

## **RESOLUTION 2023-03**

### **A RESOLUTION OF THE BOARD OF DIRECTORS OF THE BANDERA ECONOMIC DEVELOPMENT CORPORATION (BEDC) OF THE CITY OF BANDERA, TEXAS, ADOPTING A WRITTEN INVESTMENT POLICY AND DESIGNATING AN INVESTMENT OFFICER**

WHEREAS, the Public Funds Investment Act ("Act"), Chapter 2256 of the Texas Government Code, requires the Bandera Economic Development Corporation to review and adopt an investment policy annually for its funds and funds under its control; and,

WHEREAS, section 2256.005(b) of the Act provides that the investment policies must:

- (1) be written;
- (2) primarily emphasize safety of principal and liquidity;
- (3) address investment diversification, yield, and maturity and the quality and capability of investment management; and,
- (4) include:
  - (A) a list of the types of authorized investments in which the investing entity's funds may be invested;
  - (B) the maximum allowable stated maturity of any individual investment owned by the entity;
  - (C) for pooled fund groups, the maximum dollar-weighted average maturity allowed based on the stated maturity date for the portfolio;
  - (D) methods to monitor the market price of investments acquired with public funds;
  - (E) a requirement for settlement of all transactions, except investment pool funds and mutual funds, on a delivery versus payment basis; and,
  - (F) procedures to monitor rating changes in investments acquired with public funds and the liquidation of such investments consistent with the provisions of Section 2256.021; and,

WHEREAS, the attached Investment Policy complies with the provisions of the Public Funds Investment Act.

WHEREAS, section 2256.005(f) provides that each investing entity shall designate, by rule, order, ordinance, or resolution, as appropriate, one or more officers or employees of the state agency, local government, or investment pool as investment officer to be responsible for the investment of its funds consistent with the investment policy adopted by the entity.

WHEREAS, the Act requires the governing body to review and adopt the investment policy and investment strategy by rule, order, ordinance, or resolution not less than annually.

NOW, THEREFORE, BE IT RESOLVED BY BANDERA ECONOMIC DEVELOPMENT CORPORATION OF THE CITY OF BANDERA, BANDERA COUNTY, TEXAS THAT:

Section 1. The facts and recitations set forth in the preamble of this Resolution are declared true and correct.

Section 2. It has reviewed the Bandera Economic Development Corporation Investment Policy attached as Exhibit "A".

Section 3. It adopts the attached Investment Policy.

Section 4. The adopted Investment Policy applies to all funds under its control.

Section 5. The Board of Directors for the Bandera Economic Development Corporation shall select **Board Member Thomas McEachin to serve as the Investment Officer** and who shall act in accordance with the adopted Investment Policy as set forth by the Act.

Section 6. The Board of Directors for the Bandera Economic Development Corporation shall select three members of the Board, to include the Board Treasurer to serve as the designated Investment Committee as follows: **Thomas McEachin, Investment Officer, Elaine Good, BEDC Treasurer, Alan Arterbury, Board Member**

PASSED, APPROVED, AND ADOPTED BY THE BANDERA ECONOMIC DEVELOPMENT CORPORATION OF THE CITY OF BANDERA, TEXAS, ON THIS THE 11<sup>th</sup> DAY OF October, 2023.

**BANDERA EDC**

  
Andrea Jankoski, President

**ATTEST:**

  
Alan Arterbury, Board Secretary

**CITY OF BANDERA 4B DEVELOPMENT CORPORATION  
A.K.A. BANDERA ECONOMIC DEVELOPMENT CORPORATION (“BEDC”)  
(Type B Corporation)**

**INVESTMENT POLICY AND STRATEGY**

The investment policy applies to the investment activities of the Bandera Economic Development Corporation (“BEDC”). It is the policy of the BEDC to invest public funds in a manner which will provide the highest investment return with the maximum security. 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 and adopted by resolution at least annually according to Section 2256.005(e). Effective cash management is recognized as essential to good fiscal management. Investment interest is a source of revenue for BEDC funds. The BEDC’s investment portfolio shall be designed and managed in a manner designed to maximize this revenue source, to be responsive to public trust, and to follow legal requirements and limitations. Investments shall be made with the primary objectives of:

- **Safety** and preservation of principle.
- Maintenance of sufficient **liquidity** to meet operating needs; and
- Optimization of **interest earnings** on the portfolio.

