


MEMORANDUM

DATE: September 14, 2022

TO: Mayor Lankford & City Council

VIA: Mercy Rushing, City Manager

FROM: Cindy Karch, City Secretary 

SUBJECT: Discuss and consider action to approve amending the City of Mineola Investment Policy section 8.0 Authorized & Suitable Investments, to replace “Treasury Bonds” with “Treasury Securities”, which would allow the city to invest in Treasury Bonds, Treasury Notes and Treasury Bills
Council Meeting Agenda Item for September 19, 2022

Background Information:

I recently completed my bi-annual Public Funds Investment Act training through University of North Texas. I learned that US Treasury Bills are safe, liquid investments that have short maturities and higher interest rates than our money market accounts. Our current policy only allows Treasury Bonds, which have a 20 or 30 year maturity. Treasury Bills are shorter term, with options for 4, 8, 13, 26 or 52 week maturities.

Treasury Bonds and Bills fit the requirements of the Public Funds Investment Act allowed investments. Treasuries are backed by the full faith and credit of the United States and have the following rating: Moody’s – Aaa, Fitch – AAA and S&P – AA+. These investment options are very safe and highly liquid. As interest rates climb, I would like to have the option to purchase Treasury Bills.

Our investment policy states that no more than 50% of the cities funds shall be invested in any one security. Adding additional investment options will help the city accomplish this goal.

Recommendation:

It is recommended that council approve the update.

Final Disposition:



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- [Upcoming Auctions](#)
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- Click to find [additional statistics](#) from May 5, 2003 through April 1, 2008, which includes information on bidding by primary dealers, direct bidders, and indirect bidders.

Note: The following table displays data for the 20 most recently auctioned securities that have not yet matured, for each security type. If you would like to see data for additional securities, please use our [Auction Query](#).

Bills	CMBs	Notes	Bonds	TIPS	FRNs
Security Term	CUSIP	Issue Date	Maturity Date	High Rate	Investment Rate
4-Week	912796YE3	09/20/2022	10/18/2022	2.670%	2.713%
8-Week	912796YO6	09/20/2022	11/15/2022	2.925%	2.979%
13-Week	912796X79	09/15/2022	12/15/2022	3.075%	3.142%
26-Week	912796YL7	09/15/2022	03/16/2023	3.465%	3.576%
4-Week	912796YD5	09/13/2022	10/11/2022	2.500%	2.540%
8-Week	912796YP8	09/13/2022	11/08/2022	2.765%	2.816%
13-Week	912796X61	09/08/2022	12/08/2022	2.965%	3.029%
26-Week	912796YK9	09/08/2022	03/09/2023	3.320%	3.424%
52-Week	912796YH6	09/08/2022	09/07/2023	3.460%	3.603%
4-Week	912796YC7	09/06/2022	10/04/2022	2.470%	2.509%
8-Week	912796YG8	09/06/2022	11/01/2022	2.730%	2.780%
13-Week	912796P94	09/01/2022	12/01/2022	2.880%	2.941%
26-Week	912796YB9	09/01/2022	03/02/2023	3.235%	3.334%
4-Week	912796XX2	08/30/2022	09/27/2022	2.310%	2.346%
8-Week	912796YF0	08/30/2022	10/25/2022	2.610%	2.657%
13-Week	912796W70	08/25/2022	11/25/2022	2.740%	2.798%
26-Week	912796T33	08/25/2022	02/23/2023	3.110%	3.204%
4-Week	912796XW4	08/23/2022	09/20/2022	2.150%	2.184%
8-Week	912796YE3	08/23/2022	10/18/2022	2.490%	2.534%
13-Week	912796W62	08/18/2022	11/17/2022	2.610%	2.664%

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Enter a CUSIP Number:

