

EXHIBIT A

City of University Park, Texas

Investment Policy

Effective: October 1, 2021

**City of University Park, Texas
Investment Policy**

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Approved Investment Vendors List

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PREFACE

The purpose of this document is to establish specific investment policy and strategy guidelines for the City of University Park, Texas (“City”) to achieve the goals of safety, liquidity, and yield for all investment activity. The City shall review its investment strategies and policy not less than annually. This policy serves to satisfy the statutory requirement, specifically the Public Funds Investment Act, Chapter 2256 of the Texas Government Code (the “Act”), to define, adopt and review a formal investment strategy and policy. All available funds shall be invested in conformance with these legal and administrative guidelines.

Effective cash management is recognized as essential to good fiscal management. An aggressive cash management and investment policy will be pursued to take advantage of investment interest as viable and material revenue to all operating and capital funds. The City’s portfolio shall be designed and managed in a manner responsive to the public trust and consistent with state and federal law.

Investments shall be made with the primary considerations of:

- Preservation of capital and protection of principal
- Maintenance of sufficient liquidity to meet operating needs
- Security of City funds and investments
- Diversification of investments to avoid unreasonable or foreseeable risks
- Maximization of return on the portfolio

SECTION 1. PURPOSE

1.1. Authorization

This Policy is authorized by the City Council in accordance with Section 5 of the Public Funds Investment Act (Chapter 2256, Texas Government Code), which requires the adoption of a formal written Investment Policy.

1.2. Goals

The primary goal of the City of University Park’s Investment Policy shall be: 1) to ensure the safety of all funds entrusted to the City; 2) to maintain the availability of those funds for the payment of all necessary obligations of the City; and 3) to provide for the investment of all funds, not immediately required, in interest-bearing securities or pooled investment products. The safety of the principal invested shall always be the primary concern.

1.3. Scope

This Investment Policy of the City of University Park shall include all investment activities of any fund of the City. The Firefighters’ Relief and Retirement Fund is not a City fund and is covered by a separate policy. In addition to this Policy, bond funds, including debt service and reserve funds, shall be managed by their governing resolution, federal law, and subsequent relevant legislation. City funds will be pooled for investment purposes.

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1.4. Review and Amendment

This Policy may be amended from time to time as the City Council may so desire or as State Law may require. This Policy, which includes strategies for each fund or pooled fund group, shall be adopted by resolution, rule, or ordinance by the City Council and shall be reviewed annually by the City Council. The fact that the Investment Policy has been reviewed and that any amendments have been made must be recorded by resolution, rule or ordinance.

SECTION 2. INVESTMENT OBJECTIVES

The City shall manage and invest its cash with four objectives, listed in order of priority: Preservation and Safety of Principal; Liquidity; Yield; and Prudence. All investments shall be designed and managed in a manner responsive to the public trust and consistent with State and Local Law.

Cash management is defined as the process of managing monies in order to increase cash availability and interest earnings on short-term investment of idle cash. The City shall maintain a comprehensive cash management program that includes the prudent investment of available cash.

2.1. Preservation and Safety of Principal

The primary objective of City investment activity is the preservation of principal in the overall portfolio. Each investment transaction shall be conducted in a manner designed to avoid loss of principal whether from securities defaults or erosion of market value. The manner in which the City ensures safety of principal is presented in Section 4.2, "Ensuring Safety of Principal."

2.1.1. Credit Risk

The City will minimize credit risk, which is the risk of loss due to the failure of the security issuer or backer by:

- a. Limiting investments to the types of securities listed in section 4-1 of this Investment Policy.
- b. Prequalifying the financial institutions, broker/dealers, intermediaries, and advisors with which the City will do business in accordance with Section 4-2-1-1.
- c. Diversifying the investment portfolio so that the impact of potential losses from any one type of security or from any one individual issuer will be minimized.

2.1.2. Interest Rate Risk

The City will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by:

- a. Structuring the portfolio so that securities mature to meet cash requirements for ongoing operations.

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- b. Investing operating funds primarily in short-term securities, money market mutual funds, or similar investment pools and by limiting the average maturity of the portfolio in accordance with this policy.

2.2. Maintenance of Adequate Liquidity

The City investment portfolio shall be structured so that the City is able to meet all obligations in a timely manner. Maintenance of adequate liquidity is described in Section 4.3, “Ensuring Liquidity.”

