

**TOWN OF ARGYLE, TEXAS
ORDINANCE NO. 2025-35**

AN ORDINANCE OF THE TOWN OF ARGYLE, TEXAS, APPROVING AND ADOPTING A BUDGET FOR THE FISCAL YEAR BEGINNING OCTOBER 1, 2025, AND ENDING SEPTEMBER 30, 2026; PROVIDING THAT EXPENDITURES FOR SAID FISCAL YEARS SHALL BE MADE IN ACCORDANCE WITH SAID BUDGETS; APPROPRIATING AND SETTING ASIDE THE NECESSARY FUNDS OUT OF THE GENERAL FUND AND OTHER FUND REVENUES FOR SAID FISCAL YEARS FOR THE MAINTENANCE AND OPERATION OF THE VARIOUS IMPROVEMENTS AND FOR OTHER ACTIVITIES AND IMPROVEMENTS OF THE TOWN; PROVIDING FOR APPROVAL OF THE INVESTMENT POLICY; PROVIDING A REPEALING CLAUSE; PROVIDING A SEVERABILITY CLAUSE, AND PROVIDING AN EFFECTIVE DATE.

WHEREAS, the Town of Argyle, Texas (the “Town”) is a Type A general-law municipality created in accordance with the provisions of Chapter 6 of the Texas Local Government Code and operating pursuant to the enabling legislation of the State of Texas; and

WHEREAS, A proposed budget of revenues and expenditures has been prepared and submitted to the Town Council for conducting the affairs of the Town of Argyle, Texas, and providing a complete financial plan for the fiscal year beginning October 1, 2025 and ending September 30, 2026; and

WHEREAS, the Town Council has received the proposed budget for the fiscal year beginning October 1, 2025, and ending September 30, 2026, a copy of which and all supporting schedules have been filed with in the office of the Town Secretary of the Town of Argyle;

WHEREAS, in accordance with Texas Local Government Code Section 102.006, required public notices were published in the Denton Record-Chronicle and posted on the Town’s website; and

WHEREAS, the Town Council has conducted the necessary public hearings as required by law; and

WHEREAS, Chapter 2256 of the Texas Government Code, commonly known as the “Public Funds Investment Act,” requires the Town to review its investment policy and investment strategies not less than annually; and

WHEREAS, the Public Funds Investment Act requires the governing body to adopt a written instrument by rule, order, ordinance, or resolution stating that it has reviewed the investment policy and investment strategies and that the written instrument shall record any changes made to either the investment policy or investment strategies; and

WHEREAS, the Town of Argyle Investment Policy is attached as “Exhibit B” and is in compliance with the Public Funds Investment Act and requires no changes to either the investment policy or investment strategies; and

WHEREAS, the Town Council finds that passage of this Ordinance is in the best interests of the citizens of Argyle.

NOW, THEREFORE, BE IT ORDAINED BY THE TOWN COUNCIL OF THE TOWN OF ARGYLE, TEXAS:

Section 1: The proposed budget of the revenue and expenditures necessary for conducting the affairs of the Town of Argyle, Texas, for the fiscal year beginning October 1, 2025, and ending September 30, 2026 is as set forth in Section 3 of this Ordinance, and provides a complete financial plan for the fiscal year beginning October 1, 2025, and ending September 30, 2026 as submitted to the Town Council, attached hereto as “Exhibit A” and the same is hereby adopted and approved as the budget of the Town of Argyle, for the fiscal year beginning October 1, 2025, and ending September 30, 2026.

Section 2: The proposed budget of the revenues and expenditures necessary for conducting the affairs of the Town of Argyle, for the fiscal year beginning October 1, 2025, and ending September 30, 2026 are as follows:

Section 3: The sum of \$20,364,559 is hereby appropriate for the purpose of the expenditures established in the approved budget for the fiscal year beginning October 1, 2025, and ending September 20, 2026.

Fund	Expenditures FY 2026
General Fund	7,894,312
TIRZ Fund	390,808
MDD Fund	944,650
CCPD Fund	769,521
Street Maintenance Fund	2,151,000
Building Maintenance Fund	4,848
Court Technology Fund	9,792
Court Security Fund	2,500
Parkland Dedication Fund	75,000
Tree Reforestation Fund	39,000
LEOSE Training Fund	1,200
Seizure Fund	1,000
Police Donations Fund	48,662
Hotel Occupancy Tax Fund	-
Capital Improvements Fund	2,665,000
Roadway Impact Fees Fund	310,000
Equipment Replacement Fund	-
Debt Service Fund	1,886,719
Wastewater Utility Operating Fund	2,974,385
Wastewater Utility CIP Fund	-
Wastewater Development Fund	196,162
TOTAL	20,364,559

Section 4: The expenditures during the fiscal year beginning October 1, 2025, and ending September 30, 2026, shall be made in accordance with the budget approved by this Ordinance, unless otherwise authorized by a duly enacted Ordinance of the Town of Argyle, Texas.

Section 5: That specific authority is given to the Town Manager to make the following adjustments:

1. Transfer of appropriations budget from one account classification to another account classification within the same department.
2. Transfer of appropriations from designated appropriations from one department or activity to another department or activity within the same fund.