EE Bonds: **0.10%**
Fixed

I Bonds: **9.62%**

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	Bills	CMBs	Notes	Bonds	TIPS	FRNs	
	Security Term	CUSIP	Reopening	Issue Date	Maturity Date	High Yield	Interest Rate
	30-Year	912810TJ7	Yes	09/15/2022	08/15/2052	3.511%	3.000%
	20-Year	912810TK4	No	08/31/2022	08/15/2042	3.380%	3.375%
	30-Year	912810TJ7	No	08/15/2022	08/15/2052	3.106%	3.000%
	20-Year	912810TH1	Yes	08/01/2022	05/15/2042	3.420%	3.250%
	30-Year	912810TG3	Yes	07/15/2022	05/15/2052	3.115%	2.875%
	20-Year	912810TH1	Yes	06/30/2022	05/15/2042	3.488%	3.250%
	30-Year	912810TG3	Yes	06/15/2022	05/15/2052	3.185%	2.875%
	20-Year	912810TH1	No	05/31/2022	05/15/2042	3.290%	3.250%
	30-Year	912810TG3	No	05/16/2022	05/15/2052	2.997%	2.875%
	20-Year	912810TF5	Yes	05/02/2022	02/15/2042	3.095%	2.375%
	30-Year	912810TD0	Yes	04/18/2022	02/15/2052	2.815%	2.250%
	20-Year	912810TF5	Yes	03/31/2022	02/15/2042	2.651%	2.375%
	30-Year	912810TD0	Yes	03/15/2022	02/15/2052	2.375%	2.250%
	20-Year	912810TF5	No	02/28/2022	02/15/2042	2.396%	2.375%
	30-Year	912810TD0	No	02/15/2022	02/15/2052	2.340%	2.250%
	20-Year	912810TC2	Yes	01/31/2022	11/15/2041	2.210%	2.000%
	30-Year	912810TB4	Yes	01/18/2022	11/15/2051	2.075%	1.875%
	20-Year	912810TC2	Yes	12/31/2021	11/15/2041	1.942%	2.000%
	30-Year	912810TB4	Yes	12/15/2021	11/15/2051	1.895%	1.875%
	20-Year	912810TC2	Yes	12/06/2021	11/15/2041	1.872%	2.000%

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3-Year	91282CFK2	No	09/15/2022	09/15/2025	3.564%	3.500%
10-Year	91282CFF3	Yes	09/15/2022	08/15/2032	3.330%	2.750%
7-Year	91282CFJ5	No	08/31/2022	08/31/2029	3.130%	3.125%
5-Year	91282CFH9	No	08/31/2022	08/31/2027	3.230%	3.125%
2-Year	91282CFG1	No	08/31/2022	08/31/2024	3.307%	3.250%
10-Year	91282CFF3	No	08/15/2022	08/15/2032	2.755%	2.750%
3-Year	91282CFE6	No	08/15/2022	08/15/2025	3.202%	3.125%
7-Year	91282CFC0	No	08/01/2022	07/31/2029	2.730%	2.625%
5-Year	91282CFB2	No	08/01/2022	07/31/2027	2.860%	2.750%
2-Year	91282CFA4	No	08/01/2022	07/31/2024	3.015%	3.000%
10-Year	91282CEP2	Yes	07/15/2022	05/15/2032	2.960%	2.875%
3-Year	91282CEY3	No	07/15/2022	07/15/2025	3.093%	3.000%
7-Year	91282CEV9	No	06/30/2022	06/30/2029	3.280%	3.250%
2-Year	91282CEX5	No	06/30/2022	06/30/2024	3.084%	3.000%
5-Year	91282CEW7	No	06/30/2022	06/30/2027	3.271%	3.250%
10-Year	91282CEP2	Yes	06/15/2022	05/15/2032	3.030%	2.875%
3-Year	91282CEU1	No	06/15/2022	06/15/2025	2.927%	2.875%
7-Year	91282CES6	No	05/31/2022	05/31/2029	2.777%	2.750%
5-Year	91282CET4	No	05/31/2022	05/31/2027	2.736%	2.625%
2-Year	91282CER8	No	05/31/2022	05/31/2024	2.519%	2.500%

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- Treasury bills are short-term securities maturing in one year or less.
- Bills are sold at a discount or at par (face value).
- When a bill matures, the investor receives the face value.
- The difference between the purchase price and the face value equals the interest earned.

