

CITY OF TEXAS CITY INVESTMENT POLICY



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via City Commission Ordinance*

City of Texas City, Texas
Investment Policy
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INVESTMENT STRATEGY

The investment strategy, of the City of Texas City, Texas, is adopted to provide investment guidelines that will minimize the risk of loss, whereby the City of Texas City, Texas will pursue a passive investment strategy. In order to make effective use of the City's resources, all monies shall be pooled into one fund, except for those monies required to be accounted for in other accounts as stipulated by applicable laws, bond covenants, contracts or City policy. Investments will be purchased with the intent of holding to maturity and will only be sold early under exceptional circumstances. In purchasing investments, the Investment Officer will attempt to follow a ladder strategy to ensure that the portfolio will meet the City's liquidity needs. Investment priorities, in order of priority, are as follows:

1. **Suitability** – Any investment allowed by the Investment Policy is suitable.
2. **Preservation and Safety of Principal** – Investments of the City shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio.
3. **Liquidity** – The City's investment portfolio will remain sufficiently liquid to enable the City to meet all operational requirements that might reasonably be anticipated.
4. **Marketability** – Investments should have an active and efficient secondary market to enable the City to liquidate investments prior to the maturity if the need should arise.
5. **Diversification** – The Investment Officer will attempt to maintain a diversified portfolio with regard to security type, financial institution providing the security, and maturity.
6. **Yield** – The City's investment portfolio shall be designed with the objective of attaining the maximum rate of return throughout budgetary and economic cycles, taking into account the City's risk constraints and the cash flow characteristics of the portfolio.

INVESTMENT POLICY

The Public Funds Investment Act, Chapter 2256, Texas Government Code, as Amended (“PFIA” herein), requires each city to adopt rules governing its investment practices and to define the authority of the investment officer. The following Investment Policy addresses the methods, procedures, and practices that must be exercised to ensure effective and judicious fiscal management of the City of Texas City funds.

I. POLICY

It is the policy of the City of Texas City, Texas (“City”) to invest public funds in a manner that will ensure the preservation of capital, conform to all applicable State and Local statutes governing the investment of public funds and provide reasonable investment returns. The City shall invest all funds deemed in excess of current needs. “Current needs” are hereby defined as expenditures to be required within a given ninety- (90) day period

II. SCOPE

The investment policy applies to all the financial assets and funds held by the City, except for the Firemen’s Relief and Retirement Fund. These funds are defined in the City of Texas City’s Comprehensive Annual Financial Report and include:

Funds

1. General Funds
2. Special Revenue Funds
3. Capital Projects Funds
4. Enterprise Funds
5. Internal Service Funds
6. Debt Service Funds
7. Trust and Agency Funds

Any new funds created by the City will be subject to this policy unless specifically exempted by the City Commission. To maximize the effective investment of assets, all funds mentioned above will pool their cash balances for investment purposes. The income derived from investing activities will be distributed to the various funds based on calculation of their average balances.

III. INVESTMENT OBJECTIVES

The City of Texas City shall manage and invest its cash with three (3) primary objectives, listed in order of priority: **safety, liquidity, and yield**. The safety of principal invested always remains the primary objective.

Safety

Safety of principal is the foremost objective of the City. Investment of City funds shall be undertaken in a manner that seeks to ensure the preservation of capital and the protection of investment principal in the overall portfolio.

Liquidity

The City's investment portfolio will remain sufficiently liquid to enable the City to meet all operating requirements that might be reasonably anticipated. This is accomplished by structuring the portfolio so that securities mature concurrent with cash needs to meet anticipated disbursement schedules of the City.

Yield

The City's investment portfolio shall be designed with the objectives of attaining a market rate of return throughout budgetary and economic cycles, taking into account the City's risk constraints and the cash flow of the portfolio. Return on investment is of least importance compared to the safety and liquidity objectives described above. "Market rate of return" may be defined as the average yield of the current three-month U.S. Treasury Bill or such other index that closely matches the average maturity of the portfolio.

IV. STANDARDS OF CARE

Delegation of Investment Authority

Article 11, Section 1 of the Charter of the City of Texas City designates the Director of Finance to manage the City's investment program. The Director of Finance, acting on behalf of the City Commission, is designated as the Investment Officer of the City and is responsible for investment management decisions and activities. The Director of Finance may appoint an additional Investment Officer whose responsibility shall be to invest the funds on behalf of the City in accordance with this investment policy. The City Commission is also responsible for considering the quality and capability of staff, investment advisors, and consultants involved in investment management and procedures. All participants in the investment process shall seek to act responsibly as custodians of the public trust.

The Finance Director shall develop and maintain written administrative procedures for the operation of the investment program, which are consistent with this investment policy.

Procedures will include reference to safekeeping, wire transfer agreements; banking services contracts, and other investment related activities.

