

**Ordinance No. 2002.09
Village of Salado
County of Bell
State of Texas
June 6, 2002**

AN ORDINANCE ADOPTING AN INVESTMENT POLICY FOR THE VILLAGE OF SALADO; PROVIDING FOR APPLICABILITY AND AN EFFECTIVE DATE AND PROVIDING FOR A SEVERABILITY CLAUSE.

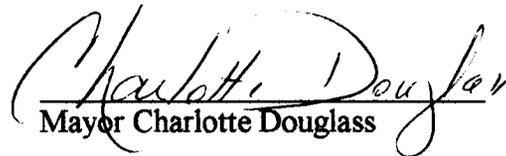
WHEREAS, it is the policy of the Village of Salado that the administration of its funds and the investment of those funds shall be handled as its highest public trust; and

WHEREAS, it is further the policy of the Village of Salado that 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:

NOW THEREFORE, be it ordained by the Board of Aldermen of the Village of Salado that :

1. The **VILLAGE OF SALADO INVESTMENT POLICY** attached hereto is hereby adopted as the official investment policy of the Village of Salado.
2. In the event that any one or more of the provisions, clauses, or words of this ordinance or the application thereof to any situation or circumstance shall for any reason be held to be invalid or unconstitutional, such invalidity or unconstitutionality shall not affect any other provisions, clauses, or words of this ordinance or the application thereof to any other situations or circumstance and it is intended that this ordinance shall be severable and that it shall be construed and applied as if such invalid or unconstitutional clause, section, provision, or word had not been included herein.
3. This ordinance shall be effective upon its approval by the Board of Aldermen.

APPROVED AND PASSED this the 6th day of June, 2002.


Mayor Charlotte Douglass

ATTEST:


Village Secretary, Dianna Zulauf

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**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.

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.

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.

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

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 accord 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.
3. Investment pools that:
 - a. are authorized by the Board of Alderman
 - 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.

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



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instrumentalities. The Treasurer 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 the 90-day I-bill and the 1 and 2- years T-bonds. 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.

APPROVED BY

Date