For example, if a \$1,000 26-week bill sells at auction for a 0.145% discount rate, the purchase price would be \$999.27, a discount of \$0.73. The purchase price can be determined from the following formula:

$$P = F (1 - (d \times t)/360), \text{ thus}$$

$$P = 1000 (1 - (.00145 \times 182)/360), \text{ solving}$$

$$P = \$ 999.27$$

P = Price
 F = Face value
 d = rate of discount
 t = days to maturity

Methods of Purchase

- Treasury bills can be purchased by individuals and various types of entities including trusts, estates, corporations, partnerships, etc. in TreasuryDirect. See [Learn More about Entity Accounts](#) for full information on the registration types.
- Treasury bills can be purchased by individuals, organizations, fiduciaries, and corporate investors through a broker or financial institution.
- Institutions may establish a TAAPS account to bid for Treasury securities directly at auction. Learn more about establishing a [TAAPS account](#).

Maturity Terms by Purchase Method:

Maturity Term	TreasuryDirect	Broker/Financial Institution	TAAPS
4-Week Bill	Yes	Yes	Yes
8-Week Bill	Yes	Yes	Yes
13-Week Bill	Yes	Yes	Yes
26-Week Bill	Yes	Yes	Yes
52-Week Bill	Yes	Yes	Yes
Cash Management Bills	No	Yes	Yes

Auction Frequency

- 4-week and 8-week bills are normally auctioned on Thursdays.
- 13-week and 26-week bills are normally auctioned on Mondays.
- 52-week bills are normally auctioned on Tuesdays every four weeks.
- Cash management bills are auctioned only as Treasury financing needs require.

For specific auction dates, see the [Tentative Auction Schedule \(PDF\)](#) or the [Upcoming Treasury Marketable Securities Auctions](#). You may also sign up for [e-mail notification](#) of auctions.

Bidding

Auction bids for Treasury securities may be submitted as noncompetitive or competitive.

- With a **noncompetitive bid**, a bidder agrees to accept the discount rate determined at auction. A bidder is then guaranteed to receive the full amount of the security bid.
- With a **competitive bid**, a bidder specifies the minimum discount rate they are willing to accept. This bid may be accepted in the full amount if the rate specified is less than the discount rate set at the auction; accepted in less than the full amount requested if the bid is equal to the high discount rate set at auction; or not awarded if the rate specified is higher than the discount rate set at the auction.

To place a noncompetitive bid, individuals and various types of entities including trusts, estates, corporations, partnerships, etc. may use TreasuryDirect. See [Learn More about Entity Accounts](#) for full information on the registration types. Individuals, organizations, fiduciaries, and corporate investors may use a broker or financial institution.

To place a competitive bid, a bidder must use a broker, financial institution, or have an established TAAPS account.

at a glance

Original issue rate:	The rate determined at auction. See rates in recent auctions
Minimum purchase:	\$100

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Maximum purchase:	Noncompetitive - \$10 million Competitive - 35% of offering amount (see types of bidding)
Investment increment:	Multiples of \$100
Issue Method:	Electronic

Redeem, Reinvest, or Sell

A Treasury bill can be held to maturity or sold before it matures. If a bill is held to maturity, the bill's principal can be used to buy another security or the bill can be redeemed. View more information on how to [redeem, reinvest](#), or [sell](#) Treasury bills.

Tax Considerations

Interest on Treasury bills is exempt from state and local taxes, but is subject to federal tax. See additional information on [tax considerations](#).

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Treasury Bonds

- Treasury bonds are interest-bearing securities with maturities over 10 years.
- Treasury bonds pay interest on a semi-annual basis.
- When a bond matures, the investor receives the face value.

