



TOWN OF NORTHLAKE  
**INVESTMENT POLICY**  
ADOPTED BY THE TOWN COUNCIL  
JULY 10, 2025

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## **I. POLICY STATEMENT**

It is the policy of the Town that the administration of its funds and the investment of those funds shall be handled as its highest public trust. Investments shall be made in a manner which will provide for the preservation and safety of principal invested through suitable strategies with appropriate diversification while meeting the daily cash flow needs of the Town and conforming to all applicable state statutes 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 Town to be in complete compliance with local law and the Texas Public Funds Investment Act (the "Act"). The earnings from investments will be used in a manner that best serves the interests of the Town.

## **II. SCOPE**

This investment policy applies to all the financial assets and funds of the Town, other than those expressly excluded herein or by applicable law or valid agreement. The Town commingles its funds into pooled investment accounts for investment purposes for efficiency and maximum investment opportunity unless otherwise stipulated by applicable laws, bond covenants, or contracts. These funds are defined in the Town's Annual Comprehensive Financial Report (ACFR) and include:

- General Fund
- Debt Service  
Fund Utility  
Funds
- Hotel Occupancy Tax Fund
- Economic Development Corporation Fund  
Community Development Corporation Fund  
Special Court Revenue Funds
- Donations Fund  
Seizure Fund
- Internal Service Funds
- Water, Sewer, and Roadway Impact Fee Funds  
Capital Improvement Projects Funds
- Public Improvement District Fund
- Any new funds created by the Town (unless specifically exempted by the Town Council and this policy)

## **III. OBJECTIVES AND STRATEGY**

It is the policy of the Town that all funds shall be managed and invested with six primary objectives, listed in order of their priority: suitability, safety, liquidity, marketability, diversification, and yield. Investments are to be chosen in a manner which promotes diversity by market sector, credit, and maturity. The choice of high-grade government investments and high-grade money market instruments are designed to assure the marketability of those investments should liquidity needs

arise. To ensure adequate liquidity for reasonably anticipated cash flow requirements the maximum stated maturity of any investment may not exceed two years and the maximum weighted average maturity of the overall portfolio may not exceed one year.

#### Suitability

All investments authorized in the Town's Investment Policy are suitable for the Fund types listed in Section II of the policy.

#### Safety of Principal

Investments of the Town shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio.

#### Liquidity

The Town's investment portfolio will be based on a cash flow analysis of needs and will remain sufficiently liquid to enable it to meet all operating requirements which might be reasonably anticipated.

#### Marketability

Securities with active and efficient secondary markets are needed in the event of an unanticipated cash requirement.

#### Diversification

Diversification of the portfolio will include diversification by maturity and market sector and will include the use of various providers for diversification and market coverage.

#### Yield

The Town's investment portfolio shall be designed with the objective of attaining a market rate of return, taking into account the Town's risk constraints and the cash flow needs of the portfolio. "Market rate of return" may be defined as the average yield of a rolling six-month U.S. Treasury Bill.

Effective cash management is recognized as essential to good fiscal management. Cash management is defined as the process of managing monies in order to ensure appropriate cash availability. The Town shall maintain a comprehensive cash management program which includes collection of accounts receivable, prudent investment of its available cash, disbursement of payments in accordance with invoice terms, and the management of banking services.

## **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"). 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.

## **V. DELEGATION OF INVESTMENT AUTHORITY**

The Town Manager, or his/her designee, and Finance Director acting on behalf of the Town, are designated as the Investment Officers of the Town and are responsible for ensuring that the investment management decisions and activities are conducted in accordance with the Town's Investment Policy. The Town Manager is also 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 responsibly as custodians of the public trust.

The Investment Officers shall ensure that periodic training in investments for all involved in the investment process is provided 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 ensure that all involved in the investment process, to include investment committee members, comply with the ethics guidelines in the Act and disclose any conflicts of interest or personal business relationships that may exist.

The Investment Officers 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 the "Bond Market Master Repurchase Agreements" (as applicable), wire transfer agreements, banking services contracts, and other investment related activities.

The Investment Officers shall be responsible for all transactions undertaken and shall establish a system of controls to regulate the activities of subordinate officials and staff. The Investment Officers shall designate a staff person as a liaison/deputy in the event circumstances require timely action and the Investment Officers are 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.

### Authorization Resolution

A Trading Resolution is established with this Investment Policy and attached hereto, authorizing the Investment Officers to engage in investment transactions on behalf of the Town. The persons authorized by the Trading Resolution to transact business for the Town are also authorized to approve wire transfers used in the process of investing.

### Required Training

In accordance with the Act, the Investment Officers shall attend investment training no less often than once every two-year period that begins on the first day of the Town's fiscal year and consists of the two consecutive fiscal years after that date and accumulate not less than 8 hours of instruction relating to investment responsibilities and requirements of the Act. A newly appointed Investment Officer must attend training accumulating at least 10 hours of instruction within twelve months of the date the Officer

took office or assumed the Officer's duties. Training must include education in investment controls, security risks, strategy risks, market risks, diversification of investment portfolio, and compliance with the Act.