2.3. Return on Investments

Consistent with State law, the City shall seek to optimize return on investments within the constraints of safety and liquidity. Investments (excluding assets managed under separate investment programs, such as in arbitrage restrictive programs) shall be made in permitted obligations at yields equal to or greater than the bond equivalent yield on United States Treasury obligations of comparable maturity. Other appropriate performance measures may be established by the Finance Advisory Committee. Specific policies regarding investment rate of return are presented in Section 4.4, “Achieving Investment Return Objectives.”

For bond issues to which Federal yield or arbitrage restrictions apply, the primary objectives shall be to obtain satisfactory market yields and to minimize the costs associated with investment of such funds.

2.4. Prudence and Ethical Standards

The standard of prudence used by the City shall be the “prudent person rule” and shall be applied in the context of managing the overall portfolio within the applicable legal constraints. The prudent person rule is restated below:

“Investments shall be made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion and intelligence would exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived.”

In determining whether the Investment Officer(s) or Investment Advisor under contract has exercised prudence with respect to an investment decision, the determination shall be made taking into consideration the investment of all funds over which the Officer or Advisor had responsibility, rather than a consideration as to the prudence of a single investment, and whether the investment decision was consistent with the written Investment Policy of the City.

The Investment Officers, 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.

Specific policies describing the City’s prudence and ethical standards are found in Section 4.5, “Responsibility and Control.”

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SECTION 3. INVESTMENT STRATEGY

The City maintains portfolios that utilize four specific investment strategy considerations designed to address the unique characteristics of the fund groups represented in the portfolios. To maximize the effective investment of assets, all funds needed for general obligations may be pooled into one account for investment purposes. The income derived from this account will be distributed to the various funds based on their average balances on a periodic basis. Proceeds of bond issues shall not be pooled with other assets of the City, but shall be maintained in the fund issuing the bonds with interest earnings on these invested proceeds recorded directly to that fund.

3.1. Operating Funds

The investment strategy for operating funds has as its primary objective the assurance that anticipated cash flows are matched with adequate investment liquidity. The secondary objective is to create a portfolio structure which will experience minimal volatility during economic cycles. This may be accomplished by purchasing high-quality short-to medium-term securities. The dollar weighted average maturity shall be calculated in accordance with GASB requirements. The weighted average maturity of operating funds shall not exceed 548 days.

Securities may not be purchased that have a final stated maturity date that exceeds five (5) years.

3.2. Bond Debt Service Funds

The investment strategy for bond debt service fund(s) has as its primary objective the assurance of investment liquidity adequate to cover the debt service obligation on the required payment date. Securities purchased shall not have a stated final maturity date that exceeds the next unfunded bond debt service payment date.

3.3. Bond Reserve Funds

The investment strategy for bond reserve fund(s) has as its primary objective the ability to generate a dependable revenue stream to the appropriate debt service fund from securities with a low degree of volatility. Securities should be of high quality and, except as may be required by the Bond Ordinance specific to an individual issue, of short-to-intermediate-term maturities. The stated final maturity dates of securities held shall not exceed five (5) years.

3.4. Capital Projects Funds

The investment strategy for the capital projects fund portfolio has as its primary objective the assurance that anticipated cash flows are matched with adequate investment liquidity. These portfolios should include at least 10% in highly liquid securities to allow for flexibility and unanticipated project outlays. The stated final maturity dates of securities held should not exceed the estimated project completion date.

SECTION 4. SPECIFIC INVESTMENTS

4.1. Eligible Investments

Investments described below are those authorized by the Public Funds Investment Act (Chapter 2256, Texas Government Code), as amended, which is made a part of this Policy. The following list may not contain all of those securities that are authorized by state statutes, but only those that the City Council wishes to include in their portfolios. The purchase of specific issues may at

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times, be further restricted or prohibited because of current market conditions. City funds governed by this Policy may be invested in:

