Ordinance 2026.6.1

ADOPTING A FINANCIAL INVESTMENT POLICY; ADOPTING INVESTMENT STRATEGIES; DESIGNATING QUALIFIED BROKERS; AND DESIGNATING INVESTMENT OFFICERS

WHEREAS, the City Council of the City of Flatonia, Texas (the "City") is now, as required by law, adopting a Financial Investment Policy (the "Policy");

WHEREAS, following its annual review of the Policy, the City Council of the City now desires to (i) adopt a Policy; (ii) adopt investment strategies, (iii) designate qualified brokers, (iv) designate Investment Officers to be responsible for the investment of City funds; and (v) confirm its annual review of the Policy;

NOW, THEREFORE, IT IS RESOLVED BY THE CITY COUNCIL OF THE CITY OF FLATONIA, TEXAS THAT:

Section 1: The Financial Investment Policy attached as Exhibit "A" is hereby adopted.

Section 2: The Authorized Investments listed in Exhibit "B" are hereby adopted.

Section 3 The Investment Strategies attached as Exhibit "C" are hereby adopted.

Section 4: The City Manager and the City Manager's designee are hereby designated to serve as the City's Investment Officers. The Investment Officers are authorized to invest City funds in accordance with the direction of the City Council of the City of Flatonia and the Policy, but in no event may the Investment Officers invest City funds in contravention of Chapter 2256 of the Texas Government Code (the Public Funds Investment Act).

Section 5: The City Council confirms that, on this date, it has reviewed the City's investment policies and strategies and authorized the revisions set forth above.

ADOPTED this 16th day of June 2026.

Travis Seale
Mayor

ATTEST:

Jacqueline Ott, TRMC
City Secretary

EXHIBIT "A"

FINANCIAL INVESTMENT POLICY

ARTICLE I
DEFINITIONS

1.01. Councilperson: "Councilperson" means a person elected or appointed to serve on the City Council of the City of Flatonia.

1.02 Council: "Council" means the City Council of the City of Flatonia.

1.03 Business Entity: "Business Entity" means a sole proprietorship, partnership, firm corporation, holding company, joint stock company, receivership, trust or any other entity recognized by law through which business is conducted.

1.04 Employee: "Employee" means a person or Business Entity working for or on behalf of the City, including any consultant providing services as an independent contractor.

1.05 Investment Officer: "Investment Officer" means a person appointed by the Council to handle City investments.

1.06 Officer: "Officer" means an elected or appointed officer of the City, including an Investment Officer.

1.07 Professional Services Procurement Act: "Professional Services Procurement Act" means Subchapter A, Chapter 2254, Texas Government Code, as amended from time to time.

1.08 Public Funds Investment Act: "Public Funds Investment Act" means Chapter 2256, Texas Government Code, as amended from time to time.

1.09 Public Funds Collateral Act: "Public Funds Collateral Act" means Chapter 2257, Texas Government Code, as amended from time to time.

1.10 City: "City" means the City of Flatonia, Texas.

ARTICLE II
INVESTMENT POLICY

2.01 Scope. This policy applies to all transactions involving the investment assets of the City.

2.02. Policy. City funds will be invested in compliance with applicable legal requirements, the guidelines stated in this Policy and each City Investment Strategy. Effective cash management is recognized as a foundation of this Policy. Notwithstanding the foregoing, investment of City funds is limited to the types of investments set forth on the attached Exhibit "A".

2.03. Allowable Maturities. Unless otherwise stated in Exhibit "A", the maximum allowable stated maturity of any individual investment may not exceed 180 days and the maximum dollar-weighted average maturity for pooled fund groups based on the stated maturity date for the portfolio may not exceed 60 days. Settlement of all transactions, other than investments in investment pool funds and mutual funds, must be consummated on a delivery versus payment system.