Price vs. Yield to Maturity

The price of a fixed rate security depends on the relationship between its yield to maturity and the interest rate. If the yield to maturity (YTM) is greater than the interest rate, the price will be less than par value; if the YTM is equal to the interest rate, the price will be equal to par; if the YTM is less than the interest rate, the price will be greater than par. See an example of [price vs. yield to maturity](#).

When purchasing a Treasury bond, any interest accrued since the last interest payment is added to the bond purchase price. At the next interest payment date the investor receives the full interest payment.

Use the following formula to figure accrued interest:

$A = P \times r (d / t) / 2$	A = Accrued interest P = Face value r = interest rate of Treasury bond d = # of days since last coupon payment t = # of days in current coupon period
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Example: A 5% 30-year bond (\$1,000 principal) is purchased 91 days after the last coupon payment. The current coupon period contains 182 days.

$A = 1000 \times .05 (91/182)/2$, solving

A = \$12.50

Methods of Purchase

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- Institutions may establish a TAAPS account to bid for Treasury securities directly at auction. Learn more about establishing a [TAAPS account](#).

Maturity Terms by Purchase Method:

Maturity Term	TreasuryDirect	Broker/Financial Institution	TAAPS
30-Year Bond	Yes	Yes	Yes
20-Year Bond	Yes	Yes	Yes

Auction Frequency

- The 20-year and 30-year bonds are auctioned at the Quarterly Refunding in February, May, August, and November.
- 20 year and 30-year bonds are also auctioned as reopenings in January, March, April, June, July, September, October, and December. The reopened security has the same maturity date, coupon interest rate, and interest payment dates as the original security, but has a different issue date and usually a different price.

For tentative auction dates, see the [Tentative Auction Schedule \(PDF\)](#), or for actual scheduled auction dates, see [Upcoming Treasury Marketable Securities Auctions](#). You may also sign up for [e-mail notification](#) of upcoming auctions.

Bidding

Auction bids for Treasury securities may be submitted as noncompetitive or competitive.

- With a **noncompetitive bid**, a bidder agrees to accept the yield determined at auction. A bidder is guaranteed to receive the full amount of the security bid.
- With a **competitive bid**, a bidder specifies the yield that is acceptable. This bid may be accepted in the full amount if the rate specified is less than the yield set by the auction, accepted in less than the full amount requested if the bid is equal to the high yield, or not awarded if the rate specified is higher than the yield set at the auction.

To place a noncompetitive bid, individuals and various types of entities including trusts, estates, corporations, partnerships, etc. may use TreasuryDirect. See [Learn More about Entity Accounts](#) for full information on the registration types. Individuals, organizations, fiduciaries, and corporate investors may use a broker or financial institution.

To place a competitive bid, a bidder must use a broker, financial institution, or have an established TAAPS account.

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Enter a CUSIP Number:

EE Bonds: **0.10%**
Fixed

I Bonds: **9.62%**

Rates effective through *October 31, 2022*. New rates will be posted *November 1, 2022*.

[at a glance](#)

Original Issue Rate:	The yield determined at auction. See rates in recent auctions
Minimum purchase:	\$100
Maximum purchase:	Non-competitive: \$10 million Competitive: 35% of offering amount (see types of bidding)
Investment Increment:	Multiples of \$100
Issue Method:	Electronic

Redeem, Reinvest, or Sell

A Treasury bond can be held to maturity or sold before it matures. If a bond is held until it matures, the bond's principal can be used to buy another security or the bond can be redeemed. View more information on how to [redeem](#), [reinvest](#), or [sell](#) Treasury bonds.

Tax Considerations

Interest on Treasury bonds is exempt from state and local taxes but is subject to federal tax. See additional information on [tax considerations](#).

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We can do this. Find COVID-19 vaccines near you. Visit [Vaccines.gov](https://vaccines.gov).