- 4.1.1** obligations of the United States or its agencies and instrumentalities;
- 4.1.2** direct obligations of the State of Texas or its agencies;
- 4.1.3** other obligations, the principal and interest on which are unconditionally guaranteed or insured by the State of Texas or the United States or its 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;
- 4.1.4** obligations of states, agencies, counties, cities and other political subdivisions of any state having been rated of their own accord as to investment quality by a nationally recognized investment rating firm and having received a rating of not less than AA or its equivalent, and with additional credit enhancement having received a rating of not less than AAA or its equivalent by a nationally recognized investment rating firm;
- 4.1.5** fully collateralized direct repurchase agreements: 1) having a defined termination date; 2) secured by a combination of cash and obligations described by subdivision 1 of this subsection; 3) having securities purchased by the City or cash held by the City pledged to the City, held in the City's name and deposited at the time the investment is made with the City with a third party selected and approved by the City; and 4) placed through a primary government securities dealer, as defined by the Federal Reserve, or a financial institution doing business in Texas, and having a market value (including accrued interest) of no less than the principal amount of the funds disbursed;
- 4.1.6** certificates of deposit:
 - a. issued by a depository institution with a main office or a branch office in Texas and is:
 - i. guaranteed or insured by the Federal Deposit Insurance Corporation, or its successor; or,
 - ii. secured by obligations that are described by 1 - 4 above, which are intended to include all direct federal agency or instrumentality issues that have a market value of not less than the principal amount of the certificates or,
 - iii. in any other manner and amount provided by law for deposits of the City;
 - b. made in accordance with the following conditions:
 - i. the funds are invested by the City through:
 - 1. a broker that has its main office or a branch office in this state and is selected from a list adopted by the City or,
 - 2. a depository institution ("bank") that has its main office or a branch office in this state and that is selected by the City;
 - ii. the broker or bank selected by the City under Subdivision (1) 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;

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- iii. the full amount of the principal and accrued interest of each of the certificates of deposit is insured by the United States or an instrumentality of the United States; and
- iv. the City appoints the bank selected by the City under Subdivision (1), an entity described by the Texas Public Funds Collateral Act (Texas Government Code 2257.041(d)) or a clearing broker-dealer registered with the Securities and Exchange Commission and operating pursuant to Securities and Exchange Commission Rule 15c3-3 17 C.F.R. Section 240.15c3-3) as custodian for the City with respect to the certificates of deposit issued for the account of the City;

4.1.7 Local government investment pools organized in accordance with the Interlocal Cooperation Act (Chapter 791, Texas Government Act) as amended, whose assets consist exclusively of the obligations that are allowed as a direct investment for funds subject to the Public Funds Investment Act (Chapter 2256, Texas Government Code). A public funds investment pool must be continuously rated no lower than AAA, AAA-m or at an equivalent rating by at least one nationally recognized rating service.

Eligible investment pools must be authorized by the City Council, by rule, order, ordinance, or resolution, as appropriate. The City Council has approved: 1) the Texas Local Government Investment Pool ("TexPool"), administered by the Texas State Comptroller; 2) the Texas Short Term Asset Reserve ("TexSTAR"); administered by JPMorgan Chase and First Southwest Asset Management; and 3) TexasTERM and TexasDaily, administered by PFM Asset Management LLC.

Unless backed by the full faith and credit of the U.S. government, investments in collateralized mortgage obligations are strictly prohibited. These securities are also disallowed for collateral positions. The City will not be required to liquidate investments that were authorized investments at the time of purchase.

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4.2. Ensuring Safety of Principal

Ensuring safety is accomplished through protection of principal and safekeeping.

4.2.1 Protection of Principal

The City shall seek to control the risk of loss due to the failure of a security issuer or guarantor by investing only in the safest types of securities as defined in the Policy. Settlement of all investment transactions, except those transactions involving investments in mutual funds or local government investment pools, must be made on a delivery versus payment (DVP) basis. The purchase of individual securities shall be executed DVP through the Federal Reserve System delivered to an authorized safekeeping agent or trustee ("custodian"). By so doing, City funds are not released until the City has received, through the Federal Reserve wire, the securities purchased. The security shall be held in the name of the City. The custodian's records shall assure the notation of City ownership of or explicit claim on the securities.

Additionally, the City shall adhere to the following practices to protect its investment principal:

4.2.1.1 Approved Broker/Dealers/Financial Institutions and Depositories

Investments shall only be made with those firms and institutions who have acknowledged receipt and understanding of the City's Investment Policy. The "qualified representative" of the business as defined in Chapter 2256 of the Texas Government Code shall execute a written certification to acknowledge receipt of the City's Investment Policy and to acknowledge that the organization has implemented reasonable procedures and controls to preclude imprudent investment activities arising out of the investment transactions conducted between the entity and the City. Should the City contract with an external investment advisor to execute the investment strategy, including the negotiation and execution of investment transactions, a managing officer of the investment advisory firm may sign the written certification in lieu of the broker/dealer firms. This certification must be included as part of the investment advisory contract.

