

## AGENDA

### NOTICE OF MEETING

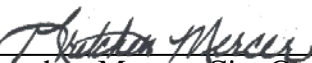
Notice is hereby given that the governing body of the City of Canyon will meet at 4:30 p.m. on the 18<sup>th</sup> day of April 2022 in the Commission Chambers of City Hall at 301 16th Street in the City of Canyon to discuss the following agenda items. Social Distancing and masks are encouraged.

The meeting is broadcast on [YouTube](#). YouTube does provide closed captioning on the recorded video, it is not provided real-time.

1. Call to Order.
2. Invocation.
3. Pledge of Allegiance.
4. Approval of the Minutes of the Meeting of April 4, 2022.
5. Public Comment – Comments from Interested Citizens.
6. Introduction of Canyon Area Library Director Carlene Rittenberry.
7. First Reading of Resolution No. 05-2022, A Resolution of the City Commission of the City of Canyon Approving Funding to the Canyon Chamber of Commerce by the Canyon Economic Development Corporation Supporting the Annual Independence Day Celebration.
8. Consider and Take Appropriate Action on Resolution No. 06-2022, A Resolution of the City Commission of the City of Canyon, Texas, Reviewing the City of Canyon's Investment Policy Pursuant to the Public Funds Investment Act.
9. Executive Session Pursuant to §551.071 Consultation with Attorney, §551.087 Economic Development Negotiations, and §551.072 for Deliberation Regarding Real Property.
10. Consider and Take Appropriate Action on Items Discussed in Executive Session.
11. Adjourn.

  
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Joe Price, City Manager

I certify that the above Notice of Meeting was posted on the bulletin board of the Civic Complex of the City of Canyon, Texas on the 15<sup>th</sup> day of April 2022.

  
\_\_\_\_\_  
Gretchen Mercer, City Clerk

The City Commission of the City of Canyon met at 4:30 pm in the City Commission Chambers of the Civic Complex. Mayor Gary Hinders presided over the meeting with the following Commissioners in attendance, Mayor Pro-Tem Cody Jones, Kelsey Ward, Paul R. Lyons and Randy Ray.

Also present were the following City Staff: City Manager Joe Price, Assistant City Manager Jon Behrens, IT Director Shaun Holtman, Communications Director Megan Nelson, Chief of Police Steve Brush, Police Captain Matt Coggins, Planning and Development Director Danny Cornelius, Assistant Planning and Development Director Craig Brown, Director of Public Works Dan Reese, Assistant Director of Public Works Chris Enriquez, Parks Director Brian Noel, Fire Chief Dennis Gwyn, Assistant Fire Chief Vince Whitfill, Finance Director Joel Wright, Budgeting and Purchasing Manager Beau Boyer, and City Attorney Chuck Hester.

Item 1. Call to Order.

Mayor Hinders called the meeting to order at 4:34 p.m.

Item 2. Invocation.

Commissioner Ward gave the invocation.

Item 3. Pledge of Allegiance.

The Pledge of Allegiance was led by Commissioner Lyons.

Item 4. Approval of the Minutes of the Meeting of March 21, 2022

Mayor Pro-Tem Jones moved, duly seconded by Commissioner Ward to approve the minutes of March 21, 2022 as presented. Motion carried unanimously.

Item 5. Public Comment – Comments from Interested Citizens.

No Comments were made.

Item 6. Proclamation Proclaiming April 2022 as Canyon Child Abuse Prevention and Awareness Month.

Mayor Hinders presented a Proclamation proclaiming April 2022 as Canyon Child Abuse Prevention and Awareness Month. Representatives from CASA, The Bridge and Family Support Services were present to accept the proclamation.

No action required, informational only.

Item 7. Presentation on Zoning and Subdivision Ordinance Update.

Planning and Development Director Danny Cornelius presented and update on the Zoning and Subdivision Ordinance. Mr. Cornelius stated City Staff had been working with Freese and Nichols since 2019 updating the Zoning and Subdivision Ordinances and hope to have a final draft in the

next few weeks. Mr. Cornelius stated drafts will be posted of the ordinances on the City of Canyon website and 4 meetings will be held with Freese and Nichols and staff leading:

- Stakeholder Meeting – Zoning Ordinance
- Stakeholder Meeting – Subdivision Ordinance
- Joint P&Z and City Commission Workshop – Zoning Ordinance
- Joint P&Z and City Commission Workshop – Subdivision Ordinance

Informational only, no action required.

Item 8. Consider and Take Appropriate Action on Resolution No. 04-2022, A Resolution by the City Commission of the City of Canyon, Randall County, Texas, Accepting a House Bill 2604 Grant From the Texas A&M Forest Service for the Purchase of Personal Protective Equipment for the Canyon Fire Department; and Authorizing the Fire Chief to Represent the City in All Matters Pertaining to the Administration of the Grant.

Fire Chief Dennis Gwyn presented Resolution No. 04-2022 for consideration. Chief Gwyn said the HB 2604 Grant, if granted, would be used to purchase Personal Protective Equipment. Chief Gwyn said the grant would reimburse 90% of the cost with a maximum of \$20,000. The City of Canyon match would be 10% and is currently budgeted in the 2021-2022 budget.

After discussion Commissioner Ray moved, duly seconded by Mayor Pro-Tem Jones to adopt Resolution No. 04-2022 authorizing the acceptance of the House Bill 2604, Texas A&M Forest Service Grant for the purchase of Personal Protective Equipment for the Fire Department. Motion carried unanimously.

