

**CITY OF GAINESVILLE, TEXAS  
INVESTMENT POLICY**

INTRODUCTION

As required by the Public Funds Investment Act, Chapter 2256, Texas Government Code, the City of Gainesville, Texas has adopted this investment policy, per Section 2-14 of Gainesville Code, regarding the investment of its funds and funds under its control.

The City of Gainesville Investment Policy will be governed by the City Council. The City Council shall establish a written Investment Policy and Strategies and review the results of the investment activities of the City of Gainesville. The City Council shall provide financial and staffing resources to maximize investment earnings through active portfolio management. The Director of Finance shall be designated as Investment Officer and custodian of all public funds and shall be responsible for investment decisions and activities.

The purpose of the City of Gainesville Investment Policy shall be:

- To set forth the methods, means and objectives of Financial Investment for the City.
- To direct the City in achieving the maximum total investment of City funds in a prudent manner at all times.
- To direct the City in achieving the maximum interest yield on City funds in a prudent manner at all times.
- To comply with State and Federal Regulations, applicable bond resolution requirements, adopted investment policies, and adopted investment strategies.
- To prudently invest reserves of all funds in a timely manner and to be able to use excess reserves to handle one time capital expenditures, if needed.

SCOPE

This Investment Policy shall apply to the activities of the City of Gainesville with regard to investing the financial assets of all funds, to the extent required by law and/or contract, to be kept segregated and managed separately, including the following:

General Fund  
Special Revenue Funds  
Debt Service Fund  
Capital Projects Fund  
Water & Sewer Fund  
Solid Waste Fund  
Golf Course Fund  
Airport Fund  
Trust Funds and Fiduciary Funds  
Special Assessment Funds

This Investment Policy applies to all transactions involving the financial assets and related financial activity of all the City's funds. This investment policy shall not apply to financial assets not administered by the City.

### INVESTMENT STRATEGY/OBJECTIVES

#### **Overall Investment Strategy**

In accordance with the Public Funds Investment Act, the City's investment strategies shall address the following objectives, listed in order of importance.

#### **A. Preservation and Safety of Principal.**

Investments shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. The primary objective is to mitigate credit risk and interest rate risk.

(1) Credit risk shall be mitigated by:

- Limiting investments to the safest types of securities.
- Pre-qualifying the financial institutions, brokers/dealers and intermediaries.
- Diversifying the investment portfolio so that potential losses on individual securities will be minimized.

(2) Interest rate risk shall be mitigated by:

- Structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity.
- By investing operating funds primarily in shorter-term securities.

#### **B. Liquidity**

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 securities mature concurrent with cash needs to meet anticipated demands. Since all possible cash demands cannot be anticipated, this portfolio should consist largely of securities with active secondary or resale markets. Securities shall not be sold prior to maturity, except under the following circumstances:

- A declining credit security may be sold early to minimize loss of principal;
- A security swap that would improve the quality yield or target duration in the portfolio;  
or
- Liquidity needs of the portfolio require that the security be sold.
- The importance is placed upon liquidity and security not high risk for earnings.

**C. Diversification**

Investments shall be made in order to avoid unreasonable or avoidable risks, to enhance total yield, and to fulfill the objections of this Investment Policy.

**D. Yield**

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. The core of investments shall be limited to relatively low risk securities in anticipation of earning a fair return related to the risk being assumed.

Effective investment strategy coordinates the primary objectives of the City's investment policy and cash management procedures with investment security risk/return analysis to enhance interest earnings and reduce investment risk. Maturity selections shall be based on cash flow and market conditions to take advantage of interest earnings as viable and material revenue to City funds. The City's portfolio shall be designed and managed in a manner responsive to the public trust and consistent with this Investment Policy.