Securities and certificates of deposit shall only be purchased from those institutions included on the City's list of broker/dealers and financial institutions as approved by the Investment Committee. All securities dealers shall provide the City with references from other public entities that they are currently serving. This list of approved investment providers must be reviewed at least annually by the City's Investment Committee and shall be recorded in the Committee's meeting minutes.

The City's Finance Advisory Committee shall comprise the Investment Committee.

All state and national banks located in the State of Texas, which are insured by the Federal Deposit Insurance Corporation (FDIC), are to be considered as eligible depositories. The financial condition of the bank shall be considered prior to establishing any accounts with that bank. The Finance Advisory Committee shall review the bids submitted by depository candidates and make a recommendation to the City Council for final approval.

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4.2.1.2 Collateralization

Consistent with the requirements of State law, the City requires all bank deposits (including time deposits) to be federally insured or collateralized with eligible securities. Financial institutions serving as City Depositories will be required to sign an Agreement with the City and its safekeeping agent for the collateral, perfecting the City's rights to the collateral in case of default, bankruptcy or closure.

The City shall not accept, as depository collateral, any security that is not specifically allowed to be held as a direct investment by the City portfolio (see 4-1). Repurchase agreements must also be collateralized in accordance with State law. Evidence of the pledged collateral shall be maintained by the Finance Director or a third party financial institution. All collateral shall be subject to inspection and audit by the Finance Director or the City independent auditors.

4.2.1.3 Maximum Exposure Guidelines

Risk of principal loss in the portfolio as a whole shall be minimized by diversifying investment types according to the following limitations. As discussed below, these limitations do not apply to bond proceeds.

<u>Investment Type:</u>	<u>% of Portfolio</u>
• U.S. Treasury Notes/Bonds/Bills	100%
• U.S. Agencies	60%
• Local Government Investment Pools	50%
• Repurchase Agreements	30%
• Certificates of Deposit	50%
• Municipal Bonds	20%
• Money Market Mutual Funds	15%

It is the policy of the City to diversify its investment portfolio so that reliance on any one issuer or broker will not place an undue financial burden on the City. Generally, the City should limit its repurchase agreement exposure with a single firm to no more than 15% of the value of the City's overall portfolio. To allow efficient and effective placement of proceeds from any bond sales, these limits may be exceeded for a maximum of five business days following the receipt of bond proceeds. Proceeds of a single bond issue may be invested in a single security or investment if the Investment Committee determines that such an investment is necessary to comply with Federal arbitrage restrictions or to facilitate arbitrage record keeping and calculation.

4.2.1.4 Limiting Maturity

To minimize risk of loss due to interest rate fluctuations, investment maturities will not exceed the anticipated cash flow requirements of the funds. For operating funds, the dollar weighted average days to final stated maturity shall be 548 days or less.

The Investment Officer will monitor the maturity level and make changes as appropriate. For bond funds, the investment maturity of bond proceeds (including

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reserves and debt service funds) shall be determined considering: 1) the anticipated cash flow requirements of the funds, and; 2) the “temporary period” as defined by Federal tax law during which time bond proceeds may be invested at an unrestricted yield. After the expiration of the temporary period, bond proceeds subject to yield restriction shall be invested considering the anticipated cash flow requirements of the funds.

The City shall have a goal of maintaining a minimum of ten percent of the portfolio maturing within thirty days, and twenty-five percent under one year.

Under 30 days	10% minimum
Under 1 year	25% minimum
Under 3 years	85% minimum
Five years	maximum single investment

Reserve funds and other funds with longer-term investment horizons may be invested in securities exceeding three years if maturities of such investments are made to coincide as nearly as practical with the expected use of fund. The intent to invest in securities with longer maturities shall be disclosed in writing to the City Council

4.2.2 Safekeeping

The City shall contract with a bank or banks for the safekeeping of securities either owned by the City as a part of its investment portfolio or held as collateral to secure certificates of deposits or repurchase agreements. The Safekeeping Agreement shall clearly define the procedural steps for gaining access to the collateral should the City determine that the City funds are in jeopardy. The safekeeping institution, or Trustee, shall hold all aforementioned securities in an account at the Federal Reserve Bank that specifies City ownership of the account. The Safekeeping Agreement shall include the signatures of authorized representatives of the City, the firm pledging the collateral and the Trustee. The City shall request from the safekeeping institution a copy of its most recent report on internal controls (Statement of Auditing Standards 70, or SAS 70).