Section 6: Repeal. That all provisions of the Ordinances of the Town of Argyle, Texas in conflict with the provisions of this Ordinance be and the same are hereby repealed and all other provisions of the Ordinances of the Town of Argyle, Texas, not in conflict with the provisions of this Ordinance shall remain in full force and effect.

Section 7: Severability. Should any section, subsection, sentence, clause or phrase of this Ordinance be declared unconstitutional or invalid by a court of competent jurisdiction, it is expressly provided that any and all remaining portions of this Ordinance shall remain in full force and effect. Argyle hereby declares that it would have passed this Ordinance, and each section, subsection, clause, or phrase thereof, irrespective of the fact that any one or more sections, subsections, sentences, clauses, and phrases be declared unconstitutional or invalid.

Section 8: Effective Date. Ordinance shall become effective from and after it's adoption and the publication of the caption as required by law.

PASSED, APPROVED, AND ADOPTED by the Town Council of the Town of Argyle, Texas on this 15th day of September 2025.

APPROVED:



Ronald Schmidt, Mayor

ATTEST:



Erika McComis, Town Secretary

TOWN OF ARGYLE, TEXAS

INVESTMENT POLICY

2021

TOWN OF ARGYLE, TEXAS INVESTMENT POLICY

PREFACE

It is the policy of the Town of Argyle (the “Town”) that, after allowing for the anticipated cash flow requirements of the Town and giving due consideration to the safety and risks of investments, all available funds shall be invested in conformance with these legal and administrative guidelines to obtain a market rate of return.

Effective cash management is recognized as essential to good fiscal management. Active cash and investment management will be pursued to take advantage of investment interest as a viable and material source of revenue for Town funds. The Town’s portfolio shall be designed and managed in a manner responsive to the public trust and consistent with state and local law. The Town will invest public funds in

a manner that will provide the maximum security and a market rate of return commensurate with maximum security, while meeting the daily cash flow demands of the Town.

The Town is required under the Public Funds Investment Act (Chapter 2256 of the Texas Government Code [The Act]) to adopt a formal written Investment Policy for the investment of public funds. These Policies serve to satisfy the statutory requirement in the Act to define, adopt and review a formal investment strategy and policy. The Public Funds Collateral Act, Chapter 2257, Texas Government Code, specifies collateral requirements for all public fund deposits. All investments will be made in accordance with these statutes.

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INVESTMENT POLICY
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1. **PURPOSE.** The purpose of this Investment Policy (the “Policy”) is to set forth specific investment and strategy guidelines for the Town to manage and invest its cash with four objectives, listed in order of priority: preservation and safety of principal, liquidity, maintenance of public trust in all investment activities, and yield. These Policies are developed by the Town Manager and approved by the Town Council to guide the Investment Officers in investment matters. The Act prescribes that each town is to adopt rules governing its investment practices. On an annual basis, the Town Council shall review the Investment Policy and incorporated strategies, and shall approve Policy revisions, if any, by formal resolution.
2. **SCOPE.** The Investment Policy shall govern the investment of all financial assets considered to be part of the Town and includes, but is not limited to, the following funds or fund types: the General Fund, Enterprise Funds, Special Revenue Funds, Debt Service Fund, Capital Projects Funds, Trust and Agency Fund, and any other funds which have been contractually delegated to the Town for management purposes. The Town maintains a pooled cash account comprised of all Town funds with the exception of the following: the debt service fund and the Town’s two component units – the economic development corporation fund and the crime control and prevention district fund. The Town may add or delete funds as may be required by law, or for proper accounting procedures. This Policy does not include funds governed by approved trust agreements, or assets administered for the benefit of the Town by outside agencies under retirement or deferred compensation programs. Additionally, bond funds (including debt service and reserve funds) are governed by bond ordinances, and are subject to the provisions of the Internal Revenue Code and applicable federal regulations governing the investment of bond proceeds.
3. **INVESTMENT OBJECTIVES.** Funds of the Town shall be invested in accordance with all applicable Texas statutes, this Policy and any other approved, written administrative procedures. The four objectives of the Town’s investment activities shall be as follows (in the order of priority):
 - 3.1 **Safety of Principal.** Safety of principal invested is the foremost objective in the investment decisions of the Town. Each investment transaction shall seek to ensure the preservation of capital in the overall portfolio. The risk of loss shall be controlled by investing only in authorized investments as defined in this Policy, by qualifying the financial institutions with which the Town will transact business and through portfolio diversification. Safety is defined as the undiminished return of the principal on the Town’s investments.
 - 3.2 **Liquidity.** The investment portfolio shall be managed to maintain liquidity to ensure that funds will be available to meet the Town’s cash flow requirements and by investing in securities with active secondary markets. Investments shall be structured in such a manner as to provide the liquidity necessary to pay obligations as they become due. An investment may be liquidated prior to its stated maturity to meet unanticipated cash requirements, or to otherwise favorably adjust the Town’s portfolio, in accordance with Section 10.2.5 below.
 - 3.3 **Public Trust.** All participants in the Town’s investment program shall seek to act responsibly as custodians of the public trust. Investment officials shall avoid any transaction that might involve a conflict of interest or otherwise impair public confidence in the Town’s ability to govern effectively. All officials of the Town having either a direct or indirect role in the process of investing idle funds shall act responsibly as custodians of the public trust.
 - 3.4 **Market Rate of Return (Yield).** The Town’s investment portfolio shall be designed to optimize a market rate of return on investments consistent with risk constraints and cash flow requirements of the portfolio. The investment portfolio shall be managed in a manner that seeks to attain a market rate of return throughout budgetary and economic cycles. The Town will not attempt to consistently attain an unrealistic above market rate of return, as this objective will subject the overall portfolio to greater risk. Therefore, the Town’s rate of return objective

