

**Pflugerville Community Development
Corporation Investment Policy
Approved 2019-07-11**

I. POLICY STATEMENT

It is the policy of the Pflugerville Community Development Corporation (PCDC) that the administration of its funds and the investment of those funds shall be handled in a manner which will provide the maximum security of principal invested through limitations and diversification while meeting the daily cash flow needs of the PCDC and conforming to statutes and ordinances governing the investment of public funds. The receipt of a market rate of return will be secondary to the requirements for safety and liquidity. It is the intent of the PCDC 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 the financial assets and funds held by the PCDC. These funds are defined in the PCDC's Comprehensive Annual Financial Report (CAFR) and include:

General Fund

New funds created by the PCDC, unless specifically exempted by PCDC and this policy.

III. OBJECTIVES AND STRATEGY

A. General Fund

It is the policy of the PCDC that all funds shall be managed and invested with three primary objectives, listed in order of their priority: safety, liquidity, and yield. These objectives encompass:

Safety of Principal

Safety of principal is the foremost objective of the PCDC. Investments of the PCDC shall be undertaken in a manner that seeks to insure the preservation of capital in the overall portfolio. To obtain this goal, diversification is required in the portfolio's composition. The suitability of each investment decision will be made based on these objectives.

Liquidity

The PCDC's investment portfolio will remain sufficiently liquid to enable it to meet all operating requirements which might be reasonably anticipated.

Yield

The PCDC's investment portfolio shall be designed with the objective of attaining a rate of return throughout budgetary and economic cycles, commensurate with the PCDC's investment risk constraints and the cash flow characteristics of the portfolio.

IV. LEGAL LIMITATIONS, RESPONSIBILITIES AND AUTHORITY

Direct specific investment parameters for the investment of public funds in Texas are found in the Public Funds Investment Act, Chapter 2256, Texas Government Code (the "Act"), 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 7901, 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. DELEGATION OF INVESTMENT AUTHORITY

The Executive Director, acting on behalf of the PCDC, is designated as the Investment Officer of the PCDC and is responsible for investment management decisions and activities. The PCDC Board is responsible for considering the quality and capability of staff, investment advisors, and consultants involved in investment management and procedures. All participants in the investment process shall seek to act responsibility as custodians of the public trust.

The Investment Officer shall develop and maintain written administrative procedures for the operation of the investment program which are consistent with this investment policy. Procedures will include reference to safekeeping, require and include PSA Master Repurchase Agreements, wire transfer agreements, banking services contracts, and other investment related activities.

PCDC's Investment Officer will be required to attend training, in compliance with the Public Funds Investment Act, from an independent source approved by the Board that includes education in investment controls, security rights, strategy rights, market rights, and compliance with the Public Funds Investment Act. The Board Authorizes the Investment Officer to invest and reinvest funds of PCDC in accordance with this Policy. The Investment Officer must submit a written report to the Board 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.

The investment Officer shall be responsible for all transactions and shall establish a system of controls to regulate the activities of subordinate officials and staff. The Investment Officer shall designate a staff person as a liaison/deputy in the event circumstances require timely action and the Investment Officer is not available.

No officer or designee may engage in an investment transaction except as provided under the terms of this policy and the procedures established by the Investment Officer and approved by the PCDC Board.

VI. PRUDENCE

The standard of prudence to be used in the investment function shall be the “prudent Person” standard and shall be applied in the context of managing the overall portfolio. The standard states: “Investments shall be made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion, and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the expected income to be derived.”

Limitation of Personal Liability

The Investment Officer and those delegated investment authority under this policy, when acting in accordance with the written procedures and this policy and in accord with the Prudent Person Rule, shall be relieved of personal responsibility and liability in the management of the portfolio provided that deviations from expectations for a specific security’s credit risk or market price change or portfolio shifts are reported in a timely manner and then appropriate action is taken to control adverse market effects.

VII. INTERNAL CONTROLS

The Investment Officer shall establish a system of written internal controls which will be reviewed annually with the independent auditor of the PCDC in accordance with accepted industry practices. The controls shall be designed to prevent loss of public funds due to fraud, employee error, misrepresentation by third parties, unanticipated market changes, or imprudent actions by employees of the PCDC.