2.04. Investment Objectives. The City's investment portfolio will be planned and managed to take advantage of investment interest as a source of income from all operating and capital funds. In addition, the portfolio will be managed in accordance with the covenants of the City's bond resolutions, including covenants with respect to the arbitrage regulations under the U.S. Internal Revenue Code. Consideration will be given to the following objectives:

A. Safety of capital: The primary objective of the City is to ensure the preservation and safety of principal.

B. Liquidity: The City will maintain sufficient liquidity to ensure the availability of funds necessary to pay obligations as they become due.

C. Return on investment: The City will seek to optimize return on investments within the constraints of safety and liquidity.

D. Standard of Care: The City will seek to ensure that all persons involved in the investment process act responsibly in the preservation of City capital. City investments will be made with the exercise of 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 probable income to be derived.

2.05 Investment Officer Quarterly Report. Purchases and sales of City investments may only be initiated by a City Investment Officer, appointed by resolution of the Council. The City's Investment Officer will be required to attend training, in compliance with the Public Funds Investment Act, from an independent source approved by the Council that includes education in investment controls, security rights, strategy rights, market rights, and compliance with the Public Funds Investment Act. The Council may authorize an Investment Officer to invest and reinvest funds of the City in accordance with this Policy. The Investment Officers must submit a written report to the Council on at least a quarterly basis, which sets forth all investment transactions during the previous quarter and which complies with the requirements of the Public Funds Investment Act.

2.06 Acknowledgment Required. Any business that desires to sell investments to the City must be given a copy of this Policy, and a principal of the Business Entity must execute a written instrument stating that he or she:

1. Has received and thoroughly reviewed the Policy; and

2. Acknowledges that his or her organization has implemented reasonable procedures and controls in an effort to preclude "imprudent investment activities" from arising between his or her organization and the City.

2.07. Collateralization. Funds held at a bank or trust company that are not invested must be collateralized by collateral securities set forth in the Public Funds Collateral Act, to the extent not covered by the Federal Deposit Insurance Corporation (FDIC), the Federal Savings and Loan Insurance Corporation (FSLIC), or their successors.

2.08. Review. This Policy and investment performance and security will be reviewed and evaluated at least annually by the Council, or more frequently upon the request of any Councilperson. Following its annual review, the Council will adopt a written resolution confirming its review of the Policy and investment strategies contained in this Policy.

ARTICLE III
FINANCIAL MANAGEMENT

3.01. Accounting Records. The City's financial records will be prepared on a timely basis and maintained in an orderly manner, in conformity with generally accepted accounting principles. These records will be available for public inspection during regular business hours at the City's office.

3.02. Audit Requirements. The City's fiscal accounts and records will be audited annually, at the expense of the City, by a certified public account. City audits will be performed according to generally accepted auditing standards adopted by the American Institute of Certified Public Accountants. The City will comply with uniform reporting requirements that use "Audits of State and Local Government Units" as a guide on audit working papers and "Governmental Accounting and Financial Reporting Standards". In addition, the City's auditor will review management controls on City investments and the City's compliance with the Policy contained in Article II.

3.03. Budget. The City will adopt an annual budget. This budget will take into consideration all City revenues, and all projected City obligations and expenditures. The City Manager will provide a comparison of budgeted to actual expenditures and revenues for review on a monthly basis. The approved budget will be reviewed by the Council at least quarterly and all necessary revisions to the budget will be approved by majority vote of the Council.

ARTICLE IV
PROFESSIONAL SERVICES; EMPLOYEE BONDS

4.01. Selection. Employees retained to provide professional services to the City including, but not limited to, legal, engineering, management, accounting and tax collection services, will be selected based upon qualifications and by majority vote of the Council. In selecting attorneys, engineers, auditors, financial advisors or other professional consultants, the City will follow the procedures required by the Professional Services Procurement Act.

4.02. Bond. The Council will require any Employee who handles City funds to be bonded, in an amount determined by the Council.