is secondary to those of safety and liquidity. Rate of return (yield) is defined as the rate of annual income return on an investment, expressed as a percentage.

4. STANDARDS OF CARE. As provided in this Policy, the daily operation and management of the Town's investments are the responsibility of the following persons.

4.1 Delegation of Authority. The Town Administrator and Town Treasurer are the Investment Officers and are authorized to deposit, withdraw, invest, transfer or manage in any other manner the funds of the Town. The Finance Director shall be the primary Investment Officer. All persons involved in investment activities will be referred to in this Policy as "Investment Officials." No person may engage in an investment transaction except as provided under the terms of this Policy and the procedures established by the Finance Director. The Finance Director shall be primarily responsible for all transactions undertaken and shall establish a system of controls to regulate the activities of subordinate Investment Officials. The system of controls shall be designed to provide reasonable assurance that the assets of the Town are protected from loss, theft or misuse. The concept of reasonable assurance recognizes that:

- (1) the cost of a control should not exceed the benefits likely to be derived; and
- (2) the valuation of costs and benefits requires estimates and judgments by management.

Commitment of financial and staffing resources in order to achieve the investment objectives through active portfolio management shall be the responsibility of the Town Council.

4.2 Prudence. The standard of prudence to be applied shall be the "prudent person" rule, which states, "investments shall be made with judgment and care, under prevailing circumstances, that a person of prudence, discretion and intelligence would exercise in the management of the person's own affairs, not for speculation, but for investment, considering the probable safety of capital and the probable income to be derived." In determining whether the Investment Officer has exercised prudence with respect to an investment decision, the determination shall be made taking into consideration the following:

- 4.2.1 the investment of all funds over which the Investment Officer had responsibility rather than a consideration as to the prudence of a single investment; and
- 4.2.2 whether the investment decision was consistent with the written Investment Policy and procedures of the Town.

4.3 Due Diligence. An Investment Officer acting in accordance with written policies and procedures and exercising due diligence, shall not be held personally responsible for a specific investment's credit risk or market price changes, provided that these deviations are reported in a timely manner and that appropriate action is taken to control adverse developments. All Investment Officers involved in investment transactions will be bonded.

4.4 Ethical Standards and Conflicts of Interest. All Town Investment Officials having a direct or indirect role in the investment of Town funds shall act as custodians of the public trust avoiding any transaction which might involve a conflict of interest, the appearance of a conflict of interest, or any activity which might otherwise discourage public confidence. Investment 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 the ability to make impartial investment decisions. An Investment Officer who has a personal business relationship with the depository bank or with any entity seeking to sell an investment to the Town shall file a statement disclosing that personal business interest. An Investment Officer who is related within the second

degree of affinity or consanguinity to an individual seeking to sell an investment to the Town shall file a statement disclosing that relationship. A statement required under this subsection must be filed with the Texas Ethics Commission and the Town Council.

4.5 Investment Training. The Town shall provide periodic training in investments for the investment personnel through courses and seminars offered by professional organizations and associations in order to ensure the quality and capability of the Town's investment personnel making investment decisions in compliance with the Act. The Investment Officers shall attend at least one training session accumulating at least ten (10) hours relating to the Officer's responsibility under the Act within twelve (12) months after assuming duties, and attend additional investment training accumulating at least eight (8) hours in subsequent two-year periods that begin on the first day of the fiscal year and consists of the two consecutive fiscal years after that date. Such training from an independent source shall be approved by the Town Manager and endorsed by the Government Finance Officers Association of Texas, the Government Treasurers' Organization of Texas, the Texas Municipal League, the North Central Texas Council of Governments, or the University of North Texas Center for Public Management.

5. AUTHORIZED INVESTMENT PROVIDERS. Prior to executing any financial transaction with the Town, any local government investment pool and discretionary management firm ("business organization") offering to sell or engage in any investment transaction shall be presented a written copy of this Investment Policy. Additionally, a qualified representative of the business organization offering to sell or engage in an investment transaction shall provide a written instrument substantially to the effect that the business organization has:

- (1) received and reviewed the Investment Policy; and
- (2) has implemented reasonable procedures and controls in an effort to preclude investment transactions conducted between the Town and the organization that are not authorized by the Town's Investment Policy, except to the extent that this authorization:
 - is dependent on an analysis of the makeup of the Town's entire portfolio;
 - requires an interpretation of subjective investment standards; or
 - relates to investment transactions of the Town that are not made through accounts or other contractual arrangements over which the business organization has accepted discretionary investment authority.