The Finance Director shall be responsible for all transactions undertaken and shall establish a system of controls to regulate the activities of subordinate officials and staff. The Finance Director shall designate a staff person as a liaison/deputy in the event circumstances require timely action and the Investment Officer is not available.

No officer or designee may engage in an investment transaction except as provided under the terms of this policy and the procedures established by the Investment Officer and approved by the Director of Finance.

Investment Training

The Chief Financial Officer and all designated Investment Officers of the City shall:

- (1) Attend at least one training session, from an independent source approved by the City Commission and containing at least 10 hours of instruction relating to the responsibilities under this policy within 12 months after taking office or assuming duties; and
- (2) Attend an investment training session not less than once in a two-year period, which begins on the first day of the fiscal year and consists of the two consecutive years after that date and receive not less than 8 hours of instruction relating to investment responsibilities.

Training must include education in investment controls, security risks, strategy risks, market risks, diversification of investment portfolio, and compliance with the Public Funds Investment Act.

Standard of Ethics and Conflicts of Interest

Officers and employees involved in the investment process shall refrain from personal business activity that could conflict with the proper execution and management of the investment program, or that could impair their ability to make impartial decisions.

Employees and investment officials shall disclose to the Mayor any personal business relationship in financial institutions with which they conduct business. An employee or officer has a personal business relationship with a business organization if:

1. The employee or officer owns 10 percent or more of the voting stock or shares of the business organization or owns \$5,000 or more of the fair market value of the business organization;
2. Funds received by the employee or officer from the business organization exceed 10 percent of the employee's gross income for the previous year;
or

3. The employee or officer has acquired from the business organization during the previous year investments with a book value of \$2,500 or more for the personal account of the employee or officer.

They shall further disclose any personal financial/investment positions that could be related to the performance of the investment portfolio including an individual who is related within the second degree by affinity or consanguinity to an individual seeking to sell an investment to the City. Employees and officers shall refrain from undertaking personal investment transactions with the same individual with whom business is conducted on behalf of their entity. Disclosure under this section shall be accomplished by filing a statement with the Texas Ethics Commission and the City Commission.

Prudence

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 expected income to be derived.

The standard of prudence to be used by investment officials shall be the “prudent person” standard and shall be applied in the context of managing an overall portfolio. Investment officers acting in accordance with written procedures and the investment policy and exercising due diligence shall be relieved of personal responsibility for an individual security’s credit or market price changes provided deviations from expectations are reported in a timely fashion and appropriate action is taken to control adverse developments.

Cash Flow Forecasting

Cash flow forecasting is designed to protect and sustain cash flow requirements of the City. Supplemental to the financial and budgetary systems, the Investment Officer will maintain a cash flow forecasting process designed to monitor and forecast cash positions for investment purposes. Cash flow will include historical researching and monitoring of specific cash flow items, payables and receivables as well as overall cash position and patterns.

Internal Controls/Annual Compliance Audit

The Investment Officer shall establish a system of written internal controls which shall be designed to prevent loss of public funds due to fraud, employee error, misrepresentation by third parties, unanticipated market changes, or imprudent actions by employees of the City. In conjunction with the City’s annual financial audit, a compliance audit shall be performed of management controls on investments and adherence to the City’s established investment policies.

V. SUITABLE AND AUTHORIZED INVESTMENTS

Acceptable investments under this policy shall be limited to the instruments as described by the Texas Government Code; Chapter 2256, Sections 2256.09 through 2256.011 and Sections 2256.013 through 2256.016 of the Public Funds Investment Act. Investment of funds in any instrument or security not authorized for investment under the Act is prohibited.

Authorized

1. Direct Obligations of the United States Government: U.S. Treasury Bills, U.S. Treasury Notes, and U.S. Treasury Bonds as well as Bonds or other interest bearing obligations for which the principal and interest are guaranteed by the full faith and credit of the United States government. Federal Agencies and instrumentalities including but not limited to, discount notes, callables and debentures of the Federal National Mortgage Association (FNMA), the Federal Home Loan Bank (FHLB), the Federal Farm Credit Bank (FFCB), and the Federal Home Loan Mortgage Corporation (FHLMC).
2. Time Certificates of Deposit (CDs), insured by the Federal Deposit Insurance Corporation (FDIC) or its successor, in state or national banks with maturities not to exceed three years. Any deposits exceeding FDIC insurance limits shall be collateralized at 102% of the face amount of the Certificate of Deposit by securities listed in 1 above and held by the City's custodial bank or secured by an FHLB letter of credit (LOC) in the amount not less than the CD's principal plus accrued interest. Bids for Certificates of Deposit may be solicited orally, in writing, electronically or using any combination of these methods.
3. Repurchase Agreements with a defined termination date of 90 days or less, collateralized by securities listed in 1 above, in accordance with a signed SIFMA Master Repurchase Agreement. Collateral must have a minimum market value of 102% of the repurchase agreement and must be held by the custodian bank or other independent third-party custodian contracted by the City. Bond proceeds may be invested in flexible repurchase agreements with maturity dates not exceeding the expected final project expenditure if a formal bidding process is followed and properly documented for IRS purposes.
4. AAA-rated Investment Pools organized under the Texas Inter-local Cooperation Act that follow the requirements in the Public Funds Investment Act and which have been specifically approved by resolution of the City Commission.
5. Commercial Paper maturing within 270 days carrying a minimum rating of A1, P-1 or F-1.