RESOLUTION NO. 04-2022

A RESOLUTION BY THE CITY COMMISSION OF THE CITY OF CANYON, RANDALL COUNTY, TEXAS, ACCEPTING A HOUSE BILL 2604 GRANT FROM THE TEXAS A&M FOREST SERVICE FOR THE PURCHASE OF PERSONAL PROTECTIVE EQUIPMENT FOR THE CANYON FIRE DEPARTMENT; AND AUTHORIZING THE FIRE CHIEF TO REPRESENT THE CITY IN ALL MATTERS PERTAINING TO THE ADMINISTRATION OF THE GRANT.

Item 9. Consider and Take Appropriate Action on Ordinance No. 1155 Designating the Brown Road Sports Complex as a Public Park.

Assistant City Manager Jon Behrens presented Ordinance No. 1155 for consideration. Mr. Behrens the Brown Road Sports Complex has been greatly improved since 1998 providing great fields for soccer, flag football, and baseball with the soccer fields receiving the designation of “Soccer Field of the Year” by the Texas Turfgrass Association in 2019. Mr. Behrens said it is desired to formally dedicate the 37 acre Brown Road Sports Complex as a park.

After discussion, Commission Ward moved, duly seconded by Commissioner Ray to adopt Ordinance No. 1155 designating the area known as the Brown Road Sports Complex as a public park. Motion carried unanimously.

ORDINANCE NO. 1155  
AN ORDINANCE OF THE CITY OF CANYON, TEXAS,  
DESIGNATING CERTAIN REAL PROPERTY OWNED BY THE  
CITY AS A PUBLIC PARK TO BE USED FOR RECREATIONAL  
PURPOSES IN ACCORDANCE WITH THE MUNICIPAL  
CHARTER OF THE CITY OF CANYON AND PROVIDING FOR  
SEVERABILITY AND AN EFFECTIVE DATE.

Item 10. Consider and Take Appropriate Action on Authorization for the Signing of Grant Documents.

Assistant City Manager Jon Behrens presented Grant Documents as awarded from a Texas based foundation for the development of the Kylie Hiner playground at Conner Park. Mr. Behrens stated once the City notifies the foundation the funds to complete the project are raised and a contract for construction has been executed, funds would be granted through the foundation who requested to remain officially unnamed until construction begins.

After discussion, Commissioner Ward moved, duly seconded by Mayor Pro-Tem Jones to authorize the Mayor and City Manager to sign a grant contract associated with the awarding of funds for the Kylie Hiner Playground. Motion carried unanimously.

Item 11. Presentation of City of Canyon 2022 Strategic Plan Quarterly Update.

Assistant City Manager Jon Behrens gave an overview of the 2022 Strategic Plan as adopted by the City Commission in February 2022. Mr. Behrens said the City Commission would be updated quarterly on the progress of action items identified to be completed in 2022.

No action, informational only.

Item 12. Consider and Take Appropriate Action on Third and Final Reading of Ordinance No. 1154 for the Renewal of Xcel Energy Franchise Agreement.

City Manager Joe Price presented Ordinance No. 1154 for the final reading of 3 required readings of the full Ordinance as written in the City of Canyon Home Rule Charter (Section 3.17). Mr. Price stated in May of 2020 the City Commission approved an increase to the Franchise Fee from 3% to 4.51% with 5% being to max allowed by law. Mr. Price said the current Franchise Ordinance doesn't expire until January 2026, but the submission of a Rate Case from Xcel Energy provides an opportunity to amend the Franchise Ordinance and increase the percentage for gross receipts the final .49% bringing the total franchise fee to 5% and renewing the Franchise Agreement with Xcel Energy for 20 years.

Ordinance No. 1154 was read out loud in its entirety as recorded by City Secretary Gretchen Mercer.

After discussion, Commissioner Ray moved, duly seconded by Mayor Pro-Tem Jones to adopt Ordinance No. 1154 as presented. Motion carried unanimously.

