

RESOLUTION NO. 31-2026

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF MESQUITE, TEXAS, ADOPTING AN INVESTMENT POLICY; DECLARING THAT THE CITY COUNCIL COMPLETED ITS REVIEW OF THE INVESTMENT POLICIES AND INVESTMENT STRATEGIES; AND DECLARING AN EFFECTIVE DATE THEREOF.

WHEREAS, in accordance with the Public Funds Investment Act, Chapter 2256, Texas Government Code (“**PFIA**”), the City Council of the City of Mesquite, Texas (“**City**”), by Resolution No. 35-2025, adopted an Investment Policy; and

WHEREAS, the PFIA requires the governing body of the City to annually review its Investment Policy regarding the investment of City funds and funds under its control and adopt a resolution stating it has reviewed the investment policies and investment strategies and recorded any changes; and

WHEREAS, the City Council has completed its review of the Investment Policy, including the investment policies and investment strategies therein, required by the PFIA and desires to adopt the Investment Policy attached hereto as Exhibit A which records any changes made to either the investment policies or investment strategies.

NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF MESQUITE, TEXAS:

SECTION 1. That the Investment Policy, attached hereto as Exhibit A and made a part hereof, is hereby adopted as the official Investment Policy of the City of Mesquite, Texas, and shall govern the investment policies and investment strategies for the City, and shall define the authority of the investment official of the City from and after the effective date of this Resolution.

SECTION 2. That the City Council has completed its review of the investment policies and investment strategies of the City and any changes made to either are recorded in Exhibit A hereto.

SECTION 3. That this resolution and the aforementioned Investment Policy shall take effect immediately from and after its passage.

DULY RESOLVED by the City Council of the City of Mesquite, Texas, on the 21st day of September 2026.

Signed by:

Daniel Aleman

D999585317D142B...

Daniel Alemán, Jr.
Mayor

Signed by:

Sonja Land

C2518095973F46A...

Sonja Land
City Secretary

Signed by:

APPROVED AS TO LEGAL FORM:
David L. Paschall

666E18891208434...

David L. Paschall
City Attorney

EXHIBIT A



Financial Policy
Investment

City of Mesquite
Finance Department

Effective Date: October 1, 202~~5~~6

This page is reserved for a copy of the approved resolution.

Table of Contents

PREFACE	5
INVESTMENT STRATEGY	5
POLICY	6
PURPOSE	6
SCOPE	6
INVESTMENT OBJECTIVES	7
Safety.....	7
Liquidity	8
Yield.....	8
Public Trust	8
RESPONSIBILITY AND CONTROL	8
Delegation of Authority	8
Training Requirement	8
Internal Controls.....	9
Investment Rating	9
Prudence	9
Indemnification	10
Ethics and Conflicts of Interest	10
SUITABLE AND AUTHORIZED INVESTMENTS	10
Portfolio Management.....	10
Exemption for Existing Investments	11
Investments and Investment Parameters	11
Authorized	11
Not Authorized	12
INVESTMENT MATURITIES AND DIVERSIFICATION.....	13 ¹²
Maximum Maturities.....	13 ¹²
Diversification	13
SELECTION OF BANKS AND DEALERS	13
Depository	13
Authorized Brokers/Dealers	14
Competitive Bids.....	14

Delivery vs. Payment ~~15~~14

SAFEKEEPING OF SECURITIES ~~15~~14

Safekeeping Agreement ~~15~~14

Safekeeping and Custody 15

Collateralization 15

Collateral Defined 15

Subject to Audit..... 16

PERFORMANCE 16

Performance Standards..... 16

Performance Benchmark 16

REPORTING 16

Methods 16

Marking to Market 17

INVESTMENT POLICY ADOPTION 17

APPROVED BROKER/DEALERS AND INVESTMENT POOLS 18

PREFACE

The purpose of this document is to set forth specific investment policy and strategy guidelines for the City of Mesquite in order to achieve the goals of safety, liquidity, yield and public trust for all investment activity. The City Council shall review its investment strategies and policy not less than annually. This Investment Policy serves to satisfy Chapter 2256 of the Texas Government Code (the Public Funds Investment Act, or “Act”) to define, adopt and review a formal investment strategy and policy.

It is the policy of the City that, giving due regard to the safety and risk of investment, all available funds shall be invested in conformance with state and federal regulations, applicable bond resolution requirements, adopted Investment Policy and adopted Investment Strategy.