Financial institutions (federally insured banks or credit unions) with and through which the Town invests shall have their main office or branch in this state. No public deposit shall be made except in a qualified public depository as established by state laws. All banking services will be governed by a depository contract with the primary depository bank contract awarded by the Town Council. In addition, the Finance Director shall maintain a list of Brokers/Dealers that are authorized by the Town Council at least annually. Only those authorized Broker/Dealers may provide investment services to the Town.

5.1 All Broker/Dealers with which the Town does business must supply the following, as requested: (1) audited financial statements; (2) proof of Financial Industry Regulatory Authority (FINRA) registration; (3) proof of state registration; and (4) completed Broker/Dealer questionnaire.

5.2 An annual review of the financial condition and registration of qualified investment providers may be conducted by an Investment Officer. The review may include, but is not limited to, review of rating agency reports, review of call reports, and analyses of management, profitability, capitalization, and

asset quality. Financial institutions and Brokers/Dealers desiring to conduct business with the Town shall be required to provide any financial data requested by the Town.

5.3 It is the policy of the Town to provide a competitive environment for individual investment transactions, and financial institution, money market mutual fund, and local government investment pool selections.

5.4 The Investment Officers are responsible for monitoring the investments made by a financial institution and/or Broker/Dealer to determine that they are in compliance with the provisions of the Investment Policy.

6. SAFEKEEPING.

6.1 **Safekeeping.** All securities owned by the Town shall be held by its independent third-party safekeeping agent. Original safekeeping receipts shall be obtained and held by the Town. The Town shall contract with a bank or banks for the safekeeping of securities owned by the Town as part of its investment portfolio.

6.2 **Delivery Versus Payment.** It is the policy of the Town that all security transactions entered into shall be conducted on a “**DELIVERY VERSUS PAYMENT**” (DVP) basis. By doing this, Town funds are not released until the Town has received the securities purchased.

7. AUTHORIZED INVESTMENTS. As stated previously, safety of principal is the primary objective in investing public funds and can be accomplished by limiting two types of risk — credit risk and interest rate risk. Credit risk is the risk associated with the failure of an issuer or backer to repay principal and interest in full. Interest rate risk is the risk that the value of a portfolio will decline due to an increase in the general level of interest rates. In order to provide for safety of principal as the Town’s primary objective, only certain investments are authorized as acceptable investments for the Town. The following list of authorized investments for the Town intentionally excludes some investments authorized by law. These restrictions are placed in order to limit possible risk and provide the maximum measure of safety to Town funds.

7.1 **Authorized and Acceptable Investments.** The authorized list of investment instruments are as follows:

- (1) **U.S. Government Securities.** Obligations, including letters of credit, of the United States or its agencies and instrumentalities, including Federal Home Loan Banks, excluding mortgage-backed securities.
- (2) **State of Texas Securities.** Direct obligations of the State of Texas, or its agencies and instrumentalities.
- (3) **U.S and Texas Guaranteed Securities.** Other obligations, the principal of and interest on which are unconditionally guaranteed or insured by, or backed by the full faith and credit of, the State of Texas or the United States or their respective agencies and instrumentalities, including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation or by the explicit full faith and credit of the United States, excluding mortgage-backed securities.
- (4) **Other Security Issuers.** Obligations of counties, cities and other political subdivisions of this state rated as to investment quality by a nationally recognized investment rating firm not less than “A” or its equivalent
- (5) **Certificates of Deposit or Other Forms of Deposit.** A deposit placed with a depository institution that has its main office or a branch office in the state and is:

- guaranteed or insured by the Federal Deposit Insurance Corporation or its successor or the National Credit Union Share Insurance Fund or its successor;
- secured by obligations that are described by Section 2256.009(a) of the Public Funds Investment Act, including mortgage-backed securities directly issued by a federal agency or instrumentality, but excluding those mortgage-backed securities of the nature described in Section 2256.009(b) of the Act; or
- secured in any other manner and amount provided by law for deposits of the Town.

In addition, separate CDs or deposits placed with depositories wherever located, bundled together into a single investment with the full amount of principal and interest federally insured, may be purchased through a selected depository institution with its main office or branch office in Texas.

This depository shall act as the custodian for the various CDs or deposits on behalf of the Town.

(6) Eligible Local Government Investment Pools. Public funds investment pools which invest in instruments and follow practices allowed by the current law as defined in Section 2256.016 of the Texas Government Code, provided that:

- the investment pool has been authorized by the Town Council;
- the pool shall have furnished the Investment Officer an offering circular containing the information required by Section 2256.016(b) of the Texas Government Code;
- the pool shall furnish the Investment Officer investment transaction confirmations with respect to all investments made with it;
- the pool shall furnish to the Investment Officer monthly reports containing the information required under Section 2256.016(c) of the Texas Government Code;
- the pool is continuously rated no lower than “AAA” or “AAA-m” or an equivalent rating by at least one nationally recognized rating service;
- the pool marks its portfolio to market daily;
- the pool’s investment objectives shall be to maintain a stable net asset value of one dollar (\$1.00); and
- the pool’s investment philosophy and strategy are consistent with this Policy.