Individual funds shall address the following priorities, in order of importance:

- 1) Understanding the suitability of the investment to the financial requirements of the City of Gainesville;
- 2) Preservation and safety of principal;
- 3) Liquidity;
- 4) Marketability of the investment, if the need arises to liquidate the investment prior to maturity;
- 5) Diversification of the investment portfolio; and
- 6) Yield

Each major fund type has varying cash flow requirements and liquidity needs. Therefore, specific strategies shall be implemented considering the fund's unique requirements. In order to minimize risk of loss due to interest rate fluctuations investment maturities will not exceed the anticipated cash flow requirements of the funds. Investment guidelines by fund-type are as follows:

**OPERATING FUNDS**

Suitability: Any security authorized in the Investment Policy is suitable for the Operating Funds.

Safety of Principal: All investments shall be of high quality securities with no perceived default risk. Market price fluctuations will however occur. By managing the weighted average days to maturity for the Operating Fund portfolio to less than 365 days and restricting the maximum allowable maturity to three 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 requirement.

Liquidity: The Operating Fund requires the greatest short-term liquidity of any of the fund types. Short-term investment pools and money market mutual funds shall provide daily liquidity and may be utilized as a competitive yield alternative to fixed maturity investments.

Diversification: Investment maturities shall be staggered throughout the budget cycle to provide cash flow based on the anticipated operating needs of the City.

Yield: Attaining a competitive market yield for comparable security-types and portfolio restrictions is the desired objective. The yield of an equally weighted, rolling six-month Treasury bill portfolio shall be the minimum yield objective.

### **CONSTRUCTION BOND FUNDS**

Suitability: Any security authorized in the Investment Policy is suitable for the Bond Fund.

Safety of Principal: All investments shall be of high quality securities with no perceived default risk. Market price fluctuations will however occur. By managing the Construction Bond Fund's portfolio not to exceed the anticipated expenditure schedule, the market risk of the overall portfolio will be minimized.

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

Liquidity: Bond proceeds used for construction programs have reasonably predictable draw down schedules. Therefore, investment maturities shall generally follow the anticipated cash flow requirements. Investment pools and money market mutual funds shall provide readily available funds generally equal to one month's anticipated cash flow needs, or a competitive yield alternative for short term fixed maturity investments. A flexible repurchase agreement ("flex repo") may be used for the investment of a single bond issue if the agreement allows for periodic withdrawals to fund construction expenditures.

Diversification: Market conditions and arbitrage regulations influence the attractiveness of staggering the maturity of fixed rate investments for bond proceeds. Generally, if investment rates exceed the applicable arbitrage yield for a specific bond issue, the City is best served by locking in most investments. If the arbitrage yield can not be exceeded, then concurrent market conditions will determine the attractiveness of diversifying maturities or investing in shorter and longer terms. At no time shall the anticipated expenditure schedule be exceeded in an attempt to bolster yield.

Yield: Achieving a positive spread to the applicable arbitrage yield is the desired objective.

### **DEBT SERVICE FUNDS**

Suitability: Any security authorized in the Investment Policy is suitable for the Bond Fund.

Safety of Principal: All investments shall be of high quality securities with no perceived default risk. Market price fluctuations will however occur. By managing the Debt Service Fund's portfolio maturities not to exceed the Debt Service payment schedule, the market risk of the overall portfolio will be minimized.

Marketability: Any security authorized in the investment policy has adequate marketability for the debt service fund.

Liquidity: Debt Service funds have predictable payment schedules. Therefore, investment maturities shall not exceed the anticipated cash flow requirements. Investment pools and money market mutual funds shall provide a competitive yield alternative for short term fixed maturity investments.

Diversification: Market conditions influence the attractiveness of fully extending maturities to the next "unfunded" payment date. Current market conditions will determine the benefit of matching maturities to debt service payments relative to positioning investments to mature prior to anticipated payments. At no time shall the debt service schedule be exceeded in an attempt to bolster yield.

Yield: Attaining a competitive market yield for comparable security-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.

#### **DEBT SERVICE RESERVE FUNDS**

Suitability: Any security authorized in the Investment Policy is suitable for the Debt service Reserve Fund. Bond resolution constraints and insurance company restrictions create issue specific considerations in addition to the Investment Policy.