6. AAA-rated Money Market Mutual Funds registered with the Securities and Exchange Commission that invests exclusively in investments described in this section.

Not Authorized

The following security types are not permitted:

1. Interest-Only Strips (IO's): Obligations whose payments represent the principal stream of cash flow from the underlying mortgage-backed security collateral and bears no principal.
2. Principal-Only Strips (PO's): Obligations whose payments represent the principal stream of cash flow from the underlying mortgage-backed security collateral and bears no interest.
3. Collateralized Mortgage Obligations (CMO's): Obligations that have a stated final maturity date of greater than 10 years.
4. Any security, the interest rate of which is determined by an index that adjusts opposite to the changes in the Market Index (inverse floaters).

Rating Downgrades

An Investment that requires a minimum rating does not qualify as an authorized investment during the period the investment does not have the minimum rating. The City shall take all prudent measures that are consistent with its Investment Policy to liquidate an investment that does not have the minimum rating.

The City is not required to liquidate an investment that was authorized at the time of purchase.

VI. FINANCIAL DEALERS AND INSTITUTIONS

Authorized Brokers/Dealers

The Investment Officer shall maintain a list of financial institutions authorized to provide investment services to the City. In addition, a list shall also be maintained of approved security broker/dealers selected by credit worthiness authorized to provide investment services in the State of Texas. These may include primary dealers or regional dealers that qualify under Securities & Exchange Commission Rule 15C3-1 (uniform net capital rule).

All financial institutions and brokers/dealers who desire to become a qualified bidder for investment transactions must supply the Investment Officer with a completed Broker/Dealer Questionnaire and Certification, which shall include the following:

1. An audited financial statement for the most recent period.
2. Proof of current registration by the Financial Industry Regulatory Authority (FINRA).
3. Proof of current registration with the State Securities Commission.

Financial institutions eligible to transact investment business with the City shall be presented a written copy of this Investment Policy and shall acknowledge receipt in writing.

Additionally, the registered principal of the business organization, defined by the PFIA in section 2256.005 as investment pool providers and discretionary investment managers, seeking to transact investment business shall execute a written instrument substantially to the effect that the registered principal has received and reviewed this Investment Policy, and acknowledge that the organization has implemented reasonable procedures and controls in an effort to preclude imprudent investment activities with the City, except to the extent this authorization is dependent on an analysis of the entire portfolio or requires an interpretation of subjective investment standards. The City shall not enter into an investment transaction prior to receiving the written instrument described above.

The City Commission shall, at least annually, review, revise, and adopt a list of qualified brokers that are authorized to engage in investment transactions with the City. *If the City has contracted with an investment advisor, the advisor shall assume responsibility of the approved list of independent broker/dealers and shall provide this list for City approval not less than annually.*

Investment Advisors

The City may appoint one or more Investment Advisors to assist the City's financial staff in the management of the City's funds. The Investment Advisor must be registered with the Securities and Exchange Commission under the Investment Advisors Act of 1940 and with the State Securities Board. To be eligible for consideration, an Investment Advisor shall demonstrate knowledge of and experience in the management of public funds. The Investment Advisors qualifications will be checked by all appropriate means, including reference checks with the Advisor's other clients, the State Securities Board and the Securities and Exchange Commission. An appointed Investment Advisor shall act within the guidelines of this Investment Policy while transacting business on behalf of the City.

1. Appointment of an Investment Advisor shall otherwise be according to the City's normal purchasing procedures for selecting professional services.

Appointment may not exceed a term of two years. A renewal or extension of the contract must be made by City Commission resolution.

2. All security purchases must be transacted with independent broker/dealers. The City may not purchase securities owned by the Investment Advisor, or a parent or other affiliated company of the Investment Advisor.
3. The Investment Advisor is prohibited from making soft-dollar arrangements.
4. All contracted Investment Advisors shall report book value and market value of investment holdings, the total investment return, and such other information requested by the Director of Finance.

Depository

At least every five (5) years a Depository shall be selected through the City's banking services procurement process, which shall include a formal request for proposal (RFP). The selection of a depository will be determined by competitive bid and evaluation of bids will be based on the following selection criteria:

1. The ability to qualify as a depository for public funds in accordance with state and local laws.
2. The ability to provide requested information or financial statements for the period specified.
3. The ability to meet all requirements in the banking RFP.
4. Complete response to all required items on the bid form.
5. Net cost of services consistent with the ability to provide an appropriate level of service.
6. The credit worthiness and financial stability of the bank.