ORDINANCE NO. 1154

FRANCHISE AGREEMENT

AN ORDINANCE GRANTING TO SOUTHWESTERN PUBLIC SERVICE COMPANY ("SPS") D/B/A XCEL ENERGY THE RIGHT, PRIVILEGE AND FRANCHISE TO CONDUCT WITHIN THE CITY OF CANYON, TEXAS ("CITY"), AN ELECTRICAL LIGHTING AND POWER BUSINESS AND TO ENTER UPON, ERECT, CONSTRUCT, MAINTAIN, EXTEND, REPAIR, REPLACE AND REMOVE IN, UNDER UPON, WITHIN, OVER, ABOVE, ACROSS AND ALONG ANY AND ALL OF THE PRESENT AND FUTURE PUBLIC ROADS, HIGHWAYS, STREETS, LANES, BRIDGES AND ALLEYS OF THE CITY, A SYSTEM OF POLES, POLE LINES, TOWERS, DISTRIBUTION LINES, TRANSMISSION LINES, WIRES, GUYS, CABLES, CONDUITS, TRANSFORMERS, AND OTHER DISTRIBUTION AND TRANSMISSION EQUIPMENT, FACILITIES AND APPURTENANCES NECESSARY OR PROPER FOR THE TRANSMISSION AND DISTRIBUTION OF ELECTRICITY INTO, IN, WITHIN, FROM, ACROSS, AND THROUGH THE CITY AS NOW EXISTING, OR AS SAID CITY LIMITS MAY HEREAFTER BE EXTENDED; AND GRANTING SPS, ITS SUCCESSORS AND ASSIGNS, THE AUTHORITY TO USE SUCH FOR THE PURPOSE OF TRANSMISSION, DISTRIBUTION, DELIVERY AND SALE OF ELECTRICITY TO THE CITY, AND TO THE INHABITANTS OF THE CITY, OR ANY OTHER PERSON OR PERSONS, FIRMS OR CORPORATIONS, WHEREVER LOCATED WITHIN OR WITHOUT THE BOUNDARIES OF THE CITY, FOR USE BY SUCH PURCHASER OR PURCHASERS FOR ANY PURPOSE AUTHORIZED BY LAW FOR WHICH ELECTRICITY MAY BE USED OR FOR ANY OTHER PURPOSE OR USE WHICH IS OR MAY BECOME NORMAL OR CUSTOMARY IN THE RETAIL ELECTRIC INDUSTRY IN TEXAS; PROVIDING THAT THIS FRANCHISE SHALL BE EFFECTIVE FOR A PERIOD OF TWENTY (20) YEARS COMMENCING MAY 15, 2022; PROVIDING FOR THE TEMPORARY REMOVAL, RAISING OR LOWERING BY SPS OF ITS WIRES AND OTHER APPURTENANCES; PROVIDING FOR THE RIGHT TO, AND CONDITION OF, THE OPENING OF PAVEMENTS AND SIDEWALKS BY SPS; RETAINING ALL RIGHTS OF CITY TO REGULATE THE LOCATION OF SPS'S FACILITIES IN, UPON, ALONG, UNDER AND OVER THE STREETS, ALLEYS AND OTHER PUBLIC PLACES OF CITY, AS WELL AS TO REQUIRE THE RELOCATION OF SAME; PROVIDING FOR EFFICIENT ELECTRICAL SERVICE AND THE MAINTAINING OF SPS'S FACILITIES; PROVIDING COMPENSATION, AND METHOD OF

PAYMENT OF SUCH, TO THE CITY FOR THE USE BY SPS OF THE STREETS, ALLEYS AND PUBLIC WAYS OF THE CITY; PROVIDING FOR THE MAINTAINING OF RECORDS BY SPS WITH RIGHT OF INSPECTION BY CITY RESERVING TO CITY ALL POWERS OF REGULATION; PROHIBITING ASSIGNMENT EXCEPT BY CONSENT BY CITY EXCEPT IN CERTAIN CASES; GIVING CITY'S CONSENT TO THE CUTTING AND TRIMMING BY SPS OF CONFLICTING TREES; PROVIDING A SEVERABILITY CLAUSE; PROVIDING THAT THIS FRANCHISE SHALL NOT BE EXCLUSIVE; MAKING MISCELLANEOUS PROVISIONS RELATIVE TO THIS GRANT OF FRANCHISE; REPEALING ALL PREVIOUS ELECTRICAL LIGHTING AND POWER FRANCHISE ORDINANCES; PROVIDING FOR THE ACCEPTANCE OF THIS FRANCHISE ORDINANCE BY SPS

- Item 13. Executive Session Pursuant to §551.071 Consultation with Attorney, and §551.072 for Deliberation Regarding Real Property.

Mayor Hinders indicated the City Commission would adjourn into Executive Session at 5:32 pm.

- Item 14. Consider and Take Appropriate Action on Items Discussed in Executive Session.

Upon returning from Executive Session at 6:05 pm, no action was taken.

- Item 15. Consider and Take Appropriate Action on Cost Share Agreement and Annexation Agreement for Gerald Development.

The Cost Share Agreement and Annexation Agreements were not discussed or considered at this time.

- Item 16. Adjourn.

There being no further business, Mayor Pro-Tem Jones moved this meeting be adjourned at 6:06 pm.

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Gary Hinders, Mayor

ATTEST:

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Gretchen Mercer, City Secretary

To: Joe Price, City Manager  
From: Jon Behrens, Assistant City Manager  
Date: April 14, 2022  
Re: Introduction of Carlene Rittenberry

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We are excited to introduce Carlene Rittenberry as the new Canyon Area Library Director. Carlene is a Canyon High and West Texas A&M graduate. Carlene joins us from Frisco ISD and she has had experience in the public library setting and a retail bookstore. With our current staff and Carlene's leadership, I know that the Canyon Area Library is going to continue to be a huge asset to our community.

Carlene will be attending the Commission meeting.

**RECOMMENDED MOTION**

*No action to be taken.*

To: Joe Price, City Manager  
From: Evelyn Ecker, Director of Business & Community Development  
Date: April 18, 2022  
Re: First Reading of Resolution No. 05-2022. A Resolution of the City Commission of the City of Canyon approving a Project Funding Agreement Between Canyon Chamber of Commerce and Canyon Economic Development Corporation Relating to Funding a Quality of Life Event.

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During the March 10, 2022 meeting of the Canyon Economic Development Corporation (CEDC) approved a project funding request from the Canyon Chamber of Commerce. The request is for event expense related to the Annual Independence Day Celebration in. This is funding under the guidelines of a Quality of Life event as well as an event that attracts tourist/visitors.

The Chamber requested \$11,500 to help with the cost of the 4<sup>th</sup> of July event. The event, with the parade, Fair on the Square, concert, and fireworks display is the largest of its kind in the state. It is estimated 30,000+ people attend the event.