Safety of Principal: All investments shall be of high quality securities with no perceived default risk. Market price fluctuations will however occur. By managing the Debt Service Reserve Fund's portfolio maturities to not exceed the call provisions of the bond issue this will reduce the investment's market risk if the City's bonds are called and the reserve fund liquidated. No investment maturity shall exceed the final maturity of the bond issue.

Marketability: Any security authorized in the investment policy has adequate marketability for the debt service reserve fund.

Liquidity: Debt Service Reserve Funds have no anticipated expenditures. The funds are deposited to provide annual debt service payment protection to the City's bondholders. The funds are "returned" to the City at the final debt service payment. Market conditions and arbitrage regulation compliance determine the advantage of security diversification and liquidity. Generally, if investment rates exceed the applicable arbitrage yield for a specific bond issue, the City is best served by locking in investment maturities and reducing liquidity. If the arbitrage yield can not be exceeded, then concurrent market conditions will determine the attractiveness of locking in maturities or investing shorter and anticipating future increased yields.

Diversification: Market conditions and the arbitrage regulations influence the attractiveness of staggering the maturity of fixed rate investments for Debt Service Reserve Funds. At no time shall the final debt service payment date of the bond issue be exceeded in an attempt to bolster yield.

Yield: Achieving a positive spread to the applicable arbitrage yield is the desired objective.

STANDARDS OF CARE

All officials of the City having either a direct or indirect role in the process of investing funds shall act responsibly as custodians of the Public Trust. Investment officials shall avoid any transaction that might involve a conflict of interest or otherwise impair public confidence in the ability of the City to govern effectively.

**A. Prudence**

The standard of prudence to be applied by the Investment Officials shall be the "prudent investor" rule, which states, "investments shall be made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived." Investment Officials, while acting in accordance with written procedures and exercising due diligence, shall not be held personally responsible for a specific security's credit risk or market price changes, provided that these deviations are reported immediately and that appropriate action is taken to control adverse developments.

**B. Ethics and Conflicts of Interest**

Investment Officials 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. An Investment Officer who is related within 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 copy of each disclosure statement must be filed with the City Investment Committee and the Texas Ethics Commission. Employees and officials shall refrain from undertaking personal investment transactions with the same individual with whom business is conducted on behalf of the City.

**C. Delegation of Authority**

Authority to manage the Investment Program is granted to the Director of Finance. He shall be designated as the Investment Officer and custodian of all Public Funds for the City. Responsibility for the operation of the investment program is delegated to the Director of Finance, who shall implement and carry out written procedures and internal controls for the operation of the investment program consistent with this Investment Policy. Procedures shall include: safekeeping, delivery versus payment, investment accounting, repurchase agreements, wire transfer agreements, collateral/depository agreements and banking service contracts. No person shall engage in an investment transaction, except as provided under the terms of the Investment Policy and the procedures established by the Investment Officer. The Investment Officer shall be responsible for all transactions undertaken and shall establish a system of controls to regulate the activities of subordinate officials.

The Investment Officer and designated subordinate investment officials shall attend at least one training session within 12 months after taking office or assuming duties and attend investment training not less than once in a two-year period, that begins on the first day of that local government's fiscal year and consists of the two consecutive fiscal years after that date and receive

not less than 8 hours of instruction relating to investment responsibilities from an independent source. The training course must include education in investment controls, security risks, strategy risks, market risks, diversification of investment portfolio, and compliance with the Public Funds Investment Act.

### SAFEKEEPING AND CUSTODY

#### **A. Selection of Qualifying Institutions.**

The City shall maintain a listing of financial institutions that are approved for investment purposes. These institutions will be evaluated from time to time, as circumstances dictate, to assure their credit worthiness. All security and investment firms used must be approved by the City Council.

The Investment Officer is authorized with permission from the City Manager to utilize the following institutions or groups to facilitate the investment of City funds, consistent with Federal and State Law and the City's Bank Depository Contract, and this investment policy.

