

AN ORDINANCE CREATING A PUBLIC FUNDS INVESTMENT POLICY FOR THE CITY OF GARDEN RIDGE, TEXAS; ESTABLISHING POLICIES GOVERNING THE INVESTMENT AND SECURITY OF PUBLIC FUNDS; AND COMPLYING WITH THE PROVISIONS OF CHAPTER 2256, THE PUBLIC FUNDS INVESTMENT ACT (THE ACT), AS AMENDED, TEXAS GOVERNMENT CODE; AND AMENDING ORDINANCE 88 PASSED AND APPROVED ON JUNE 5, 1996.

WHEREAS: The City of Garden Ridge, Texas (the City) has a prudent and financially conservative policy in place governing the investment and management of the City's funds and financial resources;

WHEREAS: The City's financial management of assets has received favorable review during recurring independent audit examinations;

WHEREAS: The Council of the City of Garden Ridge desires to establish documented policies governing the investment and security of public funds as required by Chapter 2256, The Public Funds Investment Act (The Act), as amended, Texas Government Code.

NOW, THEREFORE, BE IT ORDAINED BY THE COUNCIL OF THE CITY OF GARDEN RIDGE, TEXAS THAT, Ordinance 88 passed and approved on June 5, 1996 is hereby amended effective on the date this Ordinance is passed and approved by the City Council of the City of Garden Ridge:

Section 1. POLICY STATEMENT:

It is the policy of the City of Garden Ridge, Texas (the "City") that the administration of its funds and the investment of those funds shall be handled at its highest public trust. Investment shall be made 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 City and conforming to all applicable state statutes governing in 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 City to be in complete compliance with local law and the Texas Public Funds Investment Act (the "Act"). The earnings from investment will be used in a manner that best serves the interests of the City.

Section 2. SCOPE:

This investment policy applies to all the financial assets and funds of the City. The City places its funds into one pooled investment fund for investment purposes for efficiency and maximum investment opportunity. These funds are defined in the City's Comprehensive Annual Financial Report (CAFR) and include:

- General Fund
- Enterprise Fund (Water Fund)
- Debt Service Fund
- Capital Improvement Fund
- Special Revenue Fund (Asset/Seizure Funds)
- Other Funds, as Required

And any new funds created by the City unless specifically exempted by the City Council and this policy.

Section 3. OBJECTIVES AND STRATEGY:

It is the policy of the City that funds shall be managed and invested with four primary objectives, listed in order of the priority: safety, liquidity, 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 is designed to assure the marketability of those investments should liquidity needs arise. To match anticipated cash flow requirements the maximum weighted average maturity of the overall portfolio may not exceed one year.

Safety of Principal

Safety of principal is the foremost objective of the City. Investments of the City shall be undertaken in a manner that seeks to insure the preservation of capital in the overall portfolio.

Liquidity

The City'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 be reasonably anticipated.

Diversification

Diversification of the portfolio will include diversification by maturity and market sector.

Yield

The City's investment portfolio shall be designed with the objective of attaining a market rate of return, taking into account the City's risk constraints and the cash flow needs of the portfolio. "Market rate of return" may be defined as the average yield of the current 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 maximum cash availability. The City 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.

Section 4. 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 Act is attached as Exhibit A. The Public Funds Collateral Act, Chapter 2257, Texas Government code, specifies collateral requirements for all public funds deposits. All investments will be made in accordance with these statutes.

Section 5. DELEGATION OF INVESTMENT AUTHORITY

The City Treasurer, acting on behalf of the City, is designated as the Investment Officer of the City and is responsible for investment management decisions and activities. The Treasurer 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 responsibly 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, wire transfer agreements, banking services contracts and other investment related activities.

The Investment Officer 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 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.

The Investment Officer shall comply with training requirements as specified in the Public Funds Investment Act.

Section 6. 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. This standard states:

"Investments shall be made with judgment and care, under circumstances then prevailing, which person 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 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 market effects.

Section 7. INTERNAL CONTROLS

The Investment Officer shall establish a system of internal controls which will be reviewed annually with the independent auditor of the City. 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 City.

Section 8. AUTHORIZED INVESTMENTS

Acceptable investments under this policy shall be limited to the instruments listed below and as further described by the Public Funds Investment Act.

- A. Obligations of the United States Government, its agencies and instrumentalities, and government sponsoring enterprises, not to exceed one year to stated maturity, excluding collateralized mortgage obligations (CMOs);
- B. Fully insured or collateralized certificates of deposit from a bank doing business in the State of Texas and under the terms of a written depository agreement with that bank, not to exceed one year to stated maturity;
- C. Constant dollar Texas Local Government Investment Pools as defined by the Public Funds Investment Act; and,

If additional types of securities are approved for investment by public funds by state statute, they will not be eligible for investment by the City until this policy has been amended and the amended version approved by the City Council.