Treasury Notes

- Treasury notes are interest-bearing securities that have a fixed maturity of not less than 1 year and not more than 10 years from date of issue.
- Treasury currently issues notes in 2, 3, 5, 7, and 10-year maturities.
- Treasury notes pay interest on a semi-annual basis.
- When a note matures, the investor receives the face value.

Price vs. Yield to Maturity

The price of a fixed-rate security depends on the relationship between its yield to maturity and the interest rate. If the yield to maturity (YTM) is greater than the interest rate, the price will be less than par value; if the YTM is equal to the interest rate, the price will be equal to par; if the YTM is less than the interest rate, the price will be greater than par. See an example of [price vs. yield to maturity](#).

When purchasing a Treasury note, any interest accrued since the last interest payment is added to the note purchase price. At the next interest payment date the investor receives the full interest payment.

Use the following formula to figure accrued interest:

$A = P \times r \left(\frac{d}{t} \right) / 2$	A = Accrued Interest P = Face value r = interest rate of Treasury note d = # of days since last coupon payment t = # of days in current coupon period
---	---

Example: A 5% 10-year note (\$1,000 principal) is purchased 91 days after the last coupon payment. The current coupon period contains 182 days.

$A = 1000 \times .05 \left(\frac{91}{182} \right) / 2$, solving
A = \$12.50

Methods of Purchase

- Treasury notes can be purchased by individuals and various types of entities including trusts, estates, corporations, partnerships, etc. in TreasuryDirect. See [Learn More about Entity Accounts](#) for full information on the new registration types.
- Treasury notes can be purchased by individuals, organizations, fiduciaries, and corporate investors through a broker or financial institution.
- Institutions may establish a TAAPS account to bid for Treasury securities directly at auction. Learn more about establishing a [TAAPS account](#).

Maturity Terms by Purchase Method:

Maturity Term	TreasuryDirect	Broker/Financial Institution	TAAPS
2-Year Note	Yes	Yes	Yes
3-Year Note	Yes	Yes	Yes
5-Year Note	Yes	Yes	Yes
7-Year Note	Yes	Yes	Yes
10-Year Note	Yes	Yes	Yes

Auction Frequency

- The 2-year, 3-year, 5-year and 7-year notes are auctioned on a monthly basis.
- The 10-year notes are auctioned at the quarterly refunding in February, May, August, and November.
- 10-year notes are also auctioned as reopenings in January, March, April, June, July, September, October, and December. The reopened security has the same maturity date, coupon interest rate, and interest payment dates as the original security, but has a different issue date and usually a different price.

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RESOLUTION 2022-09-19

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF MINEOLA, TEXAS, ADOPTING THE CITY OF MINEOLA INVESTMENT POLICY ATTACHED HERETO AS EXHIBIT “A”; DECLARING THAT THE CITY COUNCIL HAS COMPLETED ITS REVIEW OF THE INVESTMENT POLICY AND INVESTMENT STRATEGIES OF THE CITY AND THAT EXHIBIT “A” RECORDS ANY CHANGES TO EITHER THE INVESTMENT POLICY OR INVESTMENT STRATEGIES; PROVIDING A REPEALING CLAUSE; PROVIDING A SEVERABILITY CLAUSE; AND PROVIDING FOR AN EFFECTIVE DATE.

WHEREAS, in accordance with the Public Funds Investment Act, Chapter 2256, TEX. GOVERNMENT CODE, the City Council of the City of Mineola, Texas by resolution adopted an investment policy; and

WHEREAS, Section 2256.005, TEX. GOVERNMENT CODE requires the City Council to review the investment policies and investment strategies not less than annually and to adopt a resolution or order stating the review has been completed and recording any changes made to either the investment policies or investment strategy.

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

SECTION 1.

That the City of Mineola Investment Policy attached hereto as Exhibit “A” be and the same is hereby adopted and shall govern the investment policies and investment strategies for the City, and shall define the authority of the Investment Officer(s) of the City from and after the effective date of this resolution.

SECTION 2.

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

SECTION 3.