Effective investment strategy development coordinates the primary objectives of the City’s Investment Policy and cash management procedures with investment security risk/return analysis to enhance interest earnings. Maturity selections shall be based on cash flow and market conditions to take advantage of interest earnings as viable and material revenue to all 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.

Each major fund type has varying cash flow requirements and liquidity needs. Therefore, specific strategies shall be implemented considering the fund’s unique requirements.

INVESTMENT STRATEGY

The City maintains a pooled investment portfolio that utilizes specific investment strategy considerations designed to address the unique characteristics of the fund groups represented in the portfolio. 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. The composite portfolio including local government investment pool balances will have a dollar weighted average maturity of 365 days or less. This dollar weighted average maturity will be calculated using the stated final maturity dates of each security. Investment guidelines by fund-type are as follows:

- Investment strategies for operating funds have as their primary objective to assure that anticipated cash flows are matched with adequate investment liquidity. The secondary objective is to create a portfolio structure that will experience minimal volatility during economic cycles. This may be accomplished by purchasing high quality, short- to medium-term securities that will complement each other in a ladder structure.
- Investment strategies for debt service funds shall have as the primary objective the assurance of investment liquidity adequate to cover the debt service obligations on the required payment date. Securities purchased shall not have a stated final maturity date which exceeds the debt service payment date, or funds shall be maintained in an investment pool or money market mutual fund to be available for debt service payments.

- Investment strategies for bond funds and for debt service revenue reserve funds shall have as the primary objective the ability to generate a dependable revenue source to the appropriate fund from securities with a low degree of volatility. Except as may be required by the bond ordinance specific to an individual issue, securities should be of high quality, with short to medium term maturities.

The City's investment strategy for all fund groups will follow the investment priorities of suitability, preservation and safety of principal, liquidity, marketability, diversification and yield that are identified and described more thoroughly in the following sections of this investment policy.

POLICY

It is the policy of 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 and to the maximum extent possible, at the highest rates obtainable at the time of investment.

Effective cash management is recognized as essential to good fiscal management. Investment interest is a viable and material source of revenue to City funds. 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 listed in order of their priority:

- **Safety** and preservation of principal
- Maintenance of sufficient **liquidity** to meet operating needs
- Maximization of **yield** on the portfolio
- **Public trust** from prudent investment activities

PURPOSE

The purpose of this investment policy is to comply with Chapters 2256 and 2257 of the Texas Government Code which requires each 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 City funds.

SCOPE

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

- Governmental Funds, including debt service reserves and sinking funds, to the extent not required by law or existing contract to be kept segregated and managed separately
- Proprietary Funds

- Fiduciary Funds
- Any new fund created by the City, unless specifically exempted from this Policy by the City Council or by law.

The City will consolidate cash balances from all funds to maximize 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. However, this policy does not apply to the assets administered for the benefit of the City by outside agencies under deferred compensation programs.

INVESTMENT OBJECTIVES

The City shall manage and invest its cash with four primary objectives, listed in order of priority: **safety, liquidity, yield, and public trust**. 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 ensure maximum cash availability and maximum yield on short-term investment of pooled idle cash.

Safety

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 to repay by the security issuer or backer, by:
 - Limiting investments to the safest types of securities
 - Pre-qualifying the financial institutions and broker/dealers with which the City will do business
 - Diversifying the investment portfolio so that potential losses on individual securities will be minimized
- Interest Rate Risk – the City will minimize the risk that the market value of securities in the portfolio will fall due to changes in general interest rates, 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
 - Investing operating funds primarily in shorter-term securities, money market mutual funds, or similar investment pools

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. Because all possible cash demands cannot be anticipated, the portfolio should consist largely of securities with active secondary or resale markets. A portion of the portfolio will also be placed in money market mutual funds or local government investment pools that offer same day liquidity for short-term funds.

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. Return on investment is of secondary importance compared to the safety and liquidity objectives described above. The core of investments are limited to relatively low risk securities in anticipation of earning a fair return relative to the risk being assumed.

Public Trust

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

RESPONSIBILITY AND CONTROL**Delegation of Authority**

Article IV, Section 26 of the Mesquite City Charter designates that the City Finance Director shall serve as City Treasurer and perform any duties of City Treasurer as required by the general laws of the State of Texas. The Director of Finance shall delegate the responsibility for investment decisions and activities to an Investment Officer. Through the adoption of this policy, the positions of Assistant Director of Finance, Cash and Debt Administrator, Manager of Accounting Services, and Treasury Analyst shall be designated as investment officers who are authorized to execute investment transactions on behalf of the City. No person may engage in an investment transaction or the management of funds except as provided under the terms of this Investment Policy and approved by the City Council. The investment authority granted to the investing officers is effective until rescinded by the governing body.