Delivery versus Payment

All transactions entered into by the City, shall be conducted on a delivery versus payment (DVP) basis.

Section 9. AUTHORIZED FINANCIAL INSTITUTIONS

All investments made by the City will be made through either the City's banking services bank or local government investment pool in accordance with Section 8 of this investment policy.

Every financial institution with who the City 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. A representative of the firm will be required to return a signed certification stating that the Policy has been received and reviewed and that controls are in place to assure that only authorized are made in accordance with the city' investment policy.

Section 10. DIVERSIFICATION AND MATURITY LIMITATIONS

It is the policy of the City to diversify its investment portfolio. Invest 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. At a minimum, diversification standards by security type and issuer shall be:

Security Type	Max % of Portfolio
U.S. Treasury obligations	100%
U.S. Government agencies and instrumentalities	not to exceed 50%
Fully insured or collateralized CDs	not to exceed 30%
Money Market funds	100%
Local Government Investment Pools	
Liquidity Pools	100%

The Investment Officer shall be required to diversity maturities. The Investment Officer, to the extent possible, will attempt to match investment with anticipated cash flow requirements. The Investment Officer may not invest for a period greater than one (1) year.

Section 11. 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 either the City, an independent third party financial institution, or the City's designated banking services depository.

All safekeeping arrangements shall be designated by the Investment Officer and an agreement of the terms executed in writing. The third party custodian shall be required to issue safekeeping receipts to the City listing each specific security, rate, description, maturity, cusip number and other pertinent information. Each safekeeping receipt will be clearly marked that the security is held for the City or pledged to the City.

All securities pledged to the City for certificates of deposit or demand deposits shall be held by an independent third party bank doing business in Texas. The safekeeping bank shall be within the same holding company as the bank from which the securities are pledged.

Collateralization

Collateralization on time and demand deposits over the FDIC insurance coverage.

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 in banking institutions with exclusion of investment pools. Collateral will be held by an independent third party safekeeping agent.

Section 12. PERFORMANCE EVALUATION AND REPORTING

The Investment Officer shall submit monthly and quarterly reports to the City Council 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.

Section 13. DEPOSITORIES

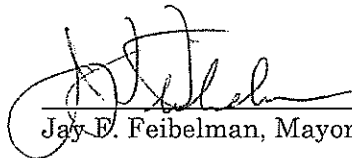
The City will designate one banking institution through a competitive process as its central banking services provider at least every three years. This institution will be used for normal banking services including disbursements, collections, and safekeeping of securities. Other banking institutions from which the City may purchase certificates of deposit will also be designated as a depository after they provide their latest audited financial statements to the City.

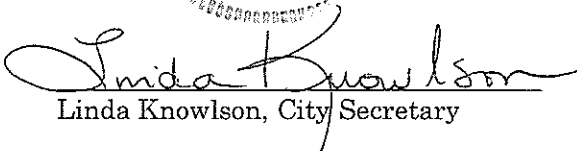
Section 14. INVESTMENT POLICY ADOPTION BY THE CITY COUNCIL

The City's Investment Policy shall be adopted annually by the City Council. The policy and strategies shall be reviewed on an annual basis by the City Council. A written resolution approving that review shall be adopted and such action recorded in the minutes of the City Council. Changes to the policy resulting from review must be adopted through an amended Ordinance and such action recorded in the minutes of the City Council.

PASSED AND APPROVED this *1st* day of *April*, 2009.




Jay E. Feibelman, Mayor


Linda Knowlson, City Secretary

ORDINANCE 88

AN ORDINANCE CREATING A PUBLIC FUNDS INVESTMENT POLICY FOR THE CITY OF GARDEN RIDGE, TEXAS; ESTABLISHING POLICIES GOVERNING THE INVESTMENT AND SECURITY OF PUBLIC FUNDS; AND COMPLYING WITH THE PROVISIONS OF CHAPTER 2256, AS AMENDED, TEXAS GOVERNMENT CODE.

WHEREAS: The City of Garden Ridge, Texas (the City) has had a prudent and financially conservative policy in place governing the investment and management of the City's funds and financial resources;

WHEREAS: The City's financial management of assets has received favorable review during recurring independent audit examinations for several years;

WHEREAS: The Council of the City of Garden Ridge desires to establish documented policies governing the investment and security of public funds as required by Chapter 2256, as amended, Texas Government Code (the "Act").