The bank depository contract is subject to City Commission approval.

Competitive Bids

Investment transactions will normally be conducted based on comparison of a minimum of three (3) quotes obtained from any of the approved brokers with attention to yield as well as diversification with regard to issuing entity and broker/dealer. Limitations of time and supply may provide otherwise. Investment transactions not requiring competitive offers include a) transactions with money market mutual funds; b) local government investment pools and c) new securities still in syndicate priced at par, which are deemed

to be made at prevailing market rates. If the City has contracted with an Investment Advisor, the advisor is required to obtain and document three quotes on every transaction.

Delivery vs. Payment

All security transactions *excluding investment pools, mutual funds, and collateralized CDs*, entered into by the City, shall be conducted on a delivery versus payment (DVP) basis in which payment and receipt of securities occur simultaneously

VII. SAFEKEEPING AND CUSTODY

Safekeeping Agreement

The City shall contract with a bank or banks for the safekeeping of securities either owned by the City as part of its investment portfolio or held as collateral to secure demand or time deposits.

Safekeeping and Custody

Safekeeping and custody of securities shall be in accordance with state law. Securities will be held by a third-party custodian designated by the Investment Officer and held in the City's name as evidenced by original safekeeping receipts of the institution with which the securities are held.

Collateralization

Consistent with the requirements of the Public Funds Collateral Act (Texas Government Code; Chapter 2257), it is the policy of the City to require collateralization of bank deposits and uninsured collected balances . In order to anticipate market changes and provide a level of security for all funds, the collateralization level will be 102% of market value of principal and accrued interest on deposits less than an amount insured by the FDIC. Terms will be in accordance with a written collateralization agreement.

Collateral will be held by the depository bank in designated accounted or with an independent third party with whom the City has a current custodial agreement . A clearly marked evidence of ownership (safekeeping receipt) must be supplied to the City not less than monthly and retained.

The right of collateral substitution is granted as long as proper collateral levels are maintained.

VIII. INVESTMENT PARAMETERS

Maximum Maturities

To the extent possible, the City of Texas City, will attempt to match its investments with anticipated cash flow requirements. Unless matched to a specific cash flow, the City will not directly invest in securities maturing more than five (5) years from the date of purchase. Additionally, the City will maintain a dollar-weighted average maturity of two (2) years or less.

Diversification

It is the intent of the City to diversify the investment instruments within the portfolio to avoid incurring unreasonable risks inherent in over-investing in specific instruments, individual financial institutions or maturities. The asset allocation in the portfolio should be flexible depending on the outlook for the economy and securities market and shall apply at time of purchase. If conditions warrant, the guidelines below may be exceeded by approval of the Mayor.

- 1. U.S. Treasury Securities 100%
- 2. Agencies and Instrumentalities 75%
- 3. Certificates of Deposit 30%
- 4. Money Market Mutual Funds 30%
- 5. Repurchase Agreements..... .20%
- 6. Commercial Paper 20%
- 7. Authorized Pools 100%

IX. REPORTING

Not less than quarterly and within a reasonable time after the end of the period reported, the Investment Officer should prepare and submit to the City Commission a written report of the investment transactions for all funds of the City for the preceding reporting period in accordance with requirements of PFIA section 2256.023. The report must:

- 1. Describe in detail the investment position of the City on the date of the report.
- 2. Contain a summary statement of each pooled fund group that states the beginning market value for the reporting period and additions and changes to the market value for the period.

3. 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.
4. State the maturity date of each separately invested asset that has a maturity date.
5. State the pooled group fund in the City for which each individual investment was acquired.
6. The quarterly report will be prepared jointly by all investment officers and be signed by all investment officers.
7. State all accrued interest payable.
8. State the compliance of the investment portfolio as it relates to this policy and the Public Funds Investment Act (PFIA).

Marking to Market

The market values of the City's investments shall be obtained from a reliable and documented outside source, which has access to investment market values. Sources include, but are not limited to the City's depository bank, the safekeeping agent, Bloomberg, and the Wall Street Journal. The Investment Advisor shall use an independent and fully disclosed pricing source for its reports.

Annual Review

Quarterly reports must be formally reviewed at least annually by an independent auditor and reported to the City Commission.

X. PERFORMANCE STANDARDS

Performance Standards

The investment policy shall be designed with the objective of obtaining a rate of return throughout budgetary and economic cycles, commensurate with the investment risk constraints and cash flow needs.

Performance Benchmark

The City of Texas City, Texas intends to hold its purchased securities to maturity. . The benchmark to be used by the Investment Officer to determine whether market yields are being achieved shall be the average closing yield of a Treasury obligation with a comparable maturity during the reporting period comparable to the portfolios dollar-weighted average maturity in days.