## **VI. PRUDENCE**

The standard of care 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. This standard 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."

### Monitoring of Investment Portfolio

The Investment Officers shall monitor the investment portfolio and shall keep the Council informed of significant changes in the Town's investment portfolio. Information sources may include financial/investment publications, depository banks, commercial or investment banks, financial advisors, and representatives/advisors of investment pools or money market funds. Monitoring shall be done monthly, or as often as economic conditions warrant by using appropriate reports, indices, or benchmarks for the type of investment. Upon awareness by investment staff of a downgrade in an investment in the Town's portfolio, prudent measures shall be taken to liquidate an investment that is downgraded to less than the required minimum rating.

### Limitation of Personal Liability

The Investment Officers 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 standard, shall be relieved of personal 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 that appropriate action is taken to control adverse developments.

## **VII. INTERNAL CONTROLS**

The Investment Officers shall establish a system of written internal controls which will be reviewed annually with the independent auditor of the Town. 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 Town.

### Cash Flow Forecasting

Cash flow forecasting is designed to project and sustain reasonably anticipated cash flow requirements of the Town. Supplemental to the financial and budgetary systems, the Investment Officers will maintain a cash flow forecasting process designed to monitor and forecast cash positions for investment purposes.

## VIII. AUTHORIZED INVESTMENTS

Acceptable investments under this Policy shall be limited to the instruments listed below and as further described by the Act.

- A. Obligations, including letters of credit, of the United States or its agencies and instrumentalities, including the Federal Home Loan Banks, excluding collateralized mortgage obligations (CMOs);
- B. Direct obligations of the State of Texas or its agencies and instrumentalities;
- C. Other obligations, the principal and interest of 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 (FDIC), the National Credit Union Share Insurance Fund (NCUSIF) or by the explicit full faith and credit of the United States;
- D. Obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than A or its equivalent;
- E. Fully insured or collateralized certificates of deposit, or other forms of deposit, issued by a depository institution with a main office or branch office in the State of Texas and under the terms of a written depository agreement with that financial institution;
- F. Repurchase agreement and reverse repurchase agreements as defined by the Act, not to exceed 90 days to stated maturity, provided an executed Bond Market Master Repurchase Agreement is on file with the Town and the counterparty financial institution or primary dealer. Flexible repurchase agreements used specifically for capital projects may extend beyond two years but only to match the expenditure plan of the projects;
- G. No-load, SEC registered, government money market mutual funds that conforms to the requirements of the and seeks to maintain a Net Asset Value of \$1.0000 per share;
- H. Constant dollar Texas Local Government Investment Pools as defined by the Act. A pool must be continuously rated no lower than AAA or AAAm or at an equivalent rating by at least one nationally recognized rating agency;
- I. Fully insured or collateralized deposits that are invested under the terms stated in Section 2256.009(7-8) of the Act and seeks to maintain a Net Share Value of \$1.000 per share.

If additional investment options are approved for public funds by state statute, they will not be eligible for investment by the Town until this Policy has been amended and the amended version approved by the Town Council. Additionally, the Town is not required to liquidate investments that were authorized at the time of purchase.

#### Competitive Environment Requirement

In order to create a competitive pricing environment for each investment transaction, the Town shall solicit quotations from multiple investment providers, authorized broker/dealers or financial institutions, as applicable. Money market mutual fund, money market account and local government investment pool risk/returns shall also be periodically compared to ensure competitive performance.

#### Monitoring Market Price

Market value of the portfolio and each investment will be monitored at least quarterly through independent industry sources.

#### Delivery versus Payment

All security transactions, including collateral for repurchase agreements, entered into by the Town, shall be conducted on a delivery versus payment (DVP) basis.

#### Ratings Downgrade

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 its Investment Policy to liquidate an investment that does not have the minimum rating.

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

All security purchases by the Town will be made through broker/dealers on the Town's authorized broker/dealer list. The Investment Committee will review and approve the list of authorized broker/dealers annually.

Securities broker/dealers must meet certain criteria as determined by the Investment Officer which may include the following criteria:

- Provision of an audited financial statement each year,
- Proof of certification by the Financial Industry Regulatory Authority and provision of CRD number, and
- Proof of current registration with the State Securities Commission.

Every broker/dealer and bank with which the Town 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 program.

### **X. INVESTMENT POLICY CERTIFICATION**

All business organizations, as defined by the Act (e.g. local government investment pools or discretionary investment management firms), offering to engage in an investment transaction with the Town must supply a certification of having read the Town's Investment Policy signed by a qualified representative of the organization acknowledging that the organization has implemented reasonable procedures and controls in an effort to preclude imprudent investment activities arising out of investment transactions conducted between the Town and the organization 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.

The Town shall not enter into an investment transaction with a business organization prior to receiving the signed certification.