- Depository Bank
- Other Banks and Savings Institutions
- Investment Advisors registered with the SEC

Should the City determine to invest in Certificates of Deposit independent of those made by the Depository Bank through the Depository Agreement, the City shall solicit a minimum of three bids from recognized broker/dealers and/or Financial Institutions. These bids may be solicited orally, in writing, electronically or in combination.

The Investment Officer is prohibited from purchasing investments from a broker unless the registered principal of the brokerage firm has executed a written instrument stating that he or she has thoroughly reviewed the City's investment policy and acknowledges that the brokerage firm has implemented reasonable procedures and controls to preclude imprudent investment activities arising out of transactions between the brokerage firm and the City, except to the extent that this authorization is dependent on an analysis of the makeup of the entity's entire portfolio or requires an interpretation of subjective investment standards.

#### **B. Safekeeping and Collateralization**

All investment securities purchased by the City shall be held in third-party safekeeping by an institution designated as an approved institution. The City's primary depository shall safekeep all securities purchased by the City as agreed by a Depository Contract in accordance with Article VIII, Section 3, of the City Charter of the City of Gainesville, Texas. A safekeeping receipt shall be issued to the City listing the specific instrument, rate, maturity and other pertinent information.

Deposit-type securities (i.e., certificates of deposit) shall be collateralized at a minimum of one hundred and five percent (105%) of the face value of the certificate of deposit excluding FDIC. The City shall have a first lien on the collateral.

#### **C. Internal Controls**

The Investment 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 Investment Officer shall establish a process for annual independent review by an external auditor to assure compliance with policies and procedures. The internal controls shall address the following points:

(1) Control of collusion.

Collusion is a situation where two or more employees are working in conjunction to defraud their employer.

(2) Separation of transaction authority from accounting and record keeping.

By separating the person who authorizes or performs the investment transaction from the people who record or otherwise account for the transaction, a separation of duties is achieved.

(3) Custodial safekeeping.

Securities purchased from any bank or dealer, excluding certificates of deposit, shall be placed with an independent third-party for custodial safekeeping.

(4) Avoidance of physical delivery securities.

Book entry securities are much easier to transfer and account for since physical delivery of a document does not occur. Delivered securities must be properly safeguarded against loss or destruction. The potential for fraud and loss increases with physically delivered securities.

(5) Clear delegation of authority to subordinate staff members.

Subordinate staff members must have a clear understanding of their authority and responsibilities to avoid improper actions. Clear delegation of authority also preserves the internal control structure that is contingent on the various staff positions and their respective responsibilities.

(6) Written confirmation of telephone transactions for investments and wire transfers.

Due to the potential for error and improprieties arising from telephone transactions, all telephone transactions should be supported by written communications and approved by the appropriate person. Written communications may be via fax if they are produced on letterhead and the safekeeping institution has a list of authorized City signatures.

(7) Development of a wire transfer agreement with the lead bank or third party custodian.

This agreement should outline the various controls, security provisions, and delineate responsibilities of each party making and receiving wire transfers.

**D. Delivery Versus Payment**

All trades, where applicable, will be executed by delivery versus payment (DVP) method. This ensures that securities are deposited in the eligible financial institution prior to the release of funds. Securities will be held by a third party custodian as evidenced by safekeeping receipts.

INVESTMENTS

In accordance with Federal and State laws, the City's depository contract, and appropriate approved collateral provisions, the City may utilize the following vehicles for the investment of City Funds:

**A. Authorized Investment Types:**

- (1) Direct obligations of the United States or its agencies and instrumentalities;
- (2) Direct obligations of the state of Texas or its agencies instrumentalities;
- (3) Other obligations, the principal and interest of which are unconditionally guaranteed or insured by, or backed by the full-faith-and-credit of, this state 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; and
- (4) 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.
- (5) Certificates of Deposit

A certificate of deposit is an authorized investment if the certificate of deposit is issued by a state or national bank or a savings bank doing business in this state and is:

- guaranteed or insured by Federal Deposit Insurance Cooperation (FDIC) or its successor;
- secured by obligations including mortgage-backed securities directly issued by a federal agency or instrumentality that have a market value of not less than 105% of the principal amount of the certificates.