NOW, THEREFORE, BE IT ORDAINED BY THE COUNCIL OF THE CITY OF GARDEN RIDGE, TEXAS THAT :

Section 1. POLICY: It is the policy of the City of Garden Ridge, Texas (the "City") to invest public funds in a manner which will emphasize safety of principal and liquidity. Return on investment is of least importance compared to safety of principal and liquidity. It is the policy of the City to provide maximum security of funds while meeting the daily cash flow demands of the City and conforming to all state statutes governing the investment of public funds, including, but not limited, to the Act.

A. Exemption: Any investment currently held that does not meet the guidelines of this policy shall be exempted from the requirements of this policy. At maturity or liquidation, such monies shall be reinvested only as provided by this policy.

B. Amendment: This policy shall be reviewed on an annual basis by the City Council. Any changes must be approved by the Garden Ridge City Council and any other appropriate authority, as well as the individual(s) charged with maintaining internal controls.

Section 2. SCOPE: This investment policy applies to all financial assets of the City. These funds are accounted for in the City's annual audit and include:

FUNDS:

General Fund
Special Revenue Fund
Enterprise Fund
Debt Service Fund
Capitol Improvement Fund
Other Funds, as Required

Section 3. OBJECTIVE: The primary objective, in priority order, of investment activities shall be:

1. Safety of the principal invested;
2. Availability of sufficient cash to pay obligations of the City when due;
3. Provide for diversification, as appropriate, given the total funds invested;
4. Investment of idle cash at the highest possible rate of return, consistent with state laws, and the objectives listed above; and
5. Establishment of maximum allowable stated maturities for investments and establishing procedures to address the quality and capability of investment management.

Section 4. PRUDENCE: The standard of prudence to be used by investment officials shall be the "prudent person" standard and shall be applied in the context of managing an overall portfolio. Investment officers acting in accordance with written procedures and this investment's policy and exercising due diligence shall be relieved of personal responsibility for an individual credit risk or market price changes, provided deviations from expectations are reported in a timely fashion and the liquidity and sale of any investments are carried out in accordance with the terms of this policy.

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 probable income to be derived.

Section 5. ETHICS AND CONFLICTS OF INTEREST: Officers and employees involved in the investment process shall refrain from personal business activity that could conflict with the proper execution and management of the investment program, or that could impair their ability to make impartial decisions. Employees and investment officials shall disclose any material interests in financial institutions with which they conduct business. They shall further disclose any personal financial/investment positions that could be related to the performance of the investment portfolio. Employees and officers shall refrain from undertaking personal investment transactions with the same individual with whom business is conducted on behalf of the City. The City expressly adopts the provisions of Section 2256.005 (i) of the Act.

Section 6. DELEGATION OF AUTHORITY: It shall be the responsibility of the Mayor, in cooperation with the City Treasurer, to determine the amount of funds which are available for investment and the types of investments which are available for investment. The Mayor and City Treasurer are hereby designated as "investment officers" within the meaning of the Act.

It shall be the responsibility of the Mayor to :

1. Determine the amount of funds which are available for investment.
2. The length of time for which investments shall be made.
3. Insure that sufficient funds are available to meet immediate and short-term needs for the operation of the City.

4. Make recommendations to the City Council concerning investments which require prior approval from the City Council before investments are made.
5. Provide to the City Council a monthly report of invested City funds showing the type of investment, current month balance, prior month balance, current month and year-to-date net change.

It shall be the responsibility of the City Treasurer to :

1. Make the actual purchase of the investments upon written authority of the Mayor.
2. Make re-investments upon written approval of the Mayor.
3. Receive and provide for the safekeeping of all pledged securities as collateral for invested funds.
4. Provide monthly reports to the Mayor and City Council of all pledged securities held in possession of the City Treasurer.

Section 7. AUTHORIZED FINANCIAL DEALER AND INSTITUTION: A list will be maintained of financial institutions authorized to provide investment services. In addition, a list will also be maintained of approved security broker/dealers selected by credit worthiness (minimum capital requirement \$10,000,000.00 and at least five years of operation). These may include "primary" dealers or national dealers that qualify under Securities and Exchange Commission Rule 153-1 (uniform net capital rule).

Any financial institutions that or broker/dealers who desire to become qualified bidders for investment transactions must supply the following as appropriate:

- * audited financial statements
- * proof of National Association of Securities Dealers (NASD) certification
- * proof of state registration
- * certification of having read the City's investment policy and compliance with the provisions of Section 2256.005 (k)(2) of the Act.

An annual review of the financial condition and registration of qualified bidders will be conducted by the Mayor and the City Treasurer.

