
CITY OF LIVINGSTON, TEXAS INVESTMENT POLICY



SECTION 1. SCOPE

This investment policy shall govern the investment of all funds of the city, including the following: General Fund, Utility Systems Fund, Debt Service Fund, Reserve & Improvement Fund, Special Revenue Fund, Capital Projects Fund, and new funds created. Funds of the city will be invested in accordance with law, including but not limited to, the Public Funds Investment Act, Chapter 2256, Texas Local Government Code and any and all applicable ordinances, rules, laws and regulations.

SECTION 2. OBJECTIVES

The city's investment portfolio shall be managed in a manner so as to attain a market rate of return throughout the budgetary and economic cycles while preserving and protecting capital in the overall portfolio. The three objectives of this investment policy are: Safety, Liquidity, and Yield.

1. **SAFETY** - Safety of principal is the foremost objective of the city. To attain this objective, diversification is required in order that potential losses on individual investments will not exceed the income generated from the remainder of the portfolio.
2. **LIQUIDITY** - The city's investment portfolio will remain sufficiently liquid to enable the city to meet operating requirements that might be reasonably anticipated. Liquidity will be assured through staggered maturity of investments. Savings accounts, money fund plus accounts or other interest bearing accounts will also be utilized, as needed. A security may be liquidated to meet unanticipated cash requirements, to redeploy cash into other investments expected to outperform current holdings or to otherwise adjust the city's portfolio.
3. **YIELD** - Municipal investments shall attain a market rate of return. Funds held for future capital projects shall be invested in securities that can reasonably be expected to produce enough income to offset inflationary construction cost increases.

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SECTION 3. DELEGATION OF AUTHORITY

The City Manager, Assistant City Manager/City Secretary and Finance Director are designated as investment officers of the city and are responsible for investment decisions and activities. Authority to manage the investment program is granted to the City Manager who shall develop and maintain written administrative procedures for the operation of the investment program consistent with this policy.

The investment officers, acting in accordance with written procedures, and exercising due diligence, shall not be held personally responsible for a specific security's credit risk or market price changes, provided that appropriate action is taken to control adverse actions.

SECTION 4. PRUDENCE

The standard of prudence to be applied by the investment officers shall be the "prudent investor" rule which states "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 prudent investor rule shall be applied in the context of managing the overall portfolio.

SECTION 5. ETHICS AND CONFLICT OF INTEREST

All participants in the investment process shall seek to act responsibly as custodians of the public trust and avoid any transaction that might impair public confidence in the city's ability to govern effectively.

Officers and employees involved in the investment process shall refrain from personal business activity that could conflict with proper execution of the investment program or which could impair their ability to make impartial investment decisions.

Employees and investment officials shall disclose any material financial interests in financial institutions that conduct business with the city and shall further disclose any large personal financial or investment positions that could be related to the performance of the city's portfolio. Employees and investment officials who have a personal business relationship with an entity seeking to sell an investment to the city shall file a statement disclosing that personal business interest. An investment officer who is related within the second degree by affinity or consanguinity, as determined under Chapter 573, to an individual seeking to sell an investment to the city shall file a statement disclosing that relationship. A statement

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required under this section must be filed with the Texas Ethics Commission and the City Council.

Employees and investment officers shall subordinate their personal investment transactions of those of this jurisdiction, particularly with regard to the timing of purchases and sales.

SECTION 6. MONITORING AND ADJUSTING THE PORTFOLIO

The city intends to pursue a passive vs. an active portfolio management philosophy, which is designed to minimize administrative expenses while obtaining market-average rates of return and incurring minimal risks. The method used to monitor the market price of acquired investments is the Wall Street Journal. Investment transactions must be settled on a delivery vs. payment method basis with the exception of investment pools and mutual funds.

SECTION 7. INTERNAL CONTROLS

The City Manager shall approve a system of internal controls, which shall be reviewed annually by the independent auditor. The controls shall be designed to prevent loss of public funds due to fraud, error, misrepresentation, unanticipated market changes or imprudent actions. Controls and matters deemed most important include: control of collusion, separation of functions, custodial safekeeping, clear delegation of authority, written confirmation of telephone transactions, documentation of all transactions and strategies, and adequate training and development of investment staff. As a part of the annual financial audit, the independent auditor will include the performance of a compliance audit of management controls on investments, activity reporting, and adherence to this investment policy.