A Public Hearing was held April 14<sup>th</sup> and there was not any opposition for the project funding.

**This is not an action item. Second and Final Reading to adopt Resolution No. 05-2022 tentatively scheduled for May 2<sup>nd</sup>.**



**RESOLUTION NO. 05-2022**

**RESOLUTION OF THE CITY COMMISSION OF THE CITY OF CANYON APPROVING FUNDING TO THE CANYON CHAMBER OF COMMERCE BY CANYON ECONOMIC DEVELOPMENT CORPORATION SUPPORTING THE ANNUAL INDEPENDENCE DAY CELEBRATION.**

WHEREAS, on April 14, 2022 the Canyon Economic Development Corporation (“CEDC”) conducted a public hearing regarding the use of sales and use tax revenues collected pursuant to the Development Corporation Act of 1979, TEX. LOC. GOV'T CODE CHAPTERS 501-505, (“the Act”) for funding a part of the Chamber of Commerce fourth of July celebration; and,

WHEREAS, the City Commission of the City of Canyon, Texas, finds it to be in the public interest for CEDC to provide funding to the Chamber of Commerce for the purpose of assisting with the Annual Independence Day Celebration. The CEDC board has approved and presented to the City Commission the funding proposal for consideration and approval following a first and second reading;

**NOW, THEREFORE, BE IT RESOLVED BY THE CITY COMMISSION OF THE CITY OF CANYON;**

**SECTION 1:**

That funding by CEDC to the Chamber of Commerce be, and it is hereby approved, and the sales tax revenue subject to the limitation of the Act, collected pursuant to the Act by CEDC may be used for the purpose of funding an amount not to exceed \$11,500 to assist the Chamber in the Annual Independence Day Celebration. The sales tax revenue referred to in this Resolution shall be the revenue on deposit in Sales Tax Improvement Fund (Fund 40) for direct costs related to the project.

READ in accordance with TEXAS LOCAL GOVERNMENT CODE §505.158 with a quorum of the City Commission duly and lawfully assembled and at a public meeting properly called and noticed in accordance with the Texas Open Meetings Act, on the first (1<sup>st</sup>) reading, on the 18th of April, 2022.

CITY OF CANYON, TEXAS

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GARY HINDERS, Mayor

ATTEST:

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Gretchen Mercer, City Secretary

RESOLUTION PASSED AND ADOPTED by the City Commission of the City of Canyon, Texas, with a quorum of the City Commission duly and lawfully assembled and voting and at a public meeting properly called and noticed in accordance with the Texas Open Meetings Act, on the second (2<sup>nd</sup>) and final reading, on the 2<sup>nd</sup> of May , 2022.

CITY OF CANYON, TEXAS

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GARY HINDERS, Mayor

ATTEST:

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Gretchen Mercer, City Secretary

To: Honorable Mayor and City Commission  
From: Joe Price, City Manager  
Date: April 7, 2022  
Re: Consider and Take Appropriate Action on Resolution No. 06-2022 Public Investment Act Policy

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Pursuant to Texas Government Code, Chapter 2256, municipalities are required to adopt an investment policy and/or review/revise their current investment policy on an annual basis.

Our current Investment Policy was last reviewed in 2020. We have made one revision this the year to add Hilltop Securities to the Appendix A – Authorized Broker/Dealer List. Staff has reviewed the Policy and with the proposed revision to the Policy believe it continues to meet the requirements of the statute. We request the Commission consider adoption of the amended Policy.

**Staff recommends approval of Resolution No. 06-2022**

**RECOMMENDED MOTION**

***“I move to adopt Resolution No. 06-2022 for the Amendment of the City of Canyon Public Investment Policy”***



## INVESTMENT POLICY

### POLICY

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It is the policy of the City of Canyon (the "City") that after allowing for the anticipated cash flow requirements of the City and giving due consideration to the safety and risk of investment, all available funds shall be invested in conformance with these legal and administrative guidelines, seeking to optimize interest earnings to the maximum extent possible.

Effective cash management is recognized as essential to good fiscal management. Investment interest is a source of revenue to the City. The City's investment portfolio shall be designed and managed in a manner designed to maximize this revenue source, to be responsive to public trust, and to be in compliance with legal requirements and limitations.

Investments shall be made with the primary objectives of:

- \* **Safety** and preservation of principal
- \* Maintenance of sufficient **liquidity** to meet operating needs
- \* **Public trust** from prudent investment activities
- \* Optimization of **interest earnings** on the portfolio

### PURPOSE

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The purpose of this investment policy is to comply with Chapter 2256 of the Government Code ("Public Funds Investment Act"), which requires the City to adopt a written investment policy regarding the investment of its funds and funds under its control. The Investment Policy addresses the methods, procedures and practices that must be exercised to ensure effective and judicious fiscal management of the City's funds.

### SCOPE

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This Investment Policy shall govern the investment of all financial assets of the City. These funds are accounted for in the City's Comprehensive Annual Financial Report (CAFR) and include:

- General Fund
- Water Works & Sewer System Fund
- Golf Course Fund
- C.E.D.C. Funds
- W/S Bond Funds
- Emergency Management Fund
- Library Gift and Memorial Fund
- Board of City Development Fund
- LEOSE Fund
- D-Fi-It Program
- Employee Flower Fund
- Vol. Firemen's Funds
- All subsidiary funds and any new fund created unless specifically exempted

The City may consolidate cash balances from all funds to manage bank service needs and enhance investment earnings. Investment income will be allocated to the various funds based on their respective participation and in accordance with generally accepted accounting principles.