In addition to the authority to invest funds in certificates of deposit above, an investment in certificates of deposit made in accordance with the following conditions is an authorized investment:

The funds are invested through:

- a) A broker that has its main office or a branch office in Texas, selected from a list adopted by City as required by Section 2256.025; or
- b) The broker or the depository institution selected by the City 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; and
- c) The City appoints the depository institution selected above or a clearing broker-dealer registered with the Securities and Exchange Commission and operating pursuant to Securities and Exchange Commission Rule 15c3-3 to act as custodian for the City with respect to the certificates of deposit issued for the City.

(6) Repurchase Agreements

A fully collateralized repurchase agreement is an authorized investment if it:

- has a defined termination date;

- is secured by a combination of cash and obligations as described herein ; and
- requires the securities being purchased by the City to be pledged to the City, held in the City's name, and deposited at the time the investment is made with the City or with a third party selected and/or approved by the City; and
- is placed through a Primary Government Securities Dealer, as defined by the Federal Reserve, or a financial institution doing business in the State of Texas.

A "repurchase agreement" means a simultaneous agreement to buy, hold for a specified time, and sell back at a future date, obligations at a market value, at the time the funds are disbursed, of not less than the principal amount of the funds disbursed. The term includes a direct security repurchase agreement but specifically excludes reverse security repurchase agreements.

(7) Investment Pools

(a) The City may invest its funds and funds under its control in an eligible investment pool if the City Council by rule, order, ordinance, or resolution, as appropriate, authorizes participation in the particular pool. An investment pool shall invest the funds it receives from entities exclusively in authorized investments permitted by State Law.

(b) To be eligible to receive funds from and invest funds on behalf of the City under this chapter, an investment pool must furnish to the Investment Officer an offering circular or other similar disclosure instrument that contains, at a minimum, information as outlined in the Texas Public Funds Investment Act, Section 2256.016(b).

(c) To maintain eligibility to receive funds from and invest funds on behalf of the City, an investment pool must furnish to the Investment Officer transaction confirmations and a monthly report that contains all information as required in the Texas Public Funds Investment Act, Section 2256.016(c).

(d) The city by contract may delegate to an investment pool the authority to hold legal title as custodian of investments purchased with its local funds.

Portfolio of Investment Pools. A public funds investment pool created to function as a money market mutual fund must mark its portfolio to market daily and, to the extent reasonably possible, stabilize at a \$1 net asset value. This means that the ratio of the market value of the portfolio divided by the book value of the portfolio must fall between 0.995 and 1.005. Portfolio holdings shall be sold as necessary to maintain the ratio between 0.995 and 1.005.

Rating of Investment Pools. A public funds investment pool must be continuously rated no lower than AAA or AAA-m or at an equivalent rating by at least one nationally recognized rating service.

**B. Unauthorized Investment Types:**

- (1) obligations whose payment represents the coupon payments on the outstanding principal balance of the underlying mortgage-backed security collateral and pays no principal (**IO's**);
- (2) obligations whose payment represents the principal stream of cash flow from the underlying mortgage-backed security collateral and bears no interest (**PO's**);

- (3) collateralized mortgage obligations (**CMO's**) that have a stated final maturity date of greater than 10 years; and
- (4) collateralized mortgage obligations, the interest of which is determined by an index, that adjusts opposite to the changes in a market index (**Inverse Floaters**).

**C. Investment Methods**

In order to facilitate the investment of the City funds, the Investment Officer is authorized to utilize an electronic banking system for the investment of such funds by means of a Customer Direct Access (CDA) program, Customer Direct Link (CDL) program, or similar program, with the Depository Bank.

The purpose of the electronic banking system shall be to allow the Investment Officer to enhance the time frame for investments, for elimination of checks to make investments of funds within the City accounts, and to return funds to primary City accounts.

Under no circumstance will the City funds be allowed to be transferred outside the Depository through the electronic banking system.

**D. Collateralization**

The City shall select the form of securities pledged, FHLB LOC or surety bond used to secure the City funds. Addition, withdrawal, or substitution of collateral for City funds shall be subject to the official approval of the City Council through its Investment Officer.