SECTION 8. TRAINING

The investment officers shall attend a training session relating to their respective responsibilities within twelve (12) months after taking office or assuming duties and a training session not less than once every two years to receive 8 hours of training, as required by state law, which is designed to ensure the continued proper performance of their duties under this policy and the Public Funds Investment Act. Such training shall include education in investment controls, security risks, strategy risks, market risks and compliance with the Public Funds Investment Act, Chapter 2256, Texas Local Government Code. Approved sources of training include: the Texas Municipal League, the Government Finance Officers Association of Texas, the Deep East Texas Council of Governments, banking institutions, accounting firms or financial advisory groups.

SECTION 9. * AUTHORIZED INVESTMENTS

Assets of the City may be invested only in the following instruments as further defined by the Act. If changes are made the Act they will not be authorized until this Policy is modified and adopted by the City Council. All investment transaction will be made on a competitive basis.

A. Obligation of the United States Government, its agencies and instrumentalities with a maximum stated maturity of two years excluding mortgage back securities.

B. Fully insured or collateralized depository certificates of deposit from banks in Texas, with a maximum maturity of two years insured by the Federal Deposit Insurance Corporation, or its successor, or collateralized in accordance with this Policy.

C. AAA-rated, Texas Local Government Investment Pools which strive to maintain a \$1 net asset value (NAV) AND as defined by the Act and authorized by resolution of the City Council.

D. AAA-rated, SEC registered money market mutual funds in compliance with SEC Rule 2a-7 and striving to maintain a \$1 net asset value.

E. FDIC insured, brokered certificates of deposit securities from a bank in any US state, delivered versus payment (DVP) to the City's safekeeping agent, not to exceed 24 months to maturity. Before purchase, the Investment Officer must verify the FDIC status of the bank on the www.fdic.gov website to assure that the bank is FDIC insured.

F. FDIC insured or collateralized interest bearing and money market accounts from any FDIC insured bank in Texas.

G. Share certificates from credit unions doing business in Texas which are fully insured by the National Credit Union Share Insurance Fund and with a maximum stated maturity of 24 months.

H. General debt obligation of any US state or political subdivision rated A or better with a stated maturity not to exceed 24 months.

*Investment maturities for operating funds shall be scheduled to coincide with projected cash flow needs, taking into account routine expenditures as well as considering sizable blocks of anticipated revenue. A cash flow projection will be prepared annually and adjusted as needed. All funds shall be considered short term with the exception of those reserved for capital projects or debt retirement.

SECTION 10. COMPETITIVE SELECTION OF INVESTMENT INSTRUMENTS

Competitive bids will be solicited on all transactions the city initiates. Bids for Certificates of Deposit may be solicited orally, in writing, electronically, or by any combination of such methods. Records will be kept of the bids offered, the bids accepted and the rationale for making the decision regarding the investment.

A written copy of the investment policy shall be presented to any person seeking to sell an authorized investment to the city. The registered principal of the business organization seeking to sell an authorized investment shall execute a written instrument substantially to the effect that the registered principal has:

- a. received and thoroughly reviewed the investment policy of the city; and
- b. 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.

SECTION 11. TRANSACTION AUTHORITY

Certain signatory responsibilities are required to transact investments. Positions authorized as depository signatories shall be the City Manager, the Assistant City Manager/City Secretary and Finance Director. The persons holding these positions are also designated as authorized to transact wire transfers, buy/sell, and trade investments in accord with the goals and objectives of the city's investment strategy.

SECTION 12. SAFEKEEPING

As required by Generally Accepted Accounting Principles, all instruments purchased by the city shall be held in a third party safekeeping by an institution designated as primary agent. The primary agent shall issue a safekeeping receipt to the city listing the specific instrument, rate, maturity and other pertinent information.

SECTION 13. COLLATERALIZATION

Financial institutions shall pledge securities sufficient to protect the assets of the city and/or provide adequate coverage by FDIC insurance.

SECTION 14. REPORTING REQUIREMENTS

Not less than quarterly, the City Manager or Finance Director shall prepare and submit to the City Council and the City Manager a written report of investment transactions for all funds describing the investment transactions and beginning market value and changes in market value of portfolio investments during the reporting period and stating compliance with the investment strategy. The report shall be signed by all three (3) investment officers.

SECTION 15. REVIEW OF POLICY

The City Council shall review the investment policy and investment strategy not less than annually to determine continuing compliance with federal and state statutory requirements. The City Council must take formal action stating that the policy and strategy have been reviewed annually with all changes recorded in the official minutes of the City Council.

UPDATED AND ADOPTED this the 11th day of February, 2025.

SIGNED:



Judy B. Cochran, Mayor

ATTEST:



Ellie Monteaux, TRMC, MMC, CPM
City Secretary/Assistant City Manager