This Investment Policy shall apply to all transactions involving the financial assets and related activity for all the foregoing funds.

## **INVESTMENT OBJECTIVES**

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The City shall manage and invest its cash with four primary objectives, listed in order of priority: **safety, liquidity, public trust, and yield, expressed as optimization of interest earnings.** The safety of the principal invested always remains the primary objective. All investments shall be designed and managed in a manner responsive to the public trust and consistent with state and local law.

The City shall maintain a comprehensive cash management program, which includes collection of account receivables, vendor payments in accordance with invoice terms, and prudent investment of available cash. Cash management is defined as the process of managing monies in order to insure adequate cash availability and optimum earnings on short-term investment of idle cash.

### **Safety [PFIA 2256.005(b)(2)]**

Safety of principal is the foremost objective of the investment program. Investments shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. The objective will be to mitigate credit and interest rate risk.

- ❑ Credit Risk – The City will minimize credit risk, the risk of loss due to the failure of the issuer or backer of the investment, by:
  - Limiting investments to the safest types of investments
  - Pre-qualifying the financial institutions and broker/dealers with which the City will do business
  - Diversifying issuer credit risk, when appropriate, so that potential losses on individual issuers will be minimized.
  
- ❑ Interest Rate Risk – the City will minimize the risk that the interest earnings and the market value of investments in the portfolio will fall due to changes in general interest rates, by:
  - Structuring the investment portfolio so that investments mature to meet cash requirements for ongoing operations, thereby avoiding the need to liquidate investments prior to maturity.
  - Investing operating funds primarily in certificates of deposit, shorter-term securities, money market mutual funds, or local government investment pools functioning as money market mutual funds.
  - Diversifying maturities and staggering purchase dates to minimize the impact of market movements over time.
  - Utilizing any other method of investment management allowable by the Public Funds Investment Act deemed most advantageous based on current market conditions.

### **Liquidity [PFIA 2256.005(b)(2)]**

The investment portfolio shall remain sufficiently liquid to meet all operating requirements that may be reasonably anticipated. This is accomplished by structuring the portfolio so that investments mature concurrent with cash needs to meet anticipated demands.

### **Public Trust**

All participants in the City's investment process shall seek to act responsibly as custodians of the public trust. Investment officers shall avoid any transaction that might impair public confidence in the City's ability to govern effectively.

**Yield (Optimization of Interest Earnings) [PFIA 2256.005(b)(3)]**

The investment portfolio shall be designed with the objective of attaining a market rate of return throughout budgetary and economic cycles, taking into account the investment risk constraints and liquidity needs. Return on investment is of secondary importance compared to the safety and liquidity objectives described above.

**RESPONSIBILITY AND CONTROL**

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**Delegation of Authority [PFIA 2256.005(f)]**

The City Commission designates the City Manager as the Chief Financial Officer, and he/she and the Director of Finance as the City's Investment Officers. An Investment Officer is authorized to execute investment transactions on behalf of the City. No person may engage in an investment transaction or the management of City funds except as provided under the terms of this Investment Policy as approved by the City Commission. The investment authority granted to the Investment Officers is effective until rescinded by the City Commission.

**Quality and Capability of Investment Management [PFIA 2256.005(b)(3)]**

The City shall provide periodic training in investments for the designated Investment Officers and other investment personnel through courses and seminars offered by professional organizations, associations, and other independent sources in order to insure the quality and capability of investment management in compliance with the Public Funds Investment Act.

**Training Requirement (PFIA 2256.008)**

In accordance with the Public Funds Investment Act, Investment Officers shall attend investment training no less often than once every two years, aligned with the City's fiscal year end, and shall accumulate not less than 8 hours of instruction relating to investment responsibilities. 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. Approved training sources include:

- Government Finance Officers Association
- Government Finance Officers Association of Texas
- Government Treasurers' Organization of Texas
- Texas Municipal League
- University of North Texas

**Internal Controls (Best Practice)**

The Chief Financial Officer is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the City are protected from loss, theft, or misuse. The internal control structure shall be designed to provide reasonable assurance that these objectives are met. 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.

Accordingly, the Chief Financial Officer shall establish a process for annual independent review by the external auditor to assure compliance with policies and procedures. The internal controls shall address the following points.

- Control of collusion.

- Separation of transactions authority from accounting and record keeping.
- Custodial safekeeping.
- Clear delegation of authority to subordinate staff members.
- Written confirmation for telephone (voice) transactions for investments and wire transfers, and
- Development of a wire transfer agreement with the depository bank or third-party custodian

**Prudence (PFIA 2256.006)**

The standard of prudence to be applied by the Investment Officer shall be the “prudent investor rule.” This rule states that “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.”

In determining whether an Investment Officer has exercised prudence with respect to an investment decision, the determination shall be made taking into consideration:

- The investment of all funds, or funds under the City’s control, over which the officer had responsibility rather than a consideration as to the prudence of a single investment.
- Whether the investment decision was consistent with the written approved investment policy of the City.

**Indemnification (Best Practice)**

The Investment Officer, acting in accordance with written 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 immediately and the appropriate action is taken to control adverse developments.