**I. POLICY STATEMENT**

It is the policy of BEDC that the administration of its funds and the investment of those funds shall be managed as its highest public trust. Investment shall be made in a manner which will provide maximum security of principal invested through limitations and diversification while meeting the daily cash flow needs of BEDC and conforming to all applicable policies, resolutions, and state statutes governing the investment of public funds. The receipt of yield will be secondary to the requirements for safety and liquidity. It is the intent of BEDC to be in complete compliance with local law and the Public Funds Investment Act, Chapter 2256 of the Texas Government Code, as amended.

**II. SCOPE**

This Investment Policy applies to all financial assets and funds held by the BEDC. These funds are accounted for by BEDC and in the City of Bandera’s Annual Comprehensive Financial Reports (ACFR) and include:

- a. General Fund
- b. New funds created by the BEDC, unless specifically exempted by the BEDC Board and this policy.

### III. OBJECTIVES AND STRATEGY

The BEDC shall manage and invest its cash with four primary objectives, listed in order of priority: **safety, liquidity, diversification, and yield, expressed as optimization of interest earnings.** The safety of the principal invested always remains the primary objective. All investments shall be designed and managed in a manner responsive to the public's trust and consistent with state and local law.

The BEDC shall maintain a comprehensive cash management program, which includes timely collection of account receivables, vendor payments in accordance with invoice terms, and prudent investment of available funds. Cash management is defined as the process of managing monies based on historic and anticipated cash flows to assure adequate cash availability and provide reasonable earnings within the constraints of this policy. An effort shall be made to achieve reasonable earnings on cash and short-term investments.

1. **Safety:** Safety of principal is the foremost objective of the BEDC. Investments of the BEDC shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. Credit risk will be limited by authorization of only the highest credit quality securities.
2. **Liquidity:** The BEDC's investment portfolio will remain sufficiently liquid to enable the BEDC to meet all operating requirements, which might be anticipated. Portfolio maturities will be structured to meet the obligations of the BEDC first, and then to achieve the highest reasonable yield consistent with the objectives of BEDC.
3. **Diversification:** Diversification is required to spread risk and limit potential losses on individual securities. The portfolio will be diversified by institution, market sector and maturity as much as possible to spread risk. Investment funds shall be diversified to minimize risk and loss resulting from over-concentration of assets in a specific market or specific maturity range
4. **Yield:** The investment portfolio shall be designed with the objective of attaining a market yield throughout budgetary and economic cycles, considering the investment risk constraints and liquidity needs. Yield is of secondary importance compared to the safety and liquidity objectives described above.

All funds may be commingled for investment purposes and efficiency. The investment strategy has as its primary objective to ensure that anticipated cash flows are matched, and adequate liquidity maintained with minimal volatility. The portfolio will be structured with high credit quality, short and intermediate term securities to minimize market, liquidity, and credit risks as authorized by state statute. The maximum dollar weighted average maturity of the portfolio will be twelve months calculated on stated maturity dates.

### **Public Trust**

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

## **IV. LEGAL LIMITATIONS**

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"), as amended. The Public Funds Collateral Act, Chapter 2257, Texas Government Code, as amended, specifies collateral requirements for all public fund deposits.

The Interlocal Cooperation Act, Chapter 791, Texas Government Code, as amended, authorizes local governments in Texas to participate in an investment pool established thereunder. That statute and reference to authorize investment in investment pools in the Act is primary authority for use of investment pools by political subdivisions of the State of Texas.