4.2.3 Effect of Loss of Required Rating

If a holding’s credit quality rating falls below the minimum required, the City shall take all prudent measures that are consistent with its investment policy to liquidate the holding. City staff will periodically review the credit quality rating of instruments in the City portfolio using rating agency online resources or other media reporting these changes.

4.3 Ensuring Liquidity

Liquidity shall be achieved by matching investment maturities with forecasted cash flow requirements, by investing in securities with active secondary markets, and by investing in eligible money market mutual funds (MMMF’s) and local government investment pools (LGIP’s). A security may be liquidated to meet unanticipated cash requirements, re-deploy cash into other investments expected to outperform current holdings, or to otherwise adjust the portfolio.

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4.4 Achieving Investment Return Objectives

Investment selection for all funds shall be based on legality, appropriateness, liquidity, and risk/return considerations. Although the City adheres to a “buy and hold” approach, at times the portfolios may be actively managed to enhance overall interest income. Active management will take place within the context of the “Prudent Person Rule.” (See Section 2.4).

4.4.1 Securities Swaps

The City may take advantage of security swap opportunities to improve portfolio yield. A swap which improves portfolio yield may be selected even if the transaction results in an accounting loss.

4.4.2 Competitive Bidding

It is the policy of the City to require competitive bidding for all individual security purchases except for those transactions with money market mutual funds (MMMFs) and local government investment pools (LGIP's) which are deemed to be made at prevailing market rates, and for government securities purchased at issue through a primary dealer at auction price. Rather than relying solely on yield, investment in MMMFs and LGIP's shall be based on criteria determined by the Investment Committee, including adherence to Securities and Exchange Commission (SEC) guidelines for MMMFs when appropriate. At least three bidders must be contacted in all transactions involving individual securities.

Competitive bidding for security swaps is also required. Bids may be solicited in any manner provided by law. For those situations where it may be impractical or unreasonable to receive three bids for a transaction due to a rapidly changing market environment or to secondary market availability, documentation of a competitive market survey of comparable securities or an explanation of the specific circumstance must be included with the transaction bid sheet. All bids received must be documented and filed for auditing purposes.

4.4.3 Methods of Monitoring Market Price

The methods/sources to be used to monitor the price of investments that have been acquired with public funds shall be from sources deemed reliable by the Investment Officer, including primary or regional broker/dealers, established financial institutions providing portfolio management/accounting services, third-party safekeeping reports, financial publications such as the *Wall Street Journal*, market information vendors such as Bloomberg or Telerate, and market pricing services.

4.4.4 Benchmark Rate of Return

As a general guideline, the City's cash management portfolio shall be designed with the objective of regularly meeting the average return on three-month U.S. Treasury Bills, or the average rate of 90-day Certificates of Deposit. These indices are considered benchmarks for risk-free investment transactions and therefore comprise a standard for the portfolio's rate of return. Additional benchmarks may be developed and recommended by the Investment Committee and used as a comparative performance measures for the portfolio. Additional benchmarks that may be considered for targeting by the Investment Committee include the Constant Maturity Treasury Bill with the maturity that most closely matches the weighted average maturity of the portfolio or a more customized index made up of blended

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Merrill Lynch Treasury/Agency indices. The investment program shall seek to augment rates of return above this threshold, consistent with legal restrictions and prudent investment principles. In a diversified portfolio, measured losses are inevitable and must be considered within the context of the overall portfolio.

4.5 Responsibility and Control

4.5.1 Authority to Invest

Authority to manage the City investment program is derived from a resolution of the City. Those authorized by said resolution are designated as Investment Officers of the City, and, in conjunction with the Investment Committee, are responsible for investment decisions and activities. All investment transactions must be acknowledged by a second investment officer besides the one who initiated the transaction. All wire transfers must be approved by two investments officers. The City reserves the right to contract with an external investment advisory firm to manage the investment assets, and the resulting resolution will grant investment authorization to the contracted firm. The Finance Director shall establish written procedures for the operation of the investment program consistent with this Investment Policy.

4.5.2 Bonding requirements/Standard of care

Each of the authorized investment officers shall be a bonded employee. All participants in the investment process shall act responsibly as custodians of the public trust and shall exercise the judgment and care, under prevailing circumstances, that a prudent person would exercise in the management of the person's own affairs.

4.5.3 Establishment of Internal Controls

The Finance Director is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the entity are protected from loss, theft, or misuse. The internal control structure shall be designed to provide reasonable assurance that the 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.

4.5.4 Standard of Ethics

City staff involved in the investment process shall refrain from personal business activity that could conflict with proper execution of the investment program, or which could impair the ability to make impartial investment decisions.