(7) Regulated No-Load Money Market Mutual Funds. These investments are authorized, under the following conditions:

- the money market mutual fund is registered with and regulated by the Securities and Exchange Commission;
- the fund provides the Town with a prospectus and other information required by the Securities Exchange Act of 1934 or the Investment Company Act of 1940;
- the fund has a dollar-weighted average portfolio maturity in compliance with regulations;

- the investment objectives include the maintenance of a stable net asset value of one dollar (\$1.0000) per share; and
- the fund is continuously rated no lower than "AAA" or an equivalent rating by at least one nationally recognized rating service.

The Town may not invest funds under its control in an amount that exceeds 10% of the total assets of any individual money market mutual fund.

(8) Repurchase Agreements, Reverse Repurchase Agreements, Bankers' Acceptances, Commercial Paper. These investments are authorized for the Town only to the extent that they are contained in the portfolios of approved public funds investment pools in which the Town invests, or as otherwise provided below.

- The direct investment in reverse repurchase agreements, bankers' acceptances, and commercial paper by the Town is not authorized.
- Fully flexible repurchase agreements, or similar agreements, are authorized in this Policy, to the extent authorized under the Act. The use of flex repos shall be limited to the investment of bond proceeds and the maturity date of any such agreement shall not exceed the expected proceeds draw schedule.

7.2 **Investment Instruments NOT Authorized.** The following instruments are eligible for investment by local government according to state law, but they have been intentionally prohibited for the Town by this Policy: mortgage-related obligations, commercial paper, bankers' acceptances, mutual funds, options, financial futures contracts and, day trading of long-term securities. In addition to these restricted investments, state law specifically prohibits investment in the following securities:

- (1) Obligations whose payment represents the coupon payments on the outstanding principal balance of the underlying mortgage-backed security collateral and pays no principal.
- (2) Obligations whose payment represents the principal stream of cash flow from the underlying mortgage-backed security collateral and bears no interest.
- (3) Collateralized mortgage obligations that have a stated final maturity date of greater than ten years.
- (4) Collateralized mortgage obligations, the interest rate of which is determined by an index that adjusts opposite to the changes in a market index.

7.3 **Effect of Loss of Required Rating.** An investment that requires a minimum rating does not qualify as an authorized investment during the period the investment does not have the minimum rating. The Town shall take all prudent measures that are consistent with this Investment Policy to liquidate an investment that does not have the minimum rating.

7.4 **Exemption for Existing Investments.** The Town is not required to liquidate investments that were authorized investments at the time of purchase.

8. COLLATERALIZATION. Consistent with the requirements of the Public Funds Collateral Act, it is the policy of the Town to require full insurance or collateralization of all Town funds on deposit with a depository institution. Deposit spreading programs (such as IntraFi or similar programs) provide full FDIC coverage and do not require additional collateral. For non-insured deposits, the market value of the instruments securing the deposit of funds shall be at least equal to 102% of the amount of the deposits, plus accrued interest, reduced to the extent that the deposits are insured by the Federal Deposit Insurance

Corporation (FDIC) or National Credit Union Share Insurance Fund (NCUSIF). A Federal Home Loan Bank Letter of Credit, used as collateral shall be at least equal to 100% of the amount of deposits, plus accrued interest, reduced by applicable FDIC or NCUSIF coverage.

Securities pledged as collateral shall be held in an account in the Town's name, in a segregated account at the Federal Reserve Bank or by an independent third party acceptable to the Town. The custodial agreement is to specify the acceptable collateral, including provisions relating to possession of the collateral, the substitution or release of all or a portion of the collateral, ownership of the collateral, and the method of valuation of the collateral. The custodial agreement must clearly state that the custodian is instructed to release collateral to the Town in the event the Town has determined that the depository institution has failed to pay on any request, or has determined that the funds of the Town are in jeopardy for whatever reason, including involuntary closure or change of ownership. A clearly marked evidence of pledge (e.g., collateral receipt) must be supplied to the Town and retained by the Town. Any collateral with a maturity over five (5) years must be approved by an Investment Officer before the transaction is initiated. An Investment Officer must be notified in writing of release or substitution of collateral.

Financial institutions serving as Town depositories will be required to sign a "Depository Agreement" with the Town. The collateralized deposit portion of the depository agreement shall define the Town's rights to collateral in the event of default, bankruptcy, or closing and shall establish a perfected security interest in compliance with Federal and State regulations, including:

- The Agreement must be in writing;
- The Agreement must be executed by the Depository and the Town contemporaneously with the acquisition of the asset;
- The Agreement must be approved by the Board of Directors or the Loan Committee of the Depository and a copy of the meeting minutes must be delivered to the Town; and
- The Agreement must be part of the Depository's "official record" continuously since its execution.