The investment of any city funds shall be collateralized consistent with Federal and State law, the City's Bank Depository Contract, and the City Investment Policy, without exception, in one or more of the following manners:

- (1) Direct Obligations of the United States.
- (2) Obligations that in the opinion of the Attorney General of the United States are backed by the full faith and credit of the U.S. Treasury.
- (3) Other obligations, the principal of and interest of which are unconditionally guaranteed by the United States.
- (4) General or special obligations issued by a public agency, payable from taxes, revenues, or a combination of taxes and revenues that have been rated as to investment quality by a nationally recognized rating agency with a current rating of not less than A or its equivalent.
- (5) An obligation of an Agency or Instrumentality of the United States, including a pass-through mortgage-backed security of the agency or instrumentality but specifically excluding all Collateralized Mortgage Obligations (CMO's), and Real Estate Mortgage Obligations (REMICS).
- (6) Federal Deposit Insurance Corporation (FDIC – maximum amount).

The total of the face value of the surety bonds and the market value of the investment security securing the deposits of public funds for the City shall be in an amount at least equal to one hundred

and five percent (105%) of the amount of the deposits of public funds increased by the amount of any accrued interest and reduced to the extent that the deposits are insured by an agency or instrumentality of the United States Government. The Investment Officer will maintain a monitoring program to establish the market value of such collateral, as best available, for the security of City funds. A monthly market analysis report prepared by the Depository Bank will be submitted to the City demonstrating compliance with the collateral level requirement. The City may require a market analysis at any time the City believes it is necessary to evaluate such securities.

The City will require five business days notice for the substitution of securities and reserves the right to reject any securities which the City does not feel has an adequate secondary market.

All securities or surety bonds pledged to secure deposits of the City funds shall be held at the depository bank or with another safekeeping agent as directed by the City Council through the Investment Officer, without exception. The depository bank and any other safekeeping agent so authorized by the City Council shall immediately provide a receipt of the securities and/or surety bond to the Investment Officer evidencing the deposit of said securities and/or surety bonds.

#### **E. Diversification**

Portfolio diversification is employed as a way to control risk. The Investment Officer will exercise prudence in the selection of securities, as a way to minimize default risk. No individual investment transaction shall be undertaken which jeopardizes the total capital position of the overall portfolio. All investment reports shall specifically address whether current investment results have been affected by any risks, and shall explain what action investment officials have taken to control or correct for such risks.

In addition to these general policy considerations, the following specific policies will be strictly observed:

- All investment funds shall be placed directly with qualified financial institutions and/or brokerage firms. The City will not deposit or invest funds through third parties or money brokers. Institutions and/or brokerage firms used shall be approved by the City Council.
- All transactions will be executed on a delivery versus payment basis.
- The City will not enter into Reverse Repurchase Agreements, nor trade in option or future contracts.
- a competitive bid process will be used to place government security purchases and repurchase agreements. On a continuing basis, the Investment Officer will assess securities dealers based on the following criteria:
  - Number of transactions competitively won
  - Prompt and accurate confirmation of transactions
  - Efficient securities delivery
  - Accurate market information
  - Account servicing

- Repricing of the market value of collateral will be done monthly. The investment officer shall utilize either the Wall Street Journal or a source independent of the original transaction to confirm market value.

## REPORTING

### **A. Methods**

The Investment Officer shall prepare an investment report at least quarterly, including a succinct management summary that provides a clear picture of the status of the current investment portfolio and transactions made over the last quarter. This management summary will be prepared in a manner that will allow the entity to ascertain whether investment activities during the reporting period have conformed to the investment policy. The report should be provided to the City Manager and the City Council. The report shall:

- describe in detail the investment position of the City on the date of the report;
- be prepared jointly by all investment officers of the City;
- be signed by each investment officer of the City;
- contain a summary statement of each pooled fund group that states the beginning market value for the reporting period; additions and changes to the market value during the period; fully accrued interest for the period; and ending market value for the period
- state the book value and market value of each separately invested asset at the beginning and end of the reporting period by the type of asset and fund type invested;
- state the maturity date of each separately invested asset that has a maturity date;
- state the account or fund or pooled fund group for which each individual investment was acquired; and
- state the compliance of the investment portfolio as it relates to the Texas Public Funds Investment Act and the City's Investment Policy.