Training Requirement

The designated investment officers shall attend at least one 10-hour investment training session within twelve months after taking office or assuming duties. In addition, each investment officer must receive not less than eight hours of instruction relating to investment responsibilities not less than once in a fiscal two-year period. The training provider must be an independent source approved by the City Council. Approved training providers must include, but are not limited to, the Government Treasurers' Organization of Texas, Texas Municipal League, North Central Texas Council of Governments, ~~For purposes of this policy, an "independent source" shall include~~

~~professional organizations, institutions of higher education, learning or sponsors other than business professional organizations, and other independent sources approved by with whom the City Council may engage in investment transactions.~~ The training must include education in investment controls, security risks, strategy risks, market risks, diversification of portfolio and compliance with the Act.

Internal Controls

The Director of Finance 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, a process for annual independent review by an external auditor to assure compliance with policies and procedures shall be established. The internal controls shall address the following points.

- Separation of duties
- Custodial safekeeping
- Avoidance of physical delivery securities
- Oversight control of supervisors to subordinate staff members
- Written confirmations for investment purchases
- Development of a wire transfer agreement with the depository bank or third-party custodian

Investment Rating

Investment ratings will be obtained monthly from approved broker-dealers or from other independent third parties. Mutual funds must not be rated less than AAA or its equivalent by at least one nationally recognized investment rating firm. Investment Pools must not be rated less than AAA or AAAM, or at an equivalent rating by at least one nationally recognized rating service. The City will take all prudent measures that are consistent with its investment policy to liquidate an investment that does not have the minimum rating necessary to qualify as an authorized investment.

Prudence

The standard of prudence to be applied by the investment officer shall be the “prudent person” rule. This rule states, “Investments shall be made with judgment and care, under prevailing circumstances that a person of prudence, discretion and intelligence would exercise in the management of the person’s own affairs, not for speculation, but for investment, considering the probable safety of 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 investment officer had responsibility rather than a consideration as to the prudence of a single investment
- Whether the investment decision was consistent with this Investment Policy

Indemnification

The investment officer, 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 from expectations are reported immediately and that appropriate action is taken to control adverse developments.

Ethics and Conflicts of Interest

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 officials shall disclose any material interests in financial institutions with which they conduct business. They shall further disclose any personal financial/investment positions that could be related to the performance of the investment portfolio. Employees and officers shall refrain from undertaking personal investment transactions with the same individual with 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 disclosure statement with the Texas Ethics Commission and the governing body if:

- 1) The officer has a personal business relationship with a business organization offering to engage in an investment transaction with the City as defined in Section 2256.005 (i) (1-3) of the Act; or
- 2) The officer is related within the second degree by affinity or consanguinity, as determined under Chapter 573 of the Texas Government Code, to an individual seeking to transaction investment business with the City.

Investment officers shall on an annual basis sign a statement acknowledging that they are in compliance with Section 2256.005 (1) of the Act.

SUITABLE AND AUTHORIZED INVESTMENTS

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, securities may be sold before they mature if market conditions present an opportunity for the City to benefit from the trade. Securities may be sold for the following reasons:

- A security with declining credit may be sold early to minimize loss of principal
- A security swap would improve the quality, diversification, yield, or target duration in the portfolio
- Liquidity needs of the portfolio require that the security be sold

Exemption for Existing Investments

Any investment currently held that does not meet the guidelines of this policy, but was authorized at the time of purchase, shall be exempted from the requirements of this policy and investment officers shall not be required to liquidate the investment. At maturity or liquidation, such monies shall be reinvested only as provided by this policy.