4.03. Review. The performance of all Employees providing professional services to the City will be regularly monitored and will be reviewed and evaluated at least annually by the Council, or more frequently upon request of any Councilperson.

EXHIBIT "B"
AUTHORIZED INVESTMENTS

1. The Following obligations of governmental entities and obligations guaranteed by governmental entities are allowed:

   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. With prior approval of the Council, collateralized mortgage obligations directly issued by the federal government, the underlying security for which is guaranteed by the United States with certain exceptions set forth in the Public Funds Investment Act.
   d. Other obligations backed by the full faith and credit of the United States; and
   e. With prior approval of the Council, obligations of states, agencies, counties, cities and other political subdivisions having not less than an "A" rating from a nationally recognized investment rating firm.

2. Certificates of deposit issued by a bank or saving and loan association doing business in Texas guaranteed by the FDIC or the obligations set forth above in 1.

3. With prior approval of the Council, repurchase agreements with a defined termination date, secured by obligations set forth in 1, and placed through a primary government securities dealer or a financial institution doing business in Texas.

4. With prior approval of the Council, bankers' acceptance with a stated maturity of 270 days or less that will be liquidated in full at maturity and meet other credit requirements established by the Council.

5. With prior approval of the Council, commercial paper with a stated maturity of 270 days or less and meeting certain other credit requirements established by the Council.

6. With prior approval of the Council, money market mutual funds that are no-load and:
   a. are regulated by the Securities and exchange Commission (SEC);
   b. have provided the City with a prospectus and other information required by the Securities Exchange Act of 1934 and the Investment Company Act of 1940;
   c. have an average weighted maturity of 90 days or fewer;
   d. have an investment objective of maintaining a stable net asset value of $1 per share.

7. Other types of mutual funds, which are no-load, and:
   a. are registered with the SEC;
   b. have an average weighted maturity of less than two (2) years;
   c. are invested exclusively in obligations approved by this Act;
   d. have a "AAA" rating; and
   e. meet certain requirements of investment pools, as set forth in the Public Funds Investment Act.

8. Public funds investment pools which meet the criteria as set forth in the Public Funds Investment Act, maintain a "AAA" rating and have an investment objective of maintaining a stable net asset of $1 per share.

EXHIBIT "C"
INVESTMENT STATEGIES

Investment Strategies in order of priority

A. Investment requirements by fund

1. Operating Funds. The City will maintain funds in the operating checking account at its depository, or any qualified money market fund to cover approximately three (3) months of operating needs. The remaining operating funds will be invested in acceptable investments to meet the operating requirements of the City, as determined by the annual operating budget adopted by the Council, not to exceed a maximum maturity of one year.

2. Tax Collections. Tax collections will be deposited into the City's account at its depository.

3. Debt Service Funds. The City will maintain a debt service account at its depository.

B. Suitability. The City's Investment Officers must understand the City's financial requirements. Appropriate investments will be made to meet the needs of the City.

C. Preservation of Capital. A safe investment will allow the City to recover every dollar invested.

D. Liquidity. The City's Investment Officers must invest in securities that are easily and rapidly converted into cash without a substantial loss of value.

E. Investment Marketability Requirements. All investments must be "marketable" in case the need arises to liquidate an investment before maturity.

F. Maximum Maturities. To the extent possible, the City will match its investments with anticipated cash flow requirements. As required by the Public Fund Investment Act and the City's Financial Investment Policy, certain investments will have maturity limitations.

G. Diversification. There will be no defined level of investment diversification as long as all funds of the City are invested in accordance with these strategies.

H. Yield. City funds must be invested to obtain the maximum yield for each time frame taking into consideration the priority of preservation and safety of the principal and the liquidity of the investment.

I. Annual Review of Investment Strategies. The Council will review these strategies at least annually. Any changes deemed necessary by the Council at the time of each review will be reflected in an amendment to these strategies.

J. Investment Brokers. The City shall maintain a list of approved brokers. The Council will review this list at least annually.