

VILLAGE OF SALADO  
RESOLUTION

No. 071

**A RESOLUTION OF THE BOARD OF ALDERMEN RE-  
ADOPTING AN INVESTMENT POLICY FOR FISCAL YEAR 2009  
– 2010 AND DESIGNATING AN INVESTMENT OFFICER FOR  
FISCAL YEAR 2009-2010**

**WHEREAS**, the Village of Salado is a Type B General Law local government of the State of Texas; and

**WHEREAS**, the Board of Aldermen seek to be in compliance with The Public Funds Investment Act governed by Government Code §2256.001; and

**WHEREAS**, the Public Funds Investment Act requires the Village to adopt an investment policy, investment strategies, and designate an investment officer.

**NOW THEREFORE, BE IT RESOLVED BY THE BOARD OF ALDERMEN OF THE VILLAGE OF SALADO THAT:**

The Investment Policy attached as Exhibit A has been reviewed by the Board of Aldermen and the Board makes no recommendations for changes and hereby readopts the Investment Policy as presented.

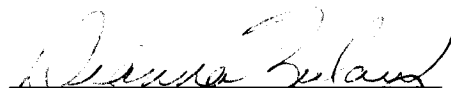
**IT IS FURTHER RESOLVED**, that Alderman Stephen Peters is hereby Investment Officer to be responsible for the investment of funds in accordance with the attached investment policy.

**APPROVED AND PASSED this, the 1st day of October, 2009.**

VILLAGE OF SALADO, TEXAS

  
\_\_\_\_\_  
Merle Stalcup, Mayor

**ATTEST:**

  
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Dianna Zulauf, Village Secretary

VILLAGE OF SALADO  
INVESTMENT POLICY  
Adopted June 6, 2002

**I. POLICY STATEMENT**

It is the policy of the Village of Salado ("Village") that the administration of its funds and the investment of those funds shall be handled as its highest public trust. Investments shall be made in a manner which will provide the maximum security of principal invested through limitations and diversification while meeting the daily cash flow needs of the Village and conforming to all applicable state statutes governing the investment of public funds.

The receipt of a market rate of return will be secondary to the requirements for safety and liquidity. It is the intent of the Village to be in complete compliance with local law and the Texas Public Funds Investment Act (the "Act"). The earnings from investments will be used in a manner that best serves the interests of the Village.

**II. OBJECTIVES AND STRATEGY**

It is the policy of the Village that all funds shall be managed and invested with four primary objectives, listed in order of their priority: safety, liquidity, diversification and yield.

Investments are to be chosen in a manner which promotes diversity by market sector, credit and maturity. The choice of high-grade government investments and high-grade money market instruments is designed to assure the marketability of those investments should liquidity needs arise.

Safety of Principal

Safety of principal is the foremost objective of the Village. Investments of the Village shall be undertaken in a manner that seeks to insure the preservation of capital in the overall portfolio.

Liquidity

The Village's investment portfolio will be based on a cash flow analysis of needs and will remain sufficiently liquid to enable it to meet all operating requirements which might be reasonable anticipated.

Diversification

Diversification of the portfolio will include diversification by maturity and market sector. Competitive bidding will be used on each sale and purchase.

Yield

The Village's investment portfolio shall be designed with the objective of attaining a market rate of return taking into account the Village's risk constraints and the cash flow needs of the portfolio. The Village will use the average yield of the six months U.S. Treasury Bill during the same period as its benchmark for risk.

Effective cash management is recognized as essential to good fiscal management. Cash management is defined as the process of managing monies in order to ensure maximum cash availability.

### **III. LEGAL LIMITATIONS, RESPONSIBILITIES AND AUTHORITY**

Direct specific investment parameters for the investment of public funds in Texas are found in the Public Funds Investment Act, Chapter 2256, Texas Government Code, (the “Act”). The Public Funds Collateral Act, Chapter 2257, Texas Government Code, specifies collateral requirements for all public funds deposits. All investments will be made in accordance with these statutes.

### **IV DELEGATION OF INVESTMENT AUTHORITY**

The Village Board of Alderman shall designate one or more individuals as Investment Officers, who will be responsible for investment management decisions and activities. The Board of Aldermen retains ultimate fiduciary responsibility.

No Officer may engage in an investment transaction except as provided under the terms of this Policy and the procedures established.