## **V. RESPONSIBILITY AND CONTROL**

### **BEDC Board of Directors**

The Board of the BEDC retains the ultimate fiduciary responsibility for the funds and the portfolio in accordance with the Act. **The BEDC Board will designate three members of the Board, to include the BEDC Treasurer, as the designated Investment Committee.** The Board will designate the Investment Officer, receive, and review quarterly reporting, approve, and provide for the Investment Officer training, annually approve broker/dealers, and annually review and adopt the Investment Policy and Strategy and approve and forward the Annual Financial Report to the Texas Comptroller of Public Accounts by April 1<sup>st</sup> of each year.

### **Investment Committee**

The committee shall review all transactions and monitor compliance with internal controls. The Investment Committee shall receive quarterly reports, as required by this policy, and monitor the results and performance of the investment portfolio. The Investment Committee shall include in its deliberations such topics as investment strategy, earnings, market risk, economic outlook, portfolio diversification, maturity structure, and potential market risks. The Committee is authorized to approve the annual broker/dealer list.

### **The Investment Officer**

In accordance with the Act, the BEDC Board of Directors will designate by resolution the Investment Officer of the BEDC.

The Investment Officer is solely authorized to execute investment transactions on behalf of the BEDC in accordance with this policy. The Officer is authorized to transact wire transfers, buy/sell, and trade investments after approval by the Board.

The Investment Officer is responsible for creating and maintaining the portfolio in accordance with this Policy, providing timely quarterly reporting to the Board and Committee, and establishing supporting procedures. The Investment Officer may designate deputies to assist with the supporting procedures of the investment portfolio management.

The Investment Officer shall attend ten hours of training in accordance with the Act within 12 months of assuming responsibilities and attend 10 hours of training in each successive two-fiscal year period from training sources approved by the Board. The Board shall approve training providers. Training should include topics such as investment controls, security risk, market risk, diversification of the investment portfolio, and compliance with State laws in accordance with Act.

The Investment Officer shall be familiar with this Policy and its underlying procedures. No Investment Officer may engage in an investment transaction except as provided under the terms of this Policy and the procedures established.

#### **Transaction Authority.**

Positions authorized as signatories for approval of any investment shall be the BEDC Treasurer, BEDC Board Vice-President and one other member. Dual approval is required for the transactions presented by the Investment Officer.

#### **Internal Controls**

The Investment Officer shall establish a system of written internal controls addressing:

- Control of collusion and employee error,
- Separation of transaction authority from accounting and record keeping,
- Safekeeping of owned and pledged securities,
- Clear delegation of authority,
- Written records for all transactions, and
- Review, maintenance, and monitoring of security procedures both manual and automated.

Annually the Investment Officer shall perform an internal compliance audit to assure compliance with the requirements of this Policy and the Act. Annually, the City's external auditor shall review the quarterly reports.

#### **PRUDENCE**

The standard of prudence to be used by the Investment Officer shall be in the "Prudent Person Rule" and shall be applied in the context of managing the overall portfolio, rather than a consideration as to the prudence of a single investment. The standard states:

Investments shall be made with judgment and care, under circumstances then prevailing, which person of prudence, discretion, and intelligence exercised in the management of their own affairs. Not for speculation, but for investment, considering the probable safety of their principal as well as the probable income to be derived.

### **Indemnification**

The Investment Officer, acting in accordance with written procedures and exercising due diligence, shall not be held personally responsible for a specific investment's credit risk or market price changes, provided that investments were made in accordance with this Policy and any deviations are reported immediately and the appropriate action is taken to control adverse developments.

## **VI. ETHICS AND CONFLICTS OF INTEREST**

The Investment Officer, Board members and employees involved in the investment process shall refrain from personal business activities that could conflict with proper execution of the investment program or which could impair their ability to make impartial investment decisions. The Investment Officer and any employee shall disclose to the Board any material financial interest in institutions that conduct business with the BEDC, and they shall further disclose any personal financial/investment positions with financial institutions doing business with BEDC that could be related to the investment performance of the BEDC or the City of Bandera particularly in regard to the timing of purchases and sales.