8.1 The Town may accept the following as collateral for financial institution deposits:

- FDIC or NCUSIF insurance coverage;
- A bond, certificate of indebtedness, or Treasury Note, or other evidence of indebtedness that is guaranteed as to principal and interest by the United States or its agencies and instrumentalities;
- Obligations, the principal and interest on which are unconditionally guaranteed or insured by the State of Texas, or its agencies and instrumentalities;
- A bond, or other evidence of indebtedness, of a county, city, or other political subdivision of the State of Texas having been rated as investment grade (investment rating no less than "A" or its equivalent) by a nationally recognized rating agency with a remaining maturity of ten years or less;
- Surety Bonds that meet the requirements of the Act; or
- Federal Home Loan Bank Letters of Credit.

8.2 The Town must be supplied a monthly collateral report from the Custodian, and as requested by an Investment Officer, that includes a listing of the collateral pledged to the Town, marked to current market prices (if available). The listing shall include total pledged collateral: itemized by name, type, description, par value, current market value, maturity date, and Moody's or Standard & Poor's rating, if applicable. The Town and the financial institution shall jointly assume the responsibility for ensuring that the collateral is sufficient.

9. INVESTMENT PARAMETERS. Diversification of investment instruments shall be utilized to avoid incurring unreasonable risks resulting from over-concentration of investments in a specific maturity, a specific issue, or a specific class of investments, when appropriate.

9.1 The longer the maturity of an investment, the greater its potential for price volatility. Therefore, it is the Town's policy to concentrate its investment portfolio in shorter-term maturities in order to limit principal risks caused by change in interest rates. The Town will attempt to match its investments with anticipated cash flow requirements. The Town will not directly invest in maturities more than three (3) years from the date of purchase. However, the above-described obligations, certificates, or agreements may be collateralized using longer date instruments. Maturity scheduling shall be managed by the Investment Officers so that maturities of investments shall be timed to coincide with projected cash flow needs.

The entire Town portfolio, including funds at the Town's primary depository institution, shall mostly comprise one pooled fund group, with the exception of the debt service fund and the Town's two component units, and the maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio is two hundred seventy (270) days. Investment maturities for debt service interest and sinking funds and/or other types of reserve funds, whose use is never anticipated, may not exceed three (3) years.

9.2 The Town shall diversify, as appropriate, the use of investment instruments to avoid unreasonable risks inherent in over-investing in specific instruments, individual financial institutions or maturities. The Town shall invest in investments yielding a market rate of return while providing necessary protection of the principal consistent with the operating requirements of this section or written policies.

10. INVESTMENT STRATEGY. The Town maintains an investment management program that is designed to monitor and control all Town funds to ensure optimum utilization and yield a market rate of return. (For the purpose of this Policy, a "market rate of return" refers to the approximate interest rate that could be earned by an investor in a specific maturity range at any given point in time. For example, an investor seeking to earn a market rate of return while maintaining an investment portfolio with an average maturity of 90 days, would hope to earn approximately the same as a three-month agency discount note. If the investor earns a rate much higher than this, it might signal an inappropriate level of risk.) The basic and underlying strategy of this program is that all of the Town's funds are earning interest.

It is the responsibility and obligation of the Town to maintain a flexible approach and be prepared to modify the investment strategy as market conditions dictate. The investment strategy described is predicated on conditions as now exist and are subject to change. The investment strategy emphasizes low credit risk, diversification, and the management of maturities. The strategy also considers the expertise and time constraints of the Investment Officers. The allowable investment instruments as defined in Section 7 of this Policy reflect the avoidance of credit risk. This strategy uses local government investment pools, and other cash equivalent options, to maintain liquidity. The management of maturities refers to structuring the maturity dates of the direct investments so that, while funds are initially invested for a longer period of time, some investments mature as cash needs require.

10.1 The primary investment strategy and objectives of the Town as specified in this Policy (See Section 3.) are listed below, in their order of importance:

- Safety and preservation of principal;
- Maintenance of sufficient liquidity to meet operating needs;
- Seek at all times to maintain public trust by adhering to the above stated objectives; and

- Achieve a market rate of return on the investment portfolio.

10.2 The list of investments authorized by this Policy intentionally excludes some investments allowed by state law. The restrictions limit possible credit risk and provide the maximum measure of safety. Within the investment objectives, the investment strategy is to utilize authorized investments for maximum advantage to the Town. To increase the interest earnings for funds identified as being available for investment over longer periods of time based upon a cash requirements projection, the Town will consider the following strategies:

10.2.1 **Strategy No. 1.** Maintaining liquidity through the use of financial institution deposits, local government investment pools and money market mutual funds. An investment pool is an entity created to invest public funds jointly on behalf of its participants and whose investment objectives in order of priority match those objectives of the Town. Funds are usually available from investment pools and money market mutual funds on a same-day basis, meaning the pools have a high degree of liquidity. Because of the size and expertise of their staff, investment pools and money market mutual funds are able to prudently invest in a variety of the investment types allowed by state law. In this manner, investment pools and money market mutual funds maintain liquidity and achieve diversification. Funds that may be needed on a short-term basis but that are in excess of the amount maintained at the primary depository institution are available for deposit in investment pools and money market mutual funds.