Section 8. AUTHORIZED AND SUITABLE INVESTMENTS: The City is empowered by statute, including the Act, to invest in the following types of securities. In order to insure timely investment of City funds, the following investments may be made by the investment officer(s) without prior City Council approval:

1. OBLIGATIONS OF THE UNITED STATES, IT'S AGENCIES AND INSTRUMENTALITIES.
2. DIRECT OBLIGATIONS OF THE STATE OF TEXAS OR IT'S AGENCIES.
3. OTHER OBLIGATIONS INSURED BY THE STATE OF TEXAS OR UNITED STATES IN ACCORDANCE WITH SECTION 2256.009(a)(4) OF THE ACT.
4. BANK CERTIFICATES OF DEPOSITS THAT ARE GUARANTEED IN ACCORDANCE WITH SECTION 2256.010 OF THE ACT.
5. SAVINGS AND LOAN CERTIFICATES OF DEPOSIT THAT ARE GUARANTEED IN ACCORDANCE WITH SECTION 2256.010 OF THE ACT.

All other types of investments allowed under the Act must have prior approval of the City Council before the investment may be made by the designated investment officers. The City shall solicit written bids for any certificates of deposit in accordance with the provisions of Section 2256.005(c) of the Act.

The City shall require delivery of all securities or shall have these securities held in the City's name by an independent third party prior to payment being made by the City for the investment in accordance with Section 2256.010 of the Act.

Section 9. COLLATERALIZATION AND SAFEKEEPING: Full collateralization will be required on all invested City funds with the exception of Section 8, items 1,2, and 3. The City chooses to limit collateral to the following:

1. List of investments in Section 8.
2. FDIC coverage.

Collateral will always be held by an independent third party with whom the City has a current custodial agreement. The clearly marked evidence of ownership (safekeeping receipt) must be supplied to the City and retained.

All security transactions entered into by the City shall be conducted on a delivery-versus-payment (DVP) basis.

Section 10. DIVERSIFICATION: The City's investments shall be diversified to eliminate the risk of loss resulting from over-concentration of assets in a specific maturity, a specific issuer or a specific class of securities. The following general constraints shall apply: maturities shall be staggered to avoid undue concentration of assets in a specific maturity sector and maturities selected shall provide for stability of income and reasonable liquidity.

Section 11. MAXIMUM MATURITIES: The City shall limit its maximum final stated maturities for any investment to two (2) years unless specific authority, granted by the City Council is given to exceed this limitation. To the extent possible, the City will attempt to match its investments with anticipated cash flow requirements. Unless matched to a specific cash flow, the City will not directly invest in securities maturing more than two (2) years from the date of purchase. The City should determine what the appropriate average weighted maturity of the portfolio should be.

Reserve funds may be invested in securities exceeding two (2) years if the maturity of such investments are made to coincide as nearly as practicable with the expected use of funds and such an investment is permitted by the appropriate bond ordinance. The ability of investing these types of funds should be disclosed to the City Council including appropriate time restrictions disclosed, if any apply.

Section 12. INTERNAL CONTROL: The Mayor and City Treasurer shall establish an annual process of independent review by an external auditor in accordance with Section 2256.005(m) of the Act. This review will provide internal control by assuring compliance with all applicable policies and procedures.

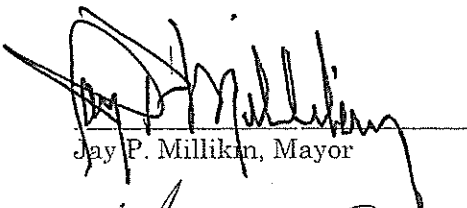
Section 13. REPORTS AND REVIEW: The City Treasurer shall prepare and submit to the City Council each calendar quarter, a summary report showing a list of investments by City Fund, the market value of each such investment, the total value of all investments and cash on hand for each such Fund, the annualized return for each Fund for the previous calendar quarter and the projected return for the current calendar quarter for each City Fund. This report must be signed by the Mayor and the City Treasurer and must comply with the provisions of Section 2256.023 of the Act.

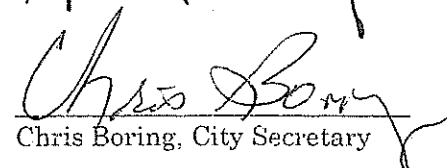
The Mayor shall further schedule and cause the City Council to review the Investment Policy of the City during the last calendar quarter of each calendar year.

Section 14. PERFORMANCE STANDARDS: The investment portfolio will be managed in accordance with the parameters specified in this policy. The portfolio should obtain a market average rate of return during a market/economy environment of stable interest rates. Portfolio performance should be compared to appropriate benchmarks on a regular basis.

Section 15. ELECTRONIC FUNDS TRANSFER: The City, in accordance with the provisions of Section 2256.051 of the Act, may use electronic means to transfer or invest all funds collected or controlled by the City.

PASSED AND APPROVED THIS 5th DAY OF June, 1996.


Jay P. Millikan, Mayor


Chris Boring, City Secretary