written approval of the City.

The City Council may, by written order, require the Depository Bank to execute a new bond or pledge additional or other securities at any time the City Council considers it advisable or necessary for protection of the City. If the Depository Bank fails for any reason to comply within five (5) days of service of the order, the City may terminate this Contract. The City Council must approve all securities prior to their being pledged. Securities may only be released from pledge by resolution of the City Council. The City Council's executed resolution, or a certified copy thereof, constitutes written proof of the release.

Safekeeping

All purchased securities shall be held in safekeeping by the City, by a third party financial institution, or by the Federal Reserve Bank.

All certificates of deposit, insured by the FDIC, purchased outside the Depository Bank shall be held in safekeeping by either the City or a third party financial institution.

All pledged securities by the Depository Bank shall be held in safekeeping by the City, by a third party financial institution, or by a Federal Reserve Bank.

The security agreement(s) for all purchased securities will adhere to the Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (FIRREA) 1823(e), guidelines, which requires that to be valid against the FDIC a security agreement, including a pledge of collateral for a deposit, must satisfy the following requirements:

1. The pledge must be in writing.
2. The pledge agreement must be approved by the depository's board of directors or loan committee, and that approval must be reflected in the minutes of the board or committee.
3. The pledge agreement must be an official record of the depository from the time it was executed.

ATTACHMENT A

Investment Strategy

The City of Buffalo maintains portfolios which utilize specific investment strategy considerations designed to address the unique characteristics of the fund groups represented in the portfolios:

- A. Investment strategies for operating funds and commingled pools containing operating funds as their primary objective to assure that anticipated cash flows are matched with adequate investment liquidity. The secondary objective is to create a portfolio structure which will experience minimal volatility during economic cycles. Primary investment shall be in direct obligations of the United States Government and Certificates of Deposit having a maturity date which is twelve (12) months or less from the date of purchase. The weighted average maturity dates of the portfolio of direct U.S. Obligations and C.D.'s shall not exceed 180 days/6 months. This may also be accomplished by purchasing high quality, short-to-medium-term securities which will complement each other. The dollar weighted average maturity of 365 days or less will be calculated using the stated final maturity date of each security.
- B. 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.
- C. Investment strategies for special projects or special purpose fund portfolios will have as their primary objective to assure that anticipated cash flow are matched with adequate investment liquidity. The stated final maturity dates of securities held should not exceed the estimated project completion date.
- D. Operating reserve funds are essentially City savings. The predictability of the cash requirements of other City funds will govern the appropriate maturity mix. Current operating reserve fund portfolio strategy utilizes diversified maturities with a maximum maturity of two (2) years. Market conditions, City financial condition and risk return analysis may adjust the strategy to a maximum maturity not to exceed five (5) years.