#### Authorization Resolution

The Board resolution designating the Investment Officer authorizes the Investment Officer to engage in investment transactions, deposit, withdraw, wire funds for investments, transfer and manage funds on behalf of the Village.

### **V. PRUDENCE**

The standard of prudence to be used in the investment function shall be the “prudent person” standard and shall be applied in the context of managing the overall portfolio.

This standard states:

“Investments shall be made with judgment 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 expected income to be derived.”

#### Limitation of Personal Liability

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

### **VI. AUTHORIZED INVESTMENTS**

At no time shall the assets of the Village be invested in any instrument or security not authorized under the Public Funds Investment Act (“PFIA”) as the Act may be amended from time to time.

Assets of the Village may be invested in the following instruments:

1. Obligations issued, guaranteed, or insured by the U.S. or its Agencies and Instrumentalities, including letters of credit. These securities should have a maturity date no longer than two years from the date of purchase. They may only be purchased from brokers/dealers that have been approved by the Village Board of Alderman. They shall be purchased using the delivery vs. payment method.
2. Certificates of deposit that:
  - a. are issued by a state or national bank, a savings bank, or a state or federal credit union domiciled in Texas,
  - b. are secured by FDIC or National Credit Union Share Insurance Fund,
  - c. are collateralized as described in the PFIA and the Public Funds Collateral Act,
  - d. have a maturity date no longer than two years from the date of purchase. Bids for CD's may be solicited orally or in writing or electronically or in any combination of those three methods.
  - e. are purchased through the CDARS program with a Texas Bank.
3. Investment pools that:
  - a. are authorized by the Board of Alderman (TexPool)
  - b. only invest in obligations approved by the PFIA,
  - c. provide an offering circular containing information required by the PFIA,
  - d. provide investment transaction confirmations,
  - e. provide a monthly report containing information required by the PFIA,
  - f. function like a money market mutual fund that marks its portfolio to market daily and stabilizes its net asset value at \$1 per share.
  - g. have a dollar weighted average stated maturity of 90 days or less,
  - h. have an advisor board as specified by the PFIA,
  - i. are rated not less than AAA or an equivalent rating by at least one national recognized rating service.
4. Money Market Funds that:
  - a. are held in a state or federally chartered bank, savings bank, or a state or federal credit union domiciled in Texas, having branch offices in Texas, or doing business in Texas,
  - b. are secured by the FDIC or NCUA, or
  - c. are collateralized by a bank depository agreement.

Before an investment is made, a written copy of the investment policy must be presented to the individual or business organization offering to engage in an investment transaction with the Village. A written instrument, signed by a qualified representative, must be received from that individual or business organization that acknowledges that the Village policy has been received and reviewed and the procedures and controls have been implemented to preclude unauthorized transactions.

## **VII. COLLATERALIZATION**

Consistent with the requirement of the Public Funds Collateral Act, the Village will require full collateralization of all Village investments and funds on deposit with a depository bank, other

than investments which are obligations of the U.S. government and its agencies and instrumentalities, or insured by the US Government and its agencies and instrumentalities. The Investment Officer of the Village is responsible for entering into collateralization agreements. Evidence of ownership must be furnished to the Village.

### **VIII. REPORTING**

The Investment Officer shall prepare and submit to the Board quarterly and annually a written report that describes in detail the Village's investment position on the date of the report. The report will contain the weighted average maturity of investment pools. It will also contain, for comparison purposes, the current rates of return on 3 and 6 month T-Bills. The report shall be signed by the Investment Officer and shall include a statement of compliance of the investment portfolio with the PFIA and the Village's investment strategy and policy. The Village's outside auditor in conjunction with the annual financial audit, shall perform a compliance audit to assess management controls on investments and adherence to the established investment policy.

### **IX. INVESTMENT POLICY ADOPTION**

The Village's investment policy shall be adopted by the Board of Alderman. The Board shall review the policy and strategies on an annual basis. A written resolution approving that review and changes to the policy from the review will be passed and recorded by the Board.

#### **Reviewed and Readopted:**

1-5-06 Resol. No. 044  
10-19-06 Resol. No. 048  
09-20-07 Resol. No. 54  
10-2-08 Resol. No. 062  
10-1-09 Resol. No. 071

#### **Changes made:**

none  
None  
None  
"Treasurer" changed to "Investment Officer"  
Various for clarity and understanding