Any Investment Officer who has a personal or business relationship with an organization seeking to sell an investment to the BEDC shall file a statement disclosing that relationship or interest. An Investment Officer related within the second degree of affinity or consanguinity to an individual seeking to sell an investment to the BEDC, in accordance with the Act, shall file a statement disclosing that relationship. Disclosure statements required under this subsection must be filed with the Texas Ethics Commission and the BEDC Board.

## **VII. AUTHORIZED FINANCIAL DEALERS AND INSTITUTIONS**

All investments made by the BEDC will be made through either the BEDC's banking services bank, a bank in Texas or an authorized broker/dealer. The BEDC Board will approve annually a list of financial institutions which are authorized to provide investment services. Banks shall continuously provide their most recent "Consolidated Report of Condition" (call report). Securities broker/dealers not affiliated with a bank shall be registered with the State of Texas and in good standing with FINRA. The following criteria must be met by those firms on the list: provision of an audited financial statement for the most recent period, registration with the Texas Securities Commission, and current registration with FINRA (Financial Industry Regulatory Authority).

Every business organization that conducts investment transactions for BEDC will be provided a copy of this Investment Policy to assure that they are familiar with the goals and objectives of the investment program.

Local government investment pools are required to certify that the policy has been received and reviewed. Material changes in this Policy will require the policy to be resent to all brokers/dealers.

## **VIII. AUTHORIZED INVESTMENTS**

Acceptable investments under this policy shall be limited to the instruments listed below. Investments are to be chosen in a manner which promotes diversity or market sector and maturity. The longer the maturity of investments, the greater their price volatility. Therefore, it is the BEDC's policy to concentrate its investment portfolio in shorter-term securities to limit principal risk caused by changes in interest rates.

No investment stated maturity shall exceed two (2) years.

- A. Obligations of the United States Government, its agencies and instrumentalities, and government sponsoring enterprises, excluding mortgage-backed securities.
- B. Direct obligations of the State of Texas or its agencies.
- C. Depository certificates of deposit issued by an FDIC insured financial institution, not to exceed the current FDIC limit per institution to include spread programs entered through a bank.
- D. Obligations of states, agencies, counties, cities, and other political subdivisions of any state having been rated as to investment quality by a nationally recognized investment rating firm and having received a rating of not less than A or its equivalent.
- E. Repurchase agreements and reverse repurchase agreements as defined by the Public Funds Investment Act, as amended, not to exceed ninety (90) days to stated maturity, provided an executed PSA Master Repurchase Agreement is on file with the PCDC and the counterparty bank or primary dealer.
- F. Texas Local Government Investment Pools as defined by the Act strive to maintain a \$1 NAV. The maximum dollar-weighted maturity for the pool may not exceed ninety (60) days and the pool must maintain a minimum rating of AAA.
- G. FDIC insured interest-bearing time and demand deposits in any Texas bank insured by the Federal Deposit Insurance Corporation or its successor to include spread depository instruments which are FDIC insured.
- H. Interest bearing time or demand deposits in any credit union in Texas insured by the National Credit Union Share Insurance Fund or its successor.
- I. A1/P1 rated commercial paper with a maturity not to exceed 180 days.
- J. AAA-rated money market mutual funds which strive to maintain a \$1 NAV.



All transactions, including the purchase of certificates of deposit and share certificates, shall be executed on a competitive basis with a minimum of three bids/offers determined to assure the best available market value is received.

### **Strategy**

The BEDC attempts to match its investments with anticipated cash flow requirements. The BEDC will not directly invest in securities maturing more than two (2) years from the date of purchase.

The total portfolio will have a maximum weighted average maturity of 365 days. This dollar-weighted average maturity will be calculated using the stated final maturity dates of each security. [PFIA 2256.005(b)(4)(C)]

### **Diversification [PFIA 2256.005(b)(3)]**

Diversification strategies shall be established and periodically reviewed by the Investment Committee.