**Ethics and Conflicts of Interest [PFIA 2256.005(i)]**

Investment Officers and employees involved in the investment process shall refrain from personal business activity that would conflict with the proper execution and management of the investment program, or that would impair their ability to make impartial decisions. Employees and Investment Officers 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 Investment Officers shall refrain from undertaking personal investment transactions with the same individual with which business is conducted on behalf of the City.

An Investment Officer of the City who has a personal business relationship with an organization seeking to sell an investment to the City shall file a statement disclosing that personal business interest. An Investment Officer who is related within the second degree by affinity or consanguinity to an individual seeking to sell an investment to the City shall file a statement disclosing that relationship. A statement required under this subsection must be filed with the Texas Ethics Commission and the City Commission.

**SUITABLE AND AUTHORIZED INVESTMENTS**

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**Portfolio Management**

The City currently has a “buy and hold” portfolio strategy. Maturity dates are matched with cash flow requirements and investments are purchased with the intent to be held until maturity. However, investments may be liquidated prior to maturity for the following reasons:

- An investment with declining credit may be liquidated early to minimize loss of principal.
- Cash flow needs of the City require that the investment be liquidated.

**Investments [PFIA 2256.005(b)(4)(A)]**

City funds governed by this Policy may be invested in the instruments described below, all of which are authorized by the Public Funds Investment Act. Investment of City funds in any instrument or security not authorized for investment prohibited. The City will not be required to liquidate an investment that becomes unauthorized subsequent to its purchase.

**I. Authorized**

1. Obligations of, or guaranteed by governmental entities including:
  - a) Obligations, including letters of credit, of the United States or its agencies and instrumentalities, including the Federal Home Loan Bank;
  - b) Direct obligations of the State of Texas or its agencies and instrumentalities;
  - c) 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;
  - 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; and
  - e) Interest-bearing banking deposits that are guaranteed or insured by:
    - 1) The Federal Deposit Insurance Corporation or its successor; or
    - 2) The National Credit Union Share Insurance Fund or its successor.
2. Certificates of Deposit, issued by a depository institution that has its main office or a branch office in this state:
  - a) And such certificates of deposits are:
    - 1) Guaranteed or insured by the Federal Deposit Insurance Corporation, or its successor; or the National Credit Union Share Insurance Fund, or its successor;
    - 2) Secured by obligations that are described by the PFIA, which are intended to include all direct federal agency or instrumentality issued mortgage backed securities that have a market value of not less than 102% of the principal amount of the certificates or in any other manner and amount provided by law for deposits of the investing entities;
    - 3) Secured in accordance with Chapter 2257 or in any other manner and amount provided by law for deposits of the City.
  - b) Certificates of Deposit made with the following conditions:
    - 1) The funds are invested by an investing entity through
      - a. A broker that has its main office or a branch office in the state of Texas and is selected from a list adopted by the City as required by Section 2256.025; or
      - b. The broker or the depository institution selected by the City under Subdivision a) arranges for the deposit of the funds in certificates of deposit in one or more



- federally insured depository institutions, wherever located, for the account of the City;
  - c. The full amount of the principal and accrued interest of each of the certificates of deposit is insured by the United States or an instrumentality of the United States;
  - d. The City appoints the depository institution selected depository institution under Subdivision a), or a clearing broker-dealer registered with the Securities and Exchange Commission and operating pursuant to Securities and Exchange Commission Rule 15c3-3 as custodian for the City with respect to the certificates of deposit issued for the account of the City.
- 3. Money Market Mutual Funds that are 1) registered and regulated by the Securities and Exchange Commission, 2) managed in compliance with money market fund regulations, 3) rated AAA by at least one nationally recognized rating service, and 4) seek to maintain a stable net asset value of \$1.0000 per share.
- 4. Local government investment pools, which 1) meet the requirements of Chapter 2256.016 of the Public Funds Investment Act, 2) are rated no lower than AAA or an equivalent rating by at least one nationally recognized rating service, 3) *seek to maintain a \$1.00 net asset value*, and 4) are authorized by resolution or ordinance by the City Commission.
- 5. Certificates of Deposit and Money Market Accounts through cooperative programs such as CDARS (Certificates of Deposit Account Registry Service) and ICS (Insured Cash Sweep) which spread deposits to provide \$250,000 FDIC Insurance Coverage per Financial Institution and insure the total deposit.
- 6. 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.

It is the policy of the City to provide a competitive environment for all individual investment purchases and sales, and financial institution, money market mutual fund, and local government investment pool selections.

All security transactions shall be executed using the delivery versus payment method. That is, funds shall not be wired or paid until verification has made that the correct security was received by the City's safekeeping agent. The City shall contract with a bank or banks for the safekeeping of securities owned by the City as part of its investment portfolio. Securities owned by the City shall be held in the City's account as evidenced by safekeeping receipts of the institution holding the securities. Safekeeping institutions shall be independent from the parties involved in the investment transaction.

All prudent measures will be taken to liquidate an investment that is downgraded to less than the required minimum rating. (*PFIA 2256.021*)

**II. Not Authorized [PFIA 2256.009(b)(1-4)]**

The City's authorized investments are more restrictive than those allowed by State law. Not all investments authorized by State Law are authorized by this Policy. The City prohibits investments in all collateralized mortgage obligations. State law specifically prohibits investment in the following investment securities:

- 1. Obligations whose payment represents the coupon payments on the outstanding principal balance of the underlying mortgage-backed security collateral and pay 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 10 years.

The City is not required to liquidate investments that were authorized investments at the time of purchase. The City will take prudent measures to liquidate any investment that loses its required minimum rating.