Investments and Investment Parameters

City funds governed by this policy may be invested in the instruments described below, all of which are authorized by the Act. The maximum limits, by instrument, are established for the City's total portfolio:

Authorized

- 1) Obligations of the United States of America and its agencies and instrumentalities, including the Federal Home Loan Bank (FHLB). Additionally, those obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation (FDIC) or by the explicit full faith and credit of the United States, in an amount up to 100% of portfolio.
- 2) Obligations of the State of Texas, its agencies, counties, cities, and other political subdivisions rated as to investment quality by a nationally recognized investment rating firm not less than AA or its equivalent, in an amount up to 20% of portfolio. Individual issuer exposure shall be limited to 5% of the total portfolio.
- 3) Certificates of Deposit, in an amount up to 20% of portfolio, purchased with the following conditions:
 - A. Shall be issued by a depository institution that has its main office or branch office in the State of Texas.
 - B. Shall be guaranteed or insured by the FDIC or its successor or secured by obligations in a manner and amount provided by law for deposits of the investing entity as described in Section 2256.010 (b) (3) of the Act.
 - C. Shall be purchased through a broker that has a main office or a branch office in the State of Texas and is listed in this Investment Policy.
 - D. The broker or depository institution selected shall arrange for the deposit of the funds in certificates of deposit in one or more federally insured depository institutions, wherever located, for the City's account.
 - E. The City shall appoint the depository institution selected or a clearing broker-dealer registered with the Securities and Exchange Commission (the "SEC") Rule 15c3-3 (17 C.F.R. Section 240.15c.3-3) as custodian for the investing entity with respect to the certificates of deposit issued for the account of the City.

- 4) Fully collateralized direct repurchase agreements with a defined termination date secured by cash and obligations of the United States or its agencies and instrumentalities. These securities or cash shall 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 approved by the City. Repurchase agreements must be purchased through a primary government securities dealer, as defined by the Federal Reserve, or a bank domiciled in Texas. A master repurchase agreement must be signed by the bank/dealer prior to investment in a repurchase agreement. All repurchase agreement transactions will be on a delivery vs. payment basis. Securities received for repurchase agreements must have a market value greater than or equal to 102 percent at the time funds are disbursed. Repurchase agreement security types will be limited to 20% of the portfolio.
- 5) Money Market Mutual funds that are: (1) registered and regulated by the SEC; (2) have a dollar weighted average stated maturity of 60 days or less; (3) maintain a net asset value of \$1 for each share; (4) investments are exclusive in obligations approved by the Act; (5) continuously rated as to investment quality by at least one nationally recognized investment rating firm of not less than AAA or its equivalent; and (6) provide a prospectus and other information as described in Section 2256.014 (a) (2) of the Act. Total investment in all money market mutual funds shall not exceed 50% of the portfolio.
- 6) Government investment pools which: (1) meet the requirements of Chapter 2256.016 of the Act; (2) are rated no lower than AAA or an equivalent rating by at least one nationally recognized rating service; (3) investments are exclusive in obligations approved by the Act; and (4) are authorized by resolution or ordinance by City Council. Investment in any one local government investment pool shall not exceed 40% of the City's portfolio. Total investment in all pools shall not exceed 90% of the City's portfolio.

Not Authorized

Investment instruments not authorized for purchase by the City include the following:

- 1) Any instrument or security not authorized under the Act.
- 2) Interest-only or principal-only strips of obligations with underlying mortgage-backed security collateral.
- 3) Collateralized mortgage obligations with an inverse floating interest rate or a maturity date of over 10 years.
- 4) Commercial Paper, except the City can invest in local government pools and money market mutual funds that have commercial paper as authorized investments. A local government investment pool or money market mutual fund that invests in commercial paper must meet the requirements of this Investment Policy and Chapter 2256.013 of the Act regarding commercial paper.

INVESTMENT MATURITIES AND DIVERSIFICATION

Maximum Maturities

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 securities in order to limit principal risk caused by changes in interest rates.

The City attempts to match its investments with anticipated cash flow requirements. Unless matched to a specific cash flow, the City will not directly invest in securities maturity 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.

Because no secondary market exists for repurchase agreements, the maximum maturity shall be 120 days.

The composite portfolio, including money market and local government investment pool balances, will have a weighted average maturity of 365 days or less. This dollar weighted average maturity will be calculated using the stated final maturity dates of each security.

