

TOWN OF PROVIDENCE VILLAGE FINANCIAL INVESTMENT POLICY

I.

POLICY STATEMENT:

It is the policy of the Town of Providence Village 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 the maximum security of principal invested through limitations and 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 investment will be used in a manner that best serves the interests of the Town.

II.

SCOPE:

This investment policy applies to the financial resources, activities and practices of the Town of Providence Village. All financial assets shall be administered in accordance with the provisions of this policy as adopted May 14, 2012.

III.

PURPOSE:

The purpose of this policy is to insure the Town of Providence Village conducts its investment activity in a responsible manner, fully in compliance with regulations and within the authority granted by the Town Council. This policy is further intended to insure the safety of Town funds, insure adequate liquidity of funds and maximize the yield on all Town investments.

However, the most important purpose of this policy is to inform the Council of the various instruments available to the Town for investing its funds; and to insure that all State and Federal regulations are complied with. As financial trends change, and banking rules are altered, the position of the Town also changes. This is the basis of alternative investing on the open market in order to achieve the best yields available.

IV.

OBJECTIVE:

The primary objective of the Town's investment activity is the preservation of capital in the overall portfolio. Each investment transaction shall seek to first insure that capital losses are avoided, whether they be from security defaults or erosion of market value. The Town's investment portfolio will remain sufficiently liquid to meet operating requirements that might be reasonable anticipated. Liquidity shall be achieved by matching investment maturities with forecasted cash flow requirements.

Following, in order of priority, are the objectives of the Town of Providence Village's investment policy:

Compliance: Conformance with the requirements of the Ordinances of the Town of Providence Village and all appropriate State and Federal Regulations,

Safety: The undiminished return of the principal of the Town's investments and deposits,

Liquidity: The ability to generate sufficient cash to meet all operating requirements,

Income: Maximizing the amount of interest income, within the constraints of the preceding objectives, all of which have higher priorities.

V.

DELEGATION OF AUTHORITY:

The Town Secretary - Treasurer shall be responsible for the implementation of this policy. In the absence of the Town Secretary - Treasurer, investment policies will be conducted under the supervision of the Mayor.

VI.

REPORTING:

On a quarterly basis, the Town Secretary - Treasurer shall be required to report on the investment policy and the investment activities of the Town to the Town Council.

VII.

POLICY GUIDELINES:

To facilitate the investment policy, the following guidelines shall be strictly adhered to by Town Staff.

VIII.

COLLATERALIZATION:

Town funds are to be 100% collateralized at all times by one or more of the following:

- a. United States Government and Agency Securities
 1. Treasury Bills
 2. Treasury Notes or Bonds
- b. Federal Deposit Insurance Corporation (\$250,000)
- c. Other eligible Securities according to State and Federal Laws. The collateral-to-deposit ratio for pledged Town deposits will be continuously evaluated by the Town Treasurer.

IX.

SAFEKEEPING:

The holding institutions will be notified immediately if the market value of the securities pledged decreases to the point where the value is less than the amount of funds on deposit. Pledged securities shall be held in safekeeping by the Town Treasurer and the Town shall receive the original instrument of each pledged security and shall clearly show the security is pledged to the Town of Providence Village.

X.

LIQUIDITY:

Income and expenditure patterns will be developed and continually updated to determine daily cash needs of the Town. Cash needs and cash expectations will take priority in designing the maturity schedule for all Town deposits and investments.

XI.

YIELD:

The yield on investment instruments will reflect market conditions at time of execution and to achieve the best allowable yield. The investment portfolio will be diversified to achieve the best rate of return.

XII.

AUTHORIZED INVESTMENTS:

In accordance with authorizing State and Federal laws, and appropriate approved collateral provisions, the Town shall utilize the following methods for the investment of Town funds:

- a. Fully collateralized Certificates of Deposit
- b. Obligations of the U. S. Treasury
- c. Approved obligations of Agencies of the U. S. Government
- d. Local Government Investment Fund of Texas
- e. Tex Pool

XIII.

INVESTMENT INSTITUTIONS:

The Town is authorized to utilize banks domiciled in Texas, whose assets are guaranteed or insured by the FDIC or secured by other obligations as listed above, other Thrift Institutions, Securities and Investment Firms and local, State or Governmental units.

XIV.

COMPETITIVE BIDS:

The Town is required to select instruments for investment on a competitive basis among brokers and dealers. The Town shall accept the bid which best serves the needs of the Town and provides the highest rate of return within the maturity specified by the Town and within the guidelines of this policy.

XV.

MATURITIES:

The lengths of maturity for various investments within the total portfolio shall remain variable. This, in order to take advantage of future market trends should they become more advantageous than short-term investments. An individual investment shall not exceed 12 months. However, bond funds may be extended for longer periods of time in conjunction with required maturity dates.

XVI.

CONTINGENCY:

Contingency investments are to be held locally in order to liquidate immediately in the event of an emergency.

*Approved May 14, 2012
Connie S. Hansen*