10.2.2 **Strategy No. 2.** When appropriate, building a ladder of authorized instruments with staggered maturities for all or part of the longer-term investable funds. The benefits of this ladder approach include the following:

- It is straight-forward and easily understood;
- It represents a prudent diversification method;
- All investments remain within the approved maturity horizon;
- It will normally allow the Town to capture a reasonable portion of the yield curve; and
- It provides predictable cash flow with scheduled maturities and reinvestment opportunities.

10.2.3. **Strategy No. 3.** At this time, the Town does not use an investment management firm. Should the Town determine a need, the following strategy will apply:

Pursuant to the Act (Texas Government Code 2256.003), the Town may, at its discretion, contract with an investment management firm registered under the Investment Advisors Act of 1940 (15 U.S.C. Section 80b-1 et seq.) and with the State Securities Board to provide for investment and non-discretionary management of its public funds or other funds under its control.

An appointed Investment Advisor shall act solely in an advisory and administrative capacity, within the guidelines of this Investment Policy. At no time shall the advisor take possession of investments or funds, or otherwise be granted discretionary authority to transact business on behalf of the Town. Any contract awarded by the Town Council for investment advisory services may not exceed two years, including any options to extend by mutual consent of both parties.

Duties of the Investment Advisor shall include, but not be limited to, assistance in purchasing investments, transaction settlement, producing required reports, pricing the portfolio, performing due diligence on broker/dealers, market monitoring, and economic review.

Any Investment Advisor contracted by the Town shall abide by the *Prudent Expert Rule*, whereby investment advice shall, at all times, be given with the judgment and care, under circumstances then prevailing, which persons paid for their special prudence, discretion and intelligence in such matters exercise in the management of their client's affairs, not for speculation by the client or production of fee income by the advisor or broker, but for investment by the client with emphasis on the probable safety of the capital while considering the probable income to be derived.

10.2.4. **Strategy No. 4.** The Town may maintain portfolio(s) that utilize four specific investment strategy considerations designed to address the unique characteristics of the fund group(s) represented in the portfolio(s):

10.2.4.1 Investment strategies for operating funds and pooled funds containing operating funds have as their primary objective to assure that anticipated cash flows are matched with adequate investment liquidity. The secondary objective is to create a portfolio that will experience minimal volatility during economic cycles through diversification by investment type, maturity date and issuer, as appropriate. All investment types, as authorized by this Policy, are considered suitable investments for the operating and pooled funds. All investments shall be of high quality with no perceived default risk. Securities with active and efficient secondary markets are necessary in the event of an unanticipated cash flow requirement. Attaining a competitive market yield for comparable investment-types and portfolio restrictions is the desired objective.

10.2.4.2 Investment strategies for debt service funds shall have as the primary objective the assurance of investment liquidity adequate to cover the debt service obligation on the required payment date(s). Investment maturities shall not exceed the anticipated cash flow requirements. All investment types, as authorized by this Policy, are considered suitable investments for the debt service funds. All investments shall be of high quality with no perceived default risk. These funds have predictable payment schedules, therefore securities with active and efficient secondary markets are not required. Market conditions will influence the attractiveness of diversifying maturities to the next "unfunded" payment date. Attaining a competitive market yield for comparable investment-types and portfolio restrictions is the desired objective.

10.2.4.3 Investment strategies for debt service reserve funds shall have as the primary objective the ability to generate a dependable revenue stream to the appropriate debt service fund. Managing the debt service reserve fund's portfolio maturities to not exceed the call provisions of the bond issue will reduce the investment's market risk if the Town's bonds are called and the reserve fund liquidated. No investment maturity shall exceed the final maturity of the bond issue. All investment types, as authorized by this Policy, are considered suitable investments for the debt service reserve funds. All investments shall be of high quality with no perceived default risk. Securities with active and efficient secondary markets are necessary in the event of an unanticipated cash flow requirement. Market conditions and valuation restrictions influence the attractiveness of diversifying maturity. Attaining a competitive market yield for comparable investment-types and portfolio restrictions is the desired objective.

10.2.4.4 Investment strategies for special use or capital projects funds will have as their primary objective to assure that anticipated cash flows are matched with adequate investment liquidity. All investment types, as authorized by this Policy, are considered suitable investments for the special use or capital projects funds. All investments shall be of high quality with no perceived default risk. Securities with active and efficient secondary markets are necessary in the event of an unanticipated cash flow requirement. Attaining a competitive market yield for comparable investment-types and portfolio restrictions is the desired objective. Additionally, market conditions and arbitrage regulations will influence the investment of tax-exempt bond proceed capital project funds. When market conditions allow, achieving a

positive spread to applicable arbitrage yield is the desired objective, although at no time shall the anticipated expenditure schedule be exceeded in an attempt to increase yield.

10.2.5 **Strategy No. 5 - Hold until Maturity.** The strategy of the Town is to maintain sufficient liquidity in its portfolio so that it does not need to sell or redeem an investment prior to maturity. Should it become necessary to sell a security prior to maturity, where the sale proceeds are less than the current book value, the prior written consent of the Town Manager must be obtained. Securities may be sold prior to maturity by the Investment Officer at or above their book value at any time. The result of all sales of securities prior to maturity shall be reported to the Town Manager within two business days of the sale. The report shall provide the amount of proceeds from the sale, including accrued interest to the date of sale, less the current book value and the dollar amount of gain on the sale.