## INVESTMENT PARAMETERS

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### **Maximum Maturities [PFIA 2256.005(b)(4)(B)]**

The longer the maturity of investments, the greater their price volatility. Therefore, it is the City's policy to concentrate its investment portfolio in shorter-term investments in order to limit principal risk caused by changes in interest rates.

The City attempts to match its investments with anticipated cash flow requirements. The City will not directly invest in investments maturing more than three (3) years from the date of purchase; however, the above described obligations, certificates, or agreements may be collateralized using longer dated investments.

### **Diversification [PFIA 2256.005(b)(3)]**

The City recognizes that investment risks can result from issuer defaults, market price changes or various technical complications leading to temporary illiquidity. Risk is controlled through portfolio diversification that shall be achieved by the following general guidelines:

- Limiting investments to avoid overconcentration in a specific issuer or business sector (excluding those deposit that are fully insured and collateralized in accordance with state and federal law),
- Restricting/prohibiting investments that have higher credit risks (example: commercial paper),
- Investing in varying maturities, and
- Continuously investing a portion of the portfolio in cash equivalent options such as local government investment pools (LGIPs), money market funds, or interest-bearing demand or money market depository accounts to ensure that appropriate liquidity is maintained in order to meet ongoing obligations.

### **Investment Policy Certification**

All local government investment pools and discretionary investment management firms must sign a certification acknowledging that the organization has received and reviewed the City's Investment Policy, and that reasonable procedures and controls have been implemented to preclude investment transactions that are not authorized by the City's Policy in accordance with the PFIA.

### **Authorized Broker/Dealers**

The City shall, at least annually, review, revise, and adopt a list of qualified broker/dealers authorized to engage in securities transactions with the City. Authorized firms include primary dealers or secondary dealers that qualify under Securities & Exchange Commission Rule 15C3-1 (Uniform Net Capital Rule). The Authorized Broker/Dealer list is attached in Appendix A.

### **Depositories**

The City will select and designate a qualified primary bank depository in compliance with State law and the City's purchasing policy. Additionally, the City may utilize other depository institutions to expand deposit placement opportunities or provide specialty services.

All depository balances shall be insured or collateralized in compliance with applicable State law. The City reserves the right, in its sole discretion, to accept or reject any form of insurance or collateralization pledged towards depository deposits. Depositories will be required to sign an Agreement with the City. The Agreement shall address any concerns in relation to acceptable collateral, levels of collateral, substitution and addition of collateral, and reporting and monitoring of collateral. The collateralized deposit portion of the Agreement shall define the City's rights to the

collateral in case 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 has to be executed by the Depository and the City contemporaneously with the acquisition of the asset;
- The Agreement must be approved by the Board of Directors or Designated Committee of the Depository and a copy of the meeting minutes must be delivered to the City; and
- The Agreement must be part of the Depository’s “official record” continuously since its execution.

Collateral will be held by a third-party custodian designated by the City and pledged to the City as evidenced by pledge receipts of the institution with which the collateral is deposited. Original pledge receipts shall be obtained. Collateral may be held by a Federal Reserve Bank or branch of a Federal Reserve Bank, a Federal Home Loan Bank, or a third party bank approved by the City and eligible under State law.

## **REPORTING (PFIA 2256.023)**

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### **Methods**

The Investment Officers shall prepare an investment report on a quarterly basis that summarizes investment strategies employed in the most recent quarter and describes the portfolio in terms of investments and maturities, and shall explain the total investment return for the quarter.

The quarterly investment report shall include a summary statement that will allow the City to ascertain whether investment activities during the reporting period have conformed to the Investment Policy. The report will be provided to the City Commission. The report will include the following:

- A listing of individual investments held at the end of the reporting period.
- Unrealized gains or losses resulting from appreciation or depreciation by listing the beginning and ending book and market value of investments for the period.
- Additions and changes to the market value during the period.
- Average weighted yield to maturity of portfolio as compared to applicable benchmark.
- Listing of investments by maturity date.
- Fully accrued interest for the reporting period.
- The percentage of the total portfolio that each type of investment represents.
- Statement of compliance of the City’s investment portfolio with state law and the investment strategy and policy approved by the City Commission.
- Signatures of each Investment Officer.

The market value of the portfolio will be calculated, and investment credit ratings will be confirmed on a quarterly basis in compliance with the reporting requirements. In determining market value and credit ratings, sources independent of the investment provider will be pursued.

“Weighted average yield to maturity” shall be the standard on which investment performance is calculated.

As a function of the annual audit, the quarterly investment reports shall be reviewed by the external auditor and the results of that review provided to the City Commission.

## **INVESTMENT STRATEGIES**

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### **Operating Funds Strategy**

**Suitability** - Any investment eligible in the Investment Policy is suitable for Operating Funds.

**Safety of Principal** - All investments shall be of high quality with no perceived default risk. Market price fluctuations may occur. However, by managing the weighted average days to maturity for the Operating Fund's portfolio to less than 270 days and restricting the maximum allowable maturity to two years, the price volatility of the overall portfolio will be minimized.

**Marketability** - Securities with active and efficient secondary markets are necessary in the event of an unanticipated cash flow requirement.

**Liquidity** - The Operating Funds requires the greatest short-term liquidity of any of the Fund types. Cash equivalent investments will provide daily liquidity and may be utilized as a competitive yield alternative to fixed maturity investments.