XI. POLICY ADOPTION

Annual Review and Adoption of Investment Policy

The City Commission shall adopt the City's investment policy. The Director of Finance and City Commission shall review the policy and investment strategies on an annual basis. The City Commission must approve any changes.

GLOSSARY

Accretion – common investment accounting entry in which the book value of securities purchased at a discount are gradually written up to the par value. The process has the effect of recording the discount as income over time.

Accrued Interest – Interest earned, but not yet paid, on a bond.

Agency – See Federal Agency

Amortization – common investment accounting entry in which the book value of securities purchased at a premium are gradually written down to the par value.

Basis Point - A unit of measurement used in the valuation of fixed-income securities equal to 1/100 of 1 percent of yield, e.g., "1/4" of 1 percent is equal to 25 basis points.

Benchmark – Index used to compare risk and performance to a managed portfolio.

Bid - The indicated price at which a buyer is willing to purchase a security or commodity.

Book Value – The original acquisition cost of an investment plus or minus the accrued amortization or accretion.

Broker – A financial firm that brings securities buyers and sellers together in return for a fee. The term “broker” is often used interchangeably with “dealer” to refer to a seller of investment securities.

Callable Bond - A bond issue in which all or part of its outstanding principal amount may be redeemed before maturity by the issuer under specified conditions.

Cash Settlement - A transaction which calls for delivery and payment of securities on the same day that the transaction is initiated.

Collateralization - Process by which a borrower pledges securities, property, or other deposits for the purpose of securing the repayment of a loan and/or security.

Collateralized Mortgage Obligation (CMO) – A derivative mortgage-backed security (MBS) created from pools of home mortgage loans. A single MBS is divided into multiple classes, each class containing a unique risk profile and security characteristics. A number of CMO classes are expressly prohibited by Texas State law.

Commercial Paper - An unsecured short-term promissory note issued by corporations, with maturities ranging from 1 to 270 days. Commercial paper must carry a minimum rating of A1P1 in order to be eligible under the Texas Public Funds Investment Act.

Constant Maturity Treasury (CMT) – A calculated average released by the Federal Reserve of all Treasury yields along a specific maturity point. This calculation is frequently used as a benchmark for conservative government portfolios.

Coupon Rate - The annual rate of interest received by an investor from the issuer of certain types of fixed-income securities. Also known as the "interest rate."

Credit Risk - The risk to an investor that an issuer will default in the payment of interest and/or principal on a security.

Derivative – Financial instruments whose value is derived from the movement of an underlying index or security.

Dealer – A dealer, as opposed to a broker, acts as a principal in all securities transactions, buying and selling for their own account. Often times, the terms “broker” and “dealer” are used interchangeably to refer to a seller of investment securities.

Delivery Versus Payment (DVP) - A type of securities transaction in which the purchaser pays for securities at the time of delivery either to the purchaser or his/her custodian.

Derivative Security - Financial instrument created from, or whose value depends upon, one or more underlying assets or indexes of asset values.

Discount - The amount by which the par value of a security exceeds the price paid for the security.

Diversification - A process of investing assets among a range of security types by sector, maturity, and quality rating.

Dollar Weighted Average Maturity (WAM) - The average maturity of all the securities that comprise a portfolio.

Fair Market Rate – A documented and verifiable rate of interest which approximates the average rate which could have been earned on similar investments at the time of the transaction.

Federal Farm Credit Bank (FFCB): The Federal Farm Credit Bank System is the oldest of the government sponsored enterprises, created by an act of congress in 1916. Its mission is to provide a reliable and low cost source of funds to support agriculture in the United States. FFCB debt obligations are highly liquid and share the same credit rating as the U.S. Treasury.

Federal Home Loan Bank (FHLB): The Federal Home Loan Bank system was created by an act of Congress in 1932 as a system of 12 regional banks that provide funds to its member banks. FHLB's primary mission is to support residential and community lending. Its membership of more than 8,000 financial institutions includes savings banks,

commercial banks, credit unions and insurance companies active in housing finance. FHLB debt obligations are highly liquid and share the same debt rating as the U.S. Treasury.

Federal National Mortgage Association (FNMA or “Fannie Mae”): Fannie Mae was chartered in 1938 under the Federal National Mortgage Association Act to provide a secondary market for mortgage loans in the United States, by purchasing existing home loans and pooling them together to create mortgage-backed securities that can then be sold to investors, along with a guaranty of the timely payment of principal and interest on the underlying loans. Fannie Mae was privatized in 1968 and operated as a private stockholder-owned company for 40 years before the housing market collapse forced them into federal government conservatorship in September 2008. Fannie Mae currently continues operation under government control and shares the same debt rating as the U.S. Treasury. Fannie Mae debt obligations are highly liquid.