Diversification

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 securities from a specific issuer or business sector (excluding U.S. Treasury securities)
- Limiting investment in securities that have higher credit risks
- Investing in securities with varying maturities
- Continuously investing a portion of the portfolio in readily available funds such as local government investment pools, money market funds or overnight repurchase agreements to ensure that appropriate liquidity is maintained in order to meet ongoing obligations

SELECTION OF BANKS AND DEALERS

Depository

At least every five 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:

- The ability to qualify as a depository for public funds in accordance with state and local laws
- The ability to provide requested information or financial statements for the periods specified

- The ability to meet all requirements in the banking RFP
- Complete response to all required items on the bid form
- Net service cost, consistent with the ability to provide an appropriate level of service
- The credit worthiness and financial stability of the bank

Authorized Brokers/Dealers

The City will conduct investment transactions only with authorized broker/dealers included on a list formally reviewed and adopted that have been approved by the ~~governing body of the~~ City Council at least annually. Authorized firms may include primary dealers or regional dealers that qualify under SEC Rule 15C3-1 (Uniform Net Capital Rule), and qualified depositories as established by Chapter 105 of the Local Government Code. Firms requesting to become qualified bidders ~~shall provide~~will be required to provide the following: (1) ~~a~~A completed broker/dealer questionnaire ~~which provides~~ing information regarding creditworthiness, experience and reputation; and (2) a ~~certification signed by~~written acknowledgment from an authorized representative ~~confirming~~stating the firm has received, read and understood receipt and review of the City's ~~Investment P~~olicy and ~~an agreement~~to comply with the Policy. As required by the Act, a written copy of the Investment Policy shall be provided to each business organization offering to engage in an investment transaction with the City. A qualified representative of the business organization shall provide written acknowledgment and acknowledges that the organization~~firm~~ has reviewed the Investment Policy and has implemented reasonable procedures and controls ~~designed in an effort to prevent~~preclude investment transactions ~~conducted between the City and the firm~~ that are not authorized by the ~~City's investment p~~olicy. The City Council shall formally review and adopt the qualified broker/dealer list; at least annually, whether or not changes are made~~review and revise this list as needed. The review will consist of consideration of new firms that have submitted the required documentation and a review of the performance of previously approved firms. Any modifications to the list will be submitted to the governing body for their review, approval, and adoption.~~

The City may engage the services of an investment advisory firm to assist in the management of the portfolio. Such investment advisors may utilize their own approved list of broker/dealers. Such approved brokers shall comply with the criteria listed above and shall provide the list of broker/dealers to the City on an annual basis or upon request.

Competitive Bids

It is the policy of the City to obtain at least three bids for security transactions except for: (a) transactions with money market mutual funds and local government investment pools; (b) treasury and agency securities purchased at issue through an approved broker/dealer or financial institution; or (c) securities offered by approved broker/dealers when market conditions would make obtaining bids impractical. Any time competitive bids are not received, comparative interest rates must be obtained and two investment officers must approve the purchase of the security.

Delivery vs. Payment

Securities shall be purchased using the delivery vs. payment method with the exception of investment pools and mutual funds. Funds will be released after notification that the purchased security has been received.

SAFEKEEPING OF SECURITIES**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 and collateral shall be in accordance with state law. Securities and collateral will be held by a third-party custodian designated by the City, and held in the City's name as evidenced by safekeeping receipts of the institution with which the securities are deposited. Original safekeeping receipts shall be obtained. Collateral for certificates of deposits in banks will be registered in the City's name in the bank's trust department or, alternatively, in a Federal Reserve Bank account in the City's name, or a third-party bank in the City's name, at the City's discretion.

Collateralization

Consistent with the requirements of Chapter 2257 of the Texas Government Code (the "Public Funds Collateral Act"), it is the policy of the City to require full collateralization of all City investments and funds on deposit with a depository bank, other than investments which are obligations of the U.S. government and its agencies and instrumentalities. 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 the deposits or investments less an amount insured by the FDIC. At its discretion, the City may require a higher level of collateralization for certain investment securities. Securities pledged as collateral shall be held by an independent third party with whom the City has a current custodial agreement. The agreement shall specify the acceptable investment securities for collateral, including provisions relating to possession of the collateral, the substitution or release of investment securities, ownership of securities, and the method of valuation of securities. A safekeeping receipt shall be submitted to the City and retained. Collateral shall be reviewed daily to assure that funds are adequately collateralized. The bank will provide a monthly written report stating the market value of the pledged securities. This report shall be reviewed by the Director of Finance.

Collateral Defined

The City shall accept only the following securities as collateral:

- FDIC insurance coverage

- Obligations of the United States of America, its agencies and instrumentalities, including FHLB letters of credit
- Obligations, the principal and interest on which, are unconditionally guaranteed or insured by the State of Texas
- A bond of the State of Texas or of a county, city or other political subdivision of the State of Texas having been rated as investment grade (investment rating no less than “A” or its equivalent) by a nationally recognized rating agency with a remaining maturity of ten (10) years or less

Subject to Audit

All collateral shall be subject to inspection and audit by the City’s independent auditors.