The Investment Officer shall monitor the credit rating on all authorized investments in the portfolio 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 immediately solicit bids for and sell the security, if possible, regardless of a loss of principal.

Cash Flow Forecasting

Cash flow forecasting is designed to protect and sustain cash flow requirements of the PCDC. Supplemental to the financial and budgetary systems, the Investment Officer will maintain a cash flow forecasting process designed to monitor and forecast cash positions for investment purposes. Cash Flow will include the historical researching and monitoring of specific cash flow items, payables and receivables as well as overall cash positions and patterns.

VIII. AUTHORIZED INVESTMENTS

Acceptable investments under this policy shall be limited to the instruments listed below. The investments are to be chosen in a manner which promotes diversity or market sector and maturity.

- A. Obligations of the United States Government, its agencies and instrumentalities, and government sponsoring enterprises, not to exceed two years to the stated maturity;

- B. Direct obligations of the State of Texas or its agencies.
- C. Certificates of deposit issued by an FDIC insured financial institution, not to exceed the current FDIC limit per institution and with a maximum maturity length of one year.
- 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 Public Funds Investment Act, as amended. The maximum dollar-weighted maturity for the pool may not exceed ninety (90) days and the pool must maintain a minimum rating of AAA.

IX. AUTHORIZED FINANCIAL DEALERS AND INSTITUTIONS

All investments made by the PCDC will be made through either the PCDC's banking services bank or a primary dealer. The PCDC shall maintain 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 required to be classified as reporting dealers affiliated with the New York Federal Reserve as primary dealers. The following criteria must be met by those firms on the list: provision of an audited financial statement for the most recent period, proof of certification by the National Association of Securities Dealers (NASD), and proof of current registration with the State Securities Commission.

Every dealer with whom the PCDC transacts business will be provided a copy of this Investment Policy to assure that they are familiar with the goals and objectives of the investment programs. The broker/dealer will be required to return a signed copy of the Certification Form certifying that the policy has been received and reviewed.

X. DIVERSIFICATION AND MATURITY LIMITATIONS

It is the policy of the PCDC to diversify its investment portfolio. Invested funds shall be diversified to a minimize risk or loss resulting from over-concentration of assets in a specific maturity, specific issuer, or specific class of securities. Except for U.S. Treasury securities and authorized investment pools, no more than 50% of the PCDC's total investment portfolio will be invested in a single security type or with a single financial institution.

The Investment Officer shall be required to diversify maturities. The Investment Officer, to the extent possible, will attempt to match investment with anticipated cash flow requirements. Matching maturities with cash flow dates will reduce the need to sell securities prior to maturity, thus reducing market risk. Unless matched to specific requirements such as semiannual or annual bond payments, the Investment Officer may not invest more than 20% of the portfolio for a period greater than one (1) year. The Investment Officer may not invest any portion of the portfolio for a period greater than two (2) years.

XI. SAFEKEEPING AND COLLATERALIZATION

All security transactions, including collateral for repurchase agreements, entered into by the PCDC shall be conducted on a delivery-versus-payment DVP basis. Securities will be held by a third-party custodian designated by the Investment Officer and evidenced by safekeeping receipts.

XII. PERFORMANCE EVALUATION AND REPORTING

The Investment Officer shall submit quarterly reports to the PCDC Board containing sufficient information to permit an informed outside reader to evaluate the performance of the investment program. This report shall contain:

- Beginning and ending market value of the portfolio by market sector and total portfolio;
- Beginning and ending carrying (Book) value of the portfolio by market sector and total portfolio;
- Transactions which change market and book value;
- Detail reporting on each asset (book, market, and maturity dates);
- Overall current yield of the portfolio;
- Overall weighted average maturity of the portfolio;
- Maximum maturities in the portfolio; and,
- The signature of the investment officer.

XIII. INVESTMENT POLICY ADOPTION BY THE BOARD AND CITY COUNCIL

The PCDC investment policy shall be adopted by the PCDC Board. The policy shall be reviewed on an annual basis by the PCDC Board and presented to City Council for approval with the Annual Budget in accordance with the PCDC Bylaws, Section 7.05 Investment and Reserve Policies.