Federal Home Loan Mortgage Company (FHLMC or “Freddie Mac”): Freddie Mac was created by an act of Congress in 1970 as a shareholder-owned company to further expand the secondary market for mortgage loans in the United States. Freddie Mac buys existing mortgages and pools them together to create mortgage-backed securities that can then be sold to investors, thereby providing liquidity to lenders who can then make additional loans. Along with Fannie Mae, Freddie Mac was placed into government conservatorship in September 2008 but continues full operations under government control. Freddie Mac securities are highly liquid and share the same debt rating as the U.S. Treasury.

Federal Agency – A general term for a debt instrument issued by Fannie Mae, Freddie Mac, FFCB and FHLB among others. These are widely considered to be among the safest types of fixed income securities, although they are not explicitly guaranteed by the Federal government.

Federal Deposit Insurance Corporation (FDIC) - A federal agency that insures bank deposits, currently up to \$250,000 per account. Public deposits that exceed this amount must be properly collateralized with investment securities or insured through a surety bond.

Interest Rate - See "Coupon Rate."

Internal Controls - An internal control structure designed to ensure that the assets of the entity are protected from loss, theft, or misuse. The internal control structure is designed to provide reasonable assurance that these objectives are met.

Interlocal Cooperation Act –Law permitting joint participation by local governments providing one or more government functions within the State. This law (Section 791.001 et seq. of the Texas Government Code ("the Act")) has allowed for the creation of investment pools in Texas.

Investment Advisors Act of 1940- Law which requires all Investment Advisors to be registered with the SEC in order to protect the public from fraud.

Investment Pool – An entity created under the Interlocal Cooperation Act to invest public funds jointly on behalf of the entities that participate in the pool.

Liquidity – A liquid investment is one that can be easily and quickly converted to cash without substantial loss of value. Investment pools and money market funds, which allow for same day withdrawal of cash, are considered extremely liquid.

Local Government Investment Pool (LGIP) - An investment by local governments in which their money is pooled as a method for managing local funds.

Market Risk - The risk that the value of a security will rise or decline as a result of changes in market conditions.

Market Value - A security's par value multiplied by its market price.

Master Repurchase Agreement – A written contract covering all future transactions between the two parties to a repurchase agreement.

Maturity - The date on which payment of a financial obligation is due. The final stated maturity is the date on which the issuer must retire a bond and pay the face value to the bondholder. See "Weighted Average Maturity."

Money Market Mutual Fund - Mutual funds that invest solely in money market instruments (short-term debt instruments, such as Treasury bills, commercial paper, bankers' acceptances, repos and federal funds).

Mortgage-Backed Security (MBS) – Security backed by pools of home loan mortgages.

National Association of Securities Dealers (NASD) - A self-regulatory organization (SRO) of brokers and dealers in the over-the-counter securities business. Its regulatory mandate includes authority over firms that distribute mutual fund shares as well as other securities.

Net Asset Value (NAV) – The value of a mutual fund or investment pool at the end of the business day. NAV is calculated by adding the market value of all securities in a fund or pool, deducting expenses, and dividing by the number of shares in the fund or pool.

Offer - An indicated price at which market participants are willing to sell a security. Also referred to as the "Ask price."

Par - Face value or principal value of a bond, typically \$1,000 per bond. A security's par value is multiplied by its coupon rate to determine coupon payment amount.

Premium - The amount by which the price paid for a security exceeds the security's par value.

Primary Government Securities Dealer (Primary Dealer) – One of 21 (as of 4/2003) large government securities dealers who are required to submit daily reports of market activity and monthly financial statements to the New York Federal Reserve Bank. Primary Dealers are required to continually “make a market” in Treasury securities, buying or selling when asked, thereby creating a liquid secondary market for US debt obligations.

Principal - The face value or par value of a debt instrument. Also may refer to the amount of capital invested in a given security.

Prudent Person Rule - An investment standard outlining the fiduciary responsibilities of public funds investors relating to investment practices.

Regular Way Delivery - Securities settlement that calls for delivery and payment on the third business day following the trade date (T+3); payment on a T+1 basis is currently under consideration. Mutual funds are settled on a same day basis; government securities are settled on the next business day.

Repurchase Agreement (repo or RP) - An agreement of one party to sell securities at a specified price to a second party and a simultaneous agreement of the first party to repurchase the securities at a specified price or at a specified later date.

Reverse Repurchase Agreement (Reverse Repo) - An agreement of one party to purchase securities at a specified price from a second party and a simultaneous agreement by the first party to resell the securities at a specified price to the second party on demand or at a specified date.

Safekeeping - Holding of assets (e.g., securities) by a financial institution.

Swap - Trading one asset for another.