PERFORMANCE

Performance Standards

The City’s investment portfolio will be managed in accordance with the parameters specified within this Investment Policy. The portfolio shall be designed with the objective of obtaining a rate of return through budgetary and economic cycles, commensurate with the investment risk constraints and the cash flow requirements of the City.

Performance Benchmark

It is the policy of the City to purchase investments with maturity dates coinciding with cash flow needs. ~~Through this strategy, the City attempts to purchase the highest yielding allowable investments available on the market at that time. Market value will be calculated on a quarterly basis on all securities owned and compared to current book value of those securities to determine portfolio performance during that period of time.~~ The City’s portfolio shall be designed with the objective of ~~regularly~~ meeting or exceeding one or more market benchmarks selected by the Director of Finance that are appropriate for the portfolio’s investment strategy, weighted average maturity, rate of return and liquidity requirements. Benchmarks may include comparable maturity on U.S. Treasury Bills, securities, government investment pool rates, or other recognized public funds benchmarks. ~~at a maturity level comparable to the City’s weighted average maturity in days. Portfolio performance shall be evaluated on a quarterly basis using book yield and total investment return, as applicable, relative to the selected benchmark or benchmarks.~~

REPORTING

Methods

The Investment Officer 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 investment securities, maturities, and shall explain the total investment return for the quarter.

The quarterly investment report shall include a summary statement of investment activity prepared in compliance with generally accepted accounting principles. This summary will be prepared in a manner which 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 Manager and City Council. The report will include the following:

- A listing of individual securities held at the end of the reporting period
- Unrealized gains or losses resulting from appreciation or depreciation by listing the ending book and market value of securities for the period
- A summary statement of each pooled fund group that states the:
 - Beginning market value for the reporting period
 - Ending market value for the period
 - Fully accrued interest for the reporting 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 which 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 Council

An independent auditor will perform a formal annual review of the quarterly reports with the results reported to the City Council.

Marking to Market

Market value of all securities in the portfolio will be calculated on a quarterly basis and disclosed to the governing body quarterly in a written report. Pricing information will come from the Intercontinental Exchange, Inc. (ICE) or any other reputable and independent source deemed reliable by the Director of Finance.

INVESTMENT POLICY ADOPTION

This Investment Policy shall be adopted by resolution of the City Council. It is the City's intent to comply with State laws and regulations. The City's Investment Policy shall be subject to revisions to stay current with changing laws, regulations, and needs of the City. The Investment Policy and Investment Strategies shall be reviewed and approved annually by the City Council.

APPROVED BROKER/DEALERS AND INVESTMENT POOLS

BANK OF AMERICA MERRIL LYNCH 901 Main Street, 68 th Floor Dallas, TX 75202 Phone: (800214) <u>209-9194933-9662</u>	TEXAS CLASS 2435 N. Central Expressway, Suite 1200 Richardson, TX 75080 Phone: (800) 707-6242
TEXPOOL 1001 Texas Ave., Suite 1150 Houston, TX 77002 Phone: (866) 839-7665	TEXSTAR 717 N. Harwood St., Suite 3400 Dallas, TX 75201 Phone: (800) 839-7827
WELLS FARGO SECURITIES, LLC 1445 Ross Ave, 4 th Floor Suite 420, MAC – T9216-048 Dallas, Texas 75202 Phone: (214) 777-4018	

HILLTOP SECURITIES ASSET MANAGEMENT APPROVED BROKER/DEALERS

Academy Securities
 BofA Securities
 BOK Financial
 Brean Capital
 Daiwa Capital Markets
 FHN Financial
 Goldman, Sachs & Co
 Great Pacific Securities
 JP Morgan Securities
 KeyBanc Capital Markets
 Loop Capital Markets
Mischler Financial
 Mizuho Securities
 Morgan Stanley & Co
 Multi-Bank Securities
Nomura Securities
 Oppenheimer & Co
 Piper Sandler & Co
 Raymond James
 RBC Capital Markets
 Rice Financial
 Siebert Williams Shank
SouthState Securities
 Stifel Financial
 StoneX
 TD Securities
UBS Securities

UMB Bank
U.S. Bancorp Investments
Wells Fargo Securities