10.2.6 **Strategy No. 6 - Pooling of Demand Deposits.** All demand deposits of the Town will be concentrated with one primary depository. This procedure will maximize the Town's ability to pool cash for investment purposes and provide more manageable banking relationships.

10.2.7 **Strategy No. 7 – Depository Institution Relationships.** The Town shall further seek to maintain good depository institution relationships while minimizing the cost of banking services. The Town will seek to maintain a primary depository contract that will be managed to a level that minimizes the cost of the banking relationship to the Town, while allowing the Town to earn an appropriate return on idle demand deposits.

10.2.8 **Strategy No. 8 – Single Pooled Fund Group.** Where applicable, a single strategy is specified, in accordance with the single pooled fund group as defined in the Policy. However, earnings from investments will be allocated on a pro-rata cash basis to the individual funds and used in a manner that will best service the interests of the Town.

10.2.9 **Strategy No. 9 – Maximizing Investable Cash Balances.** Procedures shall be established and implemented in order to maximize investable cash by decreasing the time between the actual collection and the deposit of receipts, and by the controlling of disbursements.

11. REPORTING. The Investment Officers shall submit a signed quarterly investment report that summarizes current market conditions, economic developments and anticipated investment conditions. The report shall summarize investment strategies employed in the most recent quarter, describe the portfolio in terms of investments, maturities, and risk characteristics, and provide the total investment return for the quarter.

11.1 **Annual Report.** The Finance Director shall present an annual report on the investment program and investment activity. This report may be presented as a component of the fourth quarter report to the Town Manager and Town Council. The quarterly reports prepared by the Investment Officers shall be formally reviewed at least annually by an independent auditor, and the result of the review shall be reported to the Town Council by that auditor.

11.2 **Methods.** The quarterly investment report shall include a succinct management summary that provides a clear picture of the status of the current investment portfolio and transactions made over the past quarter. This management summary will be prepared in a manner that will allow the Town to ascertain whether investment activities during the reporting period have conformed to the Investment Policy. The report will be prepared in compliance with the Act. The report will be provided to the Town Manager and Town Council. The report will include the following:

- A listing of individual investments held at the end of the reporting period. This list will include the name of the fund or pooled group fund for which each individual investment was acquired;

- Unrealized gains or losses resulting from appreciation or depreciation by listing the beginning and ending book and market value for the period. Market values shall be obtained from financial institutions or portfolio reporting services independent from the investment's source;
- Additions and changes to the market value during the period;
- Fully accrued interest for the reporting period;
- Average weighted yield to maturity of the portfolio (the portfolio performance standard) as compared to applicable benchmarks;
- Listing of investments by maturity date;
- The percentage of the total portfolio which each type of investment represents;
- Confirmation of current credit rating of any investment that has a required minimum rating (obtained from a reliable source); and
- Statement of compliance of the Town's investment portfolio with State Law and the Investment Policy and incorporated strategy approved by the Town Council.

12. ANNUAL COMPLIANCE AUDIT. The Finance Director shall establish a system of written internal controls. The controls shall be designed to prevent loss of public funds due to fraud, error, misrepresentation, or imprudent actions. The internal controls and adherence to the Town's established Investment Policy are to be reviewed annually in conjunction with an external independent audit. This review will provide assurance of compliance with policies and procedures as specified by this Policy.

13. POLICY CONSIDERATIONS. The Town's Investment Policy shall be adopted and amended by resolution of the Town Council only. The Town's written policies and procedures for investments are subject to review not less than annually to stay current with changing laws, regulations and needs of the Town. Any changes or modifications to this Investment Policy, if any, shall be approved, and adopted by a formal resolution of the Town Council.

SAMPLE
TEXAS PUBLIC FUNDS INVESTMENT ACT
CERTIFICATION BY BUSINESS ORGANIZATION

TOWN OF ARGYLE, TEXAS

This certification is executed on behalf of the Town of Argyle, Texas (the "Town"), and _____ (the "Business Organization"), pursuant to the Public Funds Investment Act, Chapter 2256, Texas Government Code (the "Act") in connection with investment transactions conducted between the Town and the Business Organization.

The undersigned Qualified Representative of the Business Organization hereby certifies on behalf of the Business Organization that:

1. The undersigned is a Qualified Representative of the Business Organization offering to enter an investment transaction with the Investor as such terms are used in the Public Funds Investment Act, Chapter 2256, Texas Government Code; and
2. The Qualified Representative of the Business Organization has received and reviewed the Investment Policy furnished by the Town; and
3. The Qualified Representative of the Business Organization has implemented reasonable procedures and controls in an effort to preclude investment transactions conducted between the Business Organization and the Town that are not authorized by the Town's Investment Policy, except to the extent that this authorization is dependent on an analysis of the makeup of the Town's entire portfolio, requires an interpretation of subjective investment standards, or relates to investment transactions of the Town that are not made through accounts or other contractual arrangements over which the business organization has accepted discretionary investment authority.

Qualified Representative of Business Organization

Firm: _____

Signature

Printed Name: _____

Title: _____

Date: _____