Total Return - The sum of all investment income plus changes in the capital value of the portfolio. For mutual funds, return on an investment is composed of share price appreciation plus any realized dividends or capital gains. This is calculated by taking the following components during a certain time period. (Price Appreciation) + (Dividends paid) + (Capital gains) = Total Return

Treasury Bills - Short-term U.S. government non-interest bearing debt securities with maturities of no longer than one year and issued in minimum denominations of \$10,000. Auctions of three- and six-month bills are weekly, while auctions of one-year bills are monthly. The yields on these bills are monitored closely in the money markets for signs of interest rate trends.

Treasury Notes - Intermediate U.S. government debt securities with maturities of one to 10 years and issued in denominations ranging from \$1,000 to \$1 million or more.

Uniform Net Capital Rule - SEC Rule 15C3-1 outlining capital requirements for broker/dealers.

Volatility - A degree of fluctuation in the price and valuation of securities.

Yield - The current rate of return on an investment security generally expressed as a percentage of the security's current price.

Yield-to-call (YTC) - The rate of return an investor earns from a bond assuming the bond is redeemed (called) prior to its nominal maturity date.

Yield Curve - A graphic representation that depicts the relationship at a given point in time between yields and maturity for bonds that are identical in every way except maturity. A normal yield curve may be alternatively referred to as a positive yield curve.

Yield-to-maturity - The rate of return yielded by a debt security held to maturity when both interest payments and the investor's potential capital gain or loss are included in the calculation of return.

Zero-coupon Securities - Security that is issued at a discount and makes no periodic interest payments. The rate of return consists of a gradual accretion of the principal of the security and is payable at par upon maturity.

ATTACHMENT A
CITY OF TEXAS CITY, TEXAS
BROKER/DEALER QUESTIONNAIRE AND CERTIFICATION

Name of Firm: _____

Address: _____

Telephone: _____

Fax: _____

Years Established: _____

Number of Employees: _____

PRIMARY REPRESENTATIVE/MANAGER/PARTNER-IN-CHARGE:

Primary Representative(s):

Name: _____

Name: _____

Title: _____

Title: _____

Telephone: _____

Telephone: _____

Fax: _____

Fax: _____

Email: _____

Email: _____

Manager/Partner-in-Charge:

Name: _____

Name: _____

Title: _____

Title: _____

Telephone: _____

Telephone: _____

Fax: _____

Fax: _____

Email: _____

Email: _____

Note: If a question does not apply to your organization, please place an "N/A" as your answer, so that it is not left blank.

1. Are you a primary dealer in U.S. Government Securities? No

If yes, for how long has your firm been a primary dealer? Years

2. What was your firm's total volume in U.S. Government and Agency Securities last year?

Firm Wide \$ [redacted] # Transactions [redacted]
(Securities purchase and sold only)

Local Office \$ [redacted] # Transactions [redacted]
(Including repurchase Agreements)

3. Which instruments are offered regularly by your local desk?

T-Bills S and L CDs Instrumentality's
Treasury BAs (Domestic) Commercial Paper
Notes/Bonds BAs (Foreign) Other (Specify) Agencies (Specify)
Bank CDs

4. Identify the personnel who will be trading with or quoting securities to our government's employees. (Please attach resumes for each person)

Name: _____ Name: _____
Title: _____ Title: _____
Telephone: _____ Telephone: _____
Fax: _____ Fax: _____
CRD Number: _____ CRD Number: _____
Number of Years with Firm: _____ Number of Years with Firm: _____
Email: _____ Email: _____

5. Have any or your clients ever sustained a loss on a securities transaction arising from a misunderstanding or misrepresentation of the risk characteristics of the instrument?

Yes No

If yes, please explain below:

6. Has your firm or any of your employees ever been subject to a regulator or state/federal agency investigation for alleged improper, fraudulent, disputable or unfair activities related to the sale of securities?

Yes No

If yes, please explain below:

7. How many and what percentage of your transactions failed:

			Last Month?	%
			Last Year?	%

8. Please explain your normal custody and delivery process. Who audits these fiduciary systems?

9. Will you provide a faxed and/or electronic copy of the trade ticket, no later than one business day after the trade is made?

Yes No

The following information needs to be included:

- a. Security Type and CUSIP Number
- b. Issue Date, Maturity Date, Settlement Date, Trade Date, Call Date, Pay Date
- c. Risk Class, Risk Factor
- d. Rating
- e. Coupon Rate
- f. Par Value and Price

10. Does your firm consistently comply with the Federal Reserve Bank's capital adequacy guideline?

Yes No

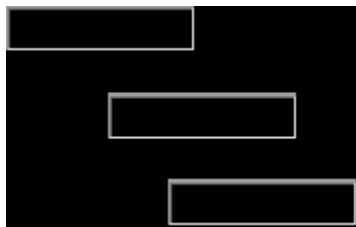
By what factor (1.5x, 2x, etc.) does your firm presently exceed the capital adequacy guidelines measure of risk?

INCLUDE certified documentation of your capital adequacy as measured by Federal Reserve standards.