The BEDC recognizes that investment risks can result from issuer defaults, market price changes or various technical complications leading to temporary illiquidity. Risk is managed through portfolio diversification that shall be achieved by the following general guidelines:

- Limiting investments to avoid overconcentration in investments from a specific issuer or business sector.
- Limiting investment to those high credit investments as defined by the Act.
- Investing in investments with varying maturities in a ladder strategy; and
- Maintaining a portion of the portfolio in readily available funds such as local government investment pools (LGIP's) to ensure appropriate liquidity.

Diversification by investment instrument shall not exceed the following guidelines for each type of instrument:

<u>Instrument Type</u>	<u>Maximum % of Portfolio</u>
U.S. Treasury Obligations	80%
U.S. Government Agency Securities and Instrumentalities	80%
Time and demand Banking Deposits Insured by the FDIC	60%
Authorized Local Government Investment Pools	100%

## **IX. COLLATERALIZATION**

As a corporation, BEDC does not qualify for collateralization protection under the controlling statutes of the FDIC. Therefore, the maximum amount of funds of the BEDC in any bank holding company (as identified by tax ID) shall be limited to the amount insured by FDIC (currently \$250,000); The total amount of deposits will be inclusive of accrued interest in any depository (or depository holding company).

Deposits at bank holding companies headquartered outside the State of Texas are not authorized.

## **X. SAFEKEEPING AND CUSTODY**

All securities shall be purchased and settled on a delivery versus payment (DVP) basis assuring that no funds are released until receipt of the security is verified. Securities shall not be purchased from the banking services bank to perfect delivery versus payment separation in the transaction.

### **Loss of Rating**

The Investment Officer or investment advisor shall monitor, on no less than a monthly basis, the credit rating on all authorized investments in the portfolio requiring ratings based upon independent information from a nationally recognized rating agency. If any security falls below the minimum rating required by Policy, the Investment Officer shall notify the BEDC Board of the loss of rating, conditions affecting the rating and loss of principal with liquidation options available, within one week after the loss of the required rating.

### **Loss of Authorization**

Any investment type which becomes unauthorized by state Statute or changes to this Policy may be retained in the portfolio until maturity. Reinvestment of the proceeds from the security must be invested in accordance with the Policy.

## **XI. REPORTING**

The Investment Officer shall prepare and submit quarterly reports to the Board containing all information to permit an informed outside reader to evaluate the risks and performance of the investment program. The reports will be prepared in accordance with the Act and include at a minimum:

- a. Description of each investment and depository position.
- b. Amortized book and market values at the beginning and end of the report period.
- c. Additions and changes to the market value during the period.
- d. The amortized book value and market value of each separately invested asset at the beginning and end of the reporting period market sector and fund.
- e. The maturity date of each separately invested asset.
- f. The earnings for the period.
- g. The overall yield for the portfolio(s) in comparison to its benchmark yield for the period.

All quarterly reports are to be prepared jointly by and signed by the Investment Officer stating compliance with the Policy and the Act.

Market prices for market value calculations shall be obtained from independent sources.

## SELECTION OF BANKS AND DEALER

### Bidding Process:

A primary banking services depository shall be selected through the BEDC's banking services procurement process, which shall include a formal request for proposal (RFP) issued every five (5) years in accordance with Local Government Code Chapter 105 section 105.017. The Investment Committee shall make a recommendation to the Board for designation of the depository.

The selection of a depository will be determined by competitive proposal and evaluation of bids will be based on the following selection criteria:

- The ability to qualify as a depository for public funds in accordance with state law.
- The capability to provide required services.
- The credit of the institution.
- The earnings potential at the institution; and
- Lowest net banking service cost, consistent with the ability to provide an appropriate level of service.

## X. INVESTMENT POLICY REVIEW AND ADOPTION

The Investment Policy shall be reviewed by the Investment Committee and presented to the Board and to the City Council for review and adoption by resolution at least annually. The adopting resolution must state any changes being made to the Policy.

PASSED, APPROVED AND ADOPTED this 11<sup>th</sup> day of October, 2023.

**BANDERA ECONOMIC DEVELOPMENT CORPORATION**

  
\_\_\_\_\_  
Andrea Jankoski, President

ATTEST:

  
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Alan Arterbury, Secretary