**Diversification** - Investment maturities should be staggered throughout the budget cycle to provide cash flow based on the anticipated operating needs of the City. Market cycle risk will be reduced by diversifying the appropriate maturity structure out through two years.

**Yield** - Attaining a competitive market yield for comparable investment-types and portfolio restrictions is the desired objective. The yield of an equally weighted, rolling three-month Treasury Bill portfolio will be the minimum yield objective.

### **Construction and Capital Improvement Funds Strategy**

**Suitability** - Any investment eligible in the Investment Policy is suitable for Construction and Capital Improvement Funds.

**Safety of Principal** - All investments will be of high quality with no perceived default risk. Market fluctuations may occur. However, by restricting the maximum maturity to the lesser of the anticipated cash flow requirements, three years or the IRS defined temporary period, the market risk of the portfolio will be minimized.

**Marketability** - The balancing of short-term and long-term cash flow needs requires the Construction and Capital Improvement Funds portfolio to have securities with active and efficient secondary markets.

**Liquidity** - Construction and Capital Improvement Funds used as part of a CIP plan or scheduled repair and replacement program are reasonably predictable. However, unanticipated needs or emergencies may arise. Maintaining minimum cash equivalent investment amounts will reduce the liquidity risk of unanticipated expenditures.

**Diversification** - Investment maturities should blend the short-term and long-term cash flow needs to provide adequate liquidity, yield enhancement and stability. A "barbell" maturity ladder may be appropriate.

**Yield** - Attaining a competitive market yield for comparable investment-types and portfolio structures is the desired objective. The yield of an equally weighted, rolling six-month Treasury Bill portfolio will be the minimum yield objective.

### **Debt Service Funds Strategy**

**Suitability** - Any investment eligible in the Investment Policy is suitable for the Debt Service Fund.

**Safety of Principal** - All investments shall be of high quality with no perceived default risk. Market price fluctuations may occur. However, by managing Debt Service Funds to not exceed the debt service payment schedule, the market risk of the overall portfolio will be minimized.

**Marketability** - Securities with active and efficient secondary markets are not necessary as the event of an unanticipated cash flow requirement is not probable.

**Liquidity** - Debt Service Funds have predictable payment schedules. Therefore, investment maturities should not exceed the anticipated cash flow requirements. Cash equivalent investments may provide a competitive yield alternative for short term fixed maturity investments.

**Diversification** - Market conditions influence the attractiveness of fully extending maturity to the next “unfunded” payment date. Generally, if investment rates are anticipated to decrease over time, the City is best served by locking in most investments. If the interest rates are potentially rising, then investing in shorter and larger amounts may provide advantage. At no time shall the debt service schedule be exceeded in an attempt to bolster yield.

**Yield** - Attaining a competitive market yield for comparable investment-types and portfolio restrictions is the desired objective. The yield of an equally weighted, rolling three-month Treasury Bill portfolio shall be the minimum yield objective.

## **INVESTMENT POLICY ADOPTION [*PFIA 2256.005(e)*]**

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The City’s investment policy shall be adopted by resolution of the City Commission. It is the City’s intent to comply with state laws and regulations. The City’s investment policy shall be subject to revisions consistent with changing laws, regulations, and needs of the City. The City Commission shall adopt a resolution stating that it has reviewed the policy and investment strategies annually, approving any changes or modifications.

Appendix A  
Authorized Broker/Dealer List

Happy State Bank

Hilltop Securities, Inc.

**RESOLUTION NO. 06-2022**

**A RESOLUTION OF THE CITY COMMISSION OF THE CITY OF CANYON, TEXAS, REVIEWING THE CITY OF CANYON'S INVESTMENT POLICY PURSUANT TO THE PUBLIC FUNDS INVESTMENT ACT**

WHEREAS, the Public Funds Investment Act (Texas Government Code, Chapter 2256) requires that a municipality annually review its investment policy with respect to the investment of public funds; and,

WHEREAS, City staff has reviewed the City of Canyon's ("City") current Investment Policy ("Policy") and recommends specific changes be made to said Policy; and,

WHEREAS, the City commission of the City of Canyon, Texas, having reviewed said Policy, concurs with staff's recommendation and finds that it is in the public interest to amend said Policy as hereinafter attached; and,

WHEREAS, the City commission of the City of Canyon, Texas, hereby authorizes the Director of Finance to be responsible for the investment of City funds in accordance with the rules governing investments adopted in the Investment Policy.

**NOW THEREFORE, BE IT RESOLVED BY THE CITY COMMISSION OF THE CITY OF CANYON, TEXAS:**

**SECTION 1.**

That, the findings set out in the preamble are in all things hereby approved.

**SECTION 2.**

That, the Investment Policy dated April 2022 be amended from the previous version to be the approved Public Funds Investment Policy of the City of Canyon.

**SECTION 3.**

That, this Resolution and its authorization shall be effective immediately upon its passage and shall continue in full force and effect as it is amended, revoked, or superseded by the City commission of the City of Canyon, Texas; and until the participating institution receives a copy of any such amendment or revocation.

**PASSED, APPROVED, AND ADOPTED**, on this the 18<sup>th</sup> day of April, 2022, at a regular meeting of the City commission of the City of Canyon, Texas which meeting was held in compliance with the Open Meetings Act, Tex Gov't Code, §551.001, et.seq. at which meeting a quorum was present and voting.

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Gary Hinders, Mayor

**ATTEST:**

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Gretchen Mercer, City Secretary