11. Please provide audited financial statements for the most current year and other indicators regarding your firm's capitalization. Audited Financial Statements enclosed?

Yes No

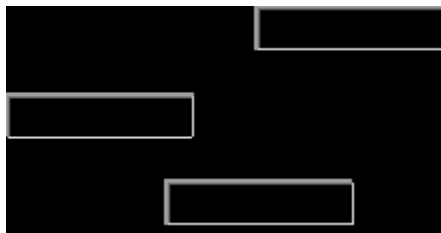
12. Please provide the following: (Note: Do not answer with “see financial report” as that will be construed as an unanswered question.)



a. Debt/Equity

b. Assets (in Millions)

c. Net Capital (in Millions)



d. Volume of Security Transactions (in Millions)

e. Total Liabilities (in Millions)

f. Total Stockholders' Equity (in Millions)

13. Are you representing a parent corporation or a subsidiary of another corporation?

Yes No

If yes, please furnish audited financial statements on your parent corporation as well as your subsidiary. Audited financial statements enclosed?

Yes No

14. Describe the precautions taken by your firm to protect the interest of the public when dealing with government agencies as investors.

15. Provide a description of the Capital line and trading limits that support/limit the office that would conduct business with our government.

16. ATTACH a copy of your National Association of Securities Dealers Registration.

17. ATTACH a copy of your State of Texas Securities Commission Registration.

18. Do you participate in the Securities Investors Protection Corporation (S.I.P.C.)?

Yes No

If no, please explain below:

19. Enclose a complete schedule of fees and charges for various transactions. Schedule of fees and charges enclosed?

Yes No

20. Do you give perfected security interest in securities under repurchase agreements?

Yes No

21. Please identify (at least five for each trader you include in this questionnaire and certification) your most directly comparable public sector clients preferably in our geographical area.

Trader Name:

	Entity	Contact Person	Telephone	Client Since
1.				
2.				
3.				
4.				
5.				

Trader Name:

	Entity	Contact Person	Telephone	Client Since
1.				
2.				
3.				
4.				
5.				

Broker/Dealers are evaluated by the answers given on this questionnaire. Be sure to complete each question to your fullest ability and return the request by the due date in order for your company to be considered.

The City's Investment Policy has been included in the packet. The representative assigned to the account must acknowledge that they have received, read and understand the Policy by signing the Texas Public Funds Investment Act Certification by Dealer Form included in the packet.

Checklist:

Certified documentation of your capital adequacy enclosed.

Audited financial statement enclosed.

Copy of your FINRA Registration enclosed.

Copy of your State of Texas Securities Commission Registration enclosed.

Schedule of fees and charges enclosed.

ATTACHMENT B

City of Texas City, Texas Texas Public Funds Investment Act Certification by Dealer

This certification is executed on behalf of _____
(the Investor) and _____ (the Dealer) pursuant to the
Public Funds Investment Act, Chapter 2256, Government Code, Texas Codes
Annotated (the Act) in connection with investment transactions conducted between the
Investor and Dealer.

The undersigned Qualified Representative of the Dealer hereby certifies on behalf of the
Dealer that:

1. The Dealer Qualified Representative is duly authorized to execute this Certification on
behalf of the Dealer, and
2. The Dealer Qualified Representative has received and reviewed the Investment Policy
furnished by the Investor.

Dealer Qualified Representative

Signature

Name (Printed)

Title

Date

ATTACHMENT C

RECOMMENDED SPONSORS OF INVESTMENT TRAINING

- Government Finance Officers Association of Texas (GFOAT)
- Government Treasurers Association of Texas (GTOT)
- Texas Municipal League (TML)
- The North Central Texas Council of Governments (NCTCOG)
- The Texas Association of Governments
- State of Texas
- Hilltop Securities

ATTACHMENT D

QUALIFIED BROKERS/DEALERS

The Investment Advisor will provide its' list of broker/dealers not less than annually.



Approved Broker/Dealers

April 2025

*Academy Securities ***

BofA Securities

BOK Financial

Daiwa Capital Markets

FHN Financial

Goldman, Sachs & Co

*Great Pacific Securities***

JP Morgan Securities

KeyBanc Capital Markets

*Loop Capital Markets ***

Mesirow Financial

Mizuho Securities

Morgan Stanley & Co

*Multi-Bank Securities ***

Oppenheimer & Co.

Piper Sandler & Co

Raymond James

RBC Capital Markets

*Rice Financial ***

*Siebert Williams Shank ***

Stifel Financial

StoneX

TD Securities

UBS Securities

UMB Bank

U.S. Bancorp Investments

Wells Fargo Securities

* **Bold face font indicates firm is a Primary Dealer.**

** *Dark blue italics font indicates firm is a Historically Underutilized Business (HUB),
Minority/Women Owned Business (MWOB), or Veteran Owned Business.*