## **XI. DIVERSIFICATION AND MATURITY LIMITATIONS**

It is the policy of the Town to diversify its investment portfolio. Invested funds shall be diversified to minimize risk or loss resulting from over-concentration of assets in a specific maturity, specific issuer, or specific class of securities. Diversification strategies shall be established and periodically reviewed.

The Investment Officers shall diversify maturities and, to the extent possible, will attempt to match investments with anticipated cash flow requirements. Matching maturities with cash flow dates will reduce the need to redeem investments prior to maturity, thus reducing market risk. Unless matched to specific requirements, the Investment Officers may not invest any portion of the portfolio for a period greater than two (2) years. The portfolio's weighted average maturity shall be limited to one year.

## **XII. SAFEKEEPING AND COLLATERALIZATION**

The laws of the State and prudent treasury management require that all purchased securities be bought on a delivery versus payment basis and be held in safekeeping by a safekeeping agent selected by the Town.

All safekeeping arrangements shall be designated by the Investment Officers and an agreement of the terms executed in writing. The safekeeping agent shall be required to issue monthly safekeeping reports to the Town listing each specific security, rate, description, maturity, cusip number, and other pertinent information.

All securities pledged to the Town as collateral for financial institution deposits shall be held by an independent third-party custodian. The custodian may not be within the same holding company as the bank with which the securities are pledged.

Collateralization will be required for all time and demand deposits over the applicable FDIC or NCUSIF insurance coverage limits and for all repurchase agreements in accordance with the collateralization requirements set forth in the Investment Policy.

In order to anticipate market changes and provide a level of additional security for all funds, the collateralization level required will be 102% of the market value of the principal and accrued interest. Letters of credit pledged as collateral shall at all times be equal to the total value of the deposits plus anticipated interest less the applicable level of FDIC or NCUSIF insurance.

### **XIII. PERFORMANCE EVALUATION AND REPORTING**

The Investment Officers shall prepare and submit quarterly reports to the Town Council and Town Manager containing sufficient information to permit an informed outside reader to evaluate the performance of the investment program and consistent with statutory requirements. All reports shall be in compliance with the Act. Market prices for market evaluations will be obtained from an independent source. Weighted average yield to maturity shall be the portfolio's performance measurement standard.

The 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.

### **XIV. FINANCIAL INSTITUTIONS**

The Town will designate one financial institution through a competitive process as its primary depository at least every five years. Other financial institutions with whom the Town may hold deposits or purchase certificates of deposit will also be designated as a depository.

Financial institutions serving as Town depositories will be required to sign a "Depository Agreement" with the Town. The collateralized deposit portion of the Agreement shall define the Town's rights to the 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.

### **XV. INVESTMENT POLICY ADOPTION BY COUNCIL**

The Town's Investment Policy shall be adopted annually by the Council. The policy and strategies shall be reviewed on an annual basis by the Council or a designated Committee of the Council. A written resolution approving the review and any changes to the policy from the review will be passed by the Council and recorded by the Town Secretary.

### **XVI. COMPLIANCE AUDIT**

A compliance audit of management controls on investments and adherence to this investment policy shall be completed in conjunction with the annual financial audit.

## **Appendix A: Approved Independent Training Sources**

American Institute of Certified Public Accountants  
Council of Governments  
International City/County Management Association  
Government Finance Officers Association  
Government Finance Officers Association of Texas  
Government Treasurers' Organization of Texas  
Texas City Management Association  
Texas Municipal Clerks Association  
Texas Municipal League  
University of North Texas Center for Public Management

## **Appendix B: Authorized Broker/Dealer List**

FHN Securities  
Hilltop Securities  
Multi-Bank Securities  
Stifel  
Wells Fargo Securities

## **Appendix C: Public Funds Investment Act Training Certificate**

The Public Funds Investment Act ([Chapter 2256, Texas Government Code](#)) requires treasurers, chief financial officers, and investment officers of local governments, including all political subdivisions, state agencies, and institutions of higher education (including community colleges), to complete training on topics pertaining to the PFIA. Municipal financial officers designated as Investment Officers are required to complete this training every two years. The inclusion of a certificate from an authorized institution is included as an appendix to this policy to demonstrate compliance with Chapter 2256 of the Texas Government Code.

# CERTIFICATE OF COMPLETION

PRESENTED TO

**John Thomson**

FOR SUCCESSFUL COMPLETION OF

## “TEXAS PUBLIC FUNDS INVESTMENT ACT & RELATED INVESTMENT ISSUES”

PROGRAM DATE: FEBRUARY 22-23, 2024  
TAUGHT BY: CHUCK SPRINGER & HARLAN JEFFERSON  
CPE CREDIT: 10 CPE CREDITS

METHOD OF DELIVERY: GROUP INTERNET BASED  
FIELD OF STUDY: REGULATORY ETHICS  
PROGRAM # 2403

IN ACCORDANCE WITH THE TEXAS ADMINISTRATIVE CODE, CPE CREDITS HAVE BEEN BASED ON A 50-MINUTE HOUR.



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*Cori Reaume*  
Center for Public Management Representative