### **B. Performance Standards**

The investment portfolio will be managed in accordance with the parameters specified within this policy. The portfolio should obtain a market average yield during a market/economic environment of stable interest rates. Portfolio performance should be compared to appropriate benchmarks on a regular basis.

### **C. Marking to Market**

A statement of the market value of the portfolio shall be issued at least quarterly. This will ensure that the minimal amount of review has been performed on the investment portfolio in terms of value and subsequent price volatility. These values should be obtained from a reputable and independent source.

## INVESTMENT ADVISOR

The City may, at its discretion, contract with an investment management firm registered under the Investment Advisors Act of 1940 (15 U.S.C. Section 80b-1 et seq.) and with the State Securities Board to provide for investment and management of its public funds or other funds under its control. The advisory contract made under authority of this subsection may not be for a term longer than two years. A renewal or extension of the contract must be made by the Board by order, ordinance, or resolution.

An appointed Investment Advisor shall act solely in an advisory and administrative capacity, within the guidelines of this Investment Policy. At no time shall the advisor take possession of securities or funds or otherwise be granted discretionary authority to transact business on behalf of the City.

Any Investment Advisor, contracted by the City, shall agree that its investment advice shall at all times be given with the judgment and care, under circumstances then prevailing, which persons paid for their special prudence, discretion and intelligence, in such matters exercise in the management of their client's affairs, not for speculation by the client or production of fee income by the advisor or broker but for investment by the client with emphasis on the probable safety of the capital while considering the probable income to be derived.

Appointment of an Investment Advisor shall otherwise be according to the City's normal purchasing procedures for selecting professional services. Any approved investment advisor may be terminated with the approval of the City Council, if in their opinion, the advisor has not performed adequately.

The Investment Advisor will assist the City Investment Officer in performing duties as outlined in this policy including but not limited to:

- Qualifying brokers and financial institutions to transact business with the City
- Analyzing security options
- Analyzing market conditions
- Performing credit analysis on security issuers
- Purchasing securities on a fully competitive basis
- Producing all related trade documentation
- Assisting in the settlement process
- Maintaining all documentation associated with trades
- Obtaining market pricing from independent sources
- Producing quarterly reports in compliance with the Public Funds Investment Act

## POLICY

### **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. Any changes must be approved by the City Council, as well as the individual(s) charged with maintaining internal controls.

**C. Annual Review**

The City Council shall conduct an annual review of its investment policy and investment strategy. The City Council shall adopt a written instrument stating that it has reviewed the investment policy and strategies. The written instrument so adopted shall record any changes made to either the investment policy or investment strategies.

**D. Annual Compliance Audit**

The City must perform an annual compliance audit in conjunction with its annual financial audit of management's controls on investments and adherence to its investment.

Reviewed and accepted by the City Council.

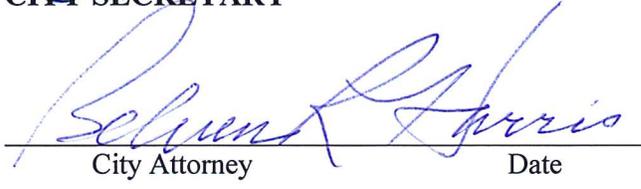
This 16<sup>th</sup> day of January, 2018.

**PASSED AND APPROVED THIS 16<sup>TH</sup> DAY OF JANUARY 2018 BY THE FOLLOWING VOTE:**

6 AYES, 0 NAYS, 1 ABSENT, 0 ABSTENTIONS

  
JIM GOLDSWORTHY, MAYOR

ATTEST:  
  
CAITLYN HUDDLESTON, CITY SECRETARY

Approved as to legal sufficiency:   
City Attorney Date