City staff shall disclose to the City any material interests in firms or businesses that conduct investment matters with the City, and they shall further disclose positions that could be related to the performance of the City portfolio. City staff shall subordinate their personal financial transactions to those of the City, particularly with regard to the timing of purchases and sales.

An investment officer of the City who has a personal business relationship with an organization seeking to sell an investment to the City shall file a statement disclosing that personal business interest. An investment officer who is related within the second degree

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by affinity or consanguinity to an individual seeking to sell an investment to the City shall file a statement disclosing that relationship. A statement required under this subsection must be filed with the Texas Ethics Commission and the governing body of the City.

4.5.5 Training and Education

In accordance with the Public Funds Investment Act (Chapter 2256, Texas Government Code), the designated Investment Officers, or those personnel authorized to execute investment transactions, must attend periodic investment training. State law requires that training relating to investment responsibilities must be provided by an independent source, such as the Texas Municipal League, North Central Texas Council of Governments, or the University of North Texas Center for Public Management, or as approved by the City Manager. Personnel authorized to execute or approve investment transactions must receive at least 8 hours of investment training for each two-year period that begins on the first day of the City's fiscal year and consists of the two consecutive fiscal years after that date.

Newly appointed investment officers must attain at least 10 hours of instruction relating to the officer's responsibility under the Act within 12 months after assuming investment duties.

4.5.6 Investment Committee

An Investment Committee that is comprised of the membership of the Finance Advisory Committee shall be established to determine investment guidelines, general strategies, and monitor performance. The Committee shall meet quarterly to review performance, strategy, and procedures. The Investment Committee shall include in its deliberation such topics as: performance reports, economic outlook, portfolio diversification, maturity structure, potential risk to the City funds, authorized brokers and dealers, and the target rate of return on the investment portfolio.

4.6 Reporting

Investment performance is continually monitored and evaluated by the Finance Director. The Investment Officer(s) will provide detailed reports, as required by the Public Funds Investment Act (Chapter 2256, Texas Government Code, Section 2256.023) for the City on a quarterly basis.

The Finance Director shall submit a quarterly investment report signed by the investment officers. The report shall include 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 which will allow the City to ascertain whether investment activities during the reporting period have conformed to the Investment Policy. The management summary shall: 1) summarize current market conditions, economic developments and anticipated investment conditions; 2) summarize investment strategies employed in the most recent quarter; 3) describe the portfolio in terms of investment securities, maturities, risk characteristics, and average return for the quarter; 4) outline conformance to the restrictions of the Policy in the area of diversification and term of maturity; 5) compare the performance of City's portfolio to appropriate benchmarks as determined by the Investment Committee.

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Additionally, the quarterly financial report will include the following detailed information:

- 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 beginning and ending book and market value of securities for the period.
- Additions and changes to the market value during the period.
- Average weighted yield to maturity or total return performance of the portfolio on entity investments as compared to applicable benchmarks.
- Listing of investments by maturity date.
- The percentage of the total portfolio which each type of investment represents.
- Statement of compliance of the City investment portfolio with State Law and the investment strategy and policy approved by the City.

Within 60 days of the end of the fiscal year, the Finance Director or the Investment Advisory firm shall present an annual report on the investment program and investment activity. The report may be presented as a component of the fourth quarter report to the City.

4.7 Compliance Audit and Accounting Method

In conjunction with its annual financial audit, the City shall perform a compliance audit of management controls on investments and adherence to the City's established Investment Policies. The results of the audit shall be reported to the Investment Committee and the governing body of the City.

The City shall comply with all required legal provisions and Generally Accepted Accounting Principles (GAAP) relating to investment accounting. The accounting principles are those contained in the pronouncement of authoritative bodies including but not necessarily limited to, the Governmental Accounting Standards Board (GASB), the American Institute of Certified Public Accountants (AICPA), and the Financial Accounting Standards Board (FASB).

4.8 Certification

A copy of this Investment Policy will be provided to the senior management of any bank, dealer, broker, investment advisor, or safekeeping institution wishing to transact investment business directly with the City in order that it is apprised of the investment goals of the City. Before business is transacted with the firm, a certification must be signed by a senior member of a firm. Should the City contract with an external investment advisor to execute the entity's investment strategy, including the negotiation and execution of investment transactions, a managing officer of the investment advisory firm may sign the written certification in lieu of the broker/dealer firms. This certification must be included as part of the investment advisory contract.