That all provisions of the resolutions of the City of Mineola, Texas, in conflict with the provisions of this resolution be, and the same are hereby, repealed, and all other provisions not in conflict with the provisions of this resolution shall remain in full force and effect.

SECTION 4.

That should any word, sentence, paragraph, subdivision, clause, phrase or section of the resolution be adjudged or held to be void or unconstitutional, the same shall not affect the validity of the remaining portions of said resolution which shall remain in full force and effect.

SECTION 5.

That this resolution shall become effective immediately from and after its passage.

DULY RESOLVED AND ADOPTED by the City Council of the City of Mineola, Texas, on this the 19th day of September, 2022.

Jayne Lankford, Mayor

ATTEST:

Cindy Karch, City Secretary

CITY OF MINEOLA INVESTMENT POLICY

1.0 Policy:

It is the policy of the City of Mineola to invest public funds in a manner which will provide the highest investment return with the maximum security while meeting the daily cash flow demands of the city and conforming to all state and local statues governing the investment of public funds.

2.0 Scope:

This investment policy applies to all financial assets of the City of Mineola. These funds are accounted for in the City of Mineola's **Comprehensive Annual Financial Report** and include:

2.1 Funds:

- 2.1.1 General Fund
- 2.1.2 Enterprise Funds
- 2.1.3 Capital Projects Funds
- 2.1.4 Special Revenue Funds

3.0 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 probable income to be derived.

- 3.1 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 risk or market price changes, provided deviations from expectations are reported in a timely fashion and appropriate action is taken to control adverse developments.

4.0 Objective:

The primary objectives, in priority order, of the City of Mineola's investment activities shall be:

4.1 Safety: Safety of principal is the foremost objective of the investments program. Investments of the City of Mineola shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio.

4.2 Liquidity: The City of Mineola's investment portfolio will remain sufficiently liquid to enable the City to meet all operating requirements which might be reasonably anticipated.

4.3 Return on Investments: The City of Mineola's investment portfolio shall be designed with the objective of attaining a rate of return throughout budgetary and economic

cycles, commensurate with the City's investment risk constraints and the cash flow characteristics of the portfolio.

5.0 Delegation of Authority: Authority to manage the City of Mineola's investment program is derived from the following:

Ordinances or trading resolutions.

Management responsibility for the investment program is hereby delegated to the Finance Director, hereinafter referred to as the Investment Officer, who shall establish written procedures for the operation of the investment program consistent with this investment policy. Procedures should include reference to: safekeeping, PSA repurchase agreements, wire transfer agreements, banking service contracts and collateral/depository agreements. Such procedures shall include explicit delegation of authority to persons responsible for investment transactions. (See Exhibit A) No person may engage in an investment transaction except as provided under the terms of this policy and the procedures established by the Investment Officer. The Investment Officer shall be responsible for all transactions undertaken and shall establish a system of controls to regulate the activities of subordinate officials.

5.1 Training: Investment Officer(s) and persons authorized to execute investment transactions must complete at least 10 hours of investment training within 12 months of taking office or assuming duties, and shall attend an investment training session not less than once in a two year period and receive not less than eight (8) hours of training after the initial 10 hours of instruction relating to investment controls, security risks, strategy risks, market risks, diversification of investment portfolio, and compliance with the Act. The City shall provide the training through courses and seminars offered by professional organizations and associations in order to insure the quality and capability of the City's investment personnel are in compliance with PFIA. Professional organizations and associations that may provide investment training including the Government Treasurer's Organization of Texas, the University of North Texas, the Government Finance Officers Association of Texas, Treasury Management Association, or the Texas Municipal League.

6.0 Ethics and Conflicts of Interest:

Officers and employees 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 their ability to make impartial investment decisions. Employees and investment officials shall disclose to the Mayor any material financial interests in financial institutions that conduct business within this jurisdiction, and they shall further disclose any large personal financial/investment positions that could be related to the performance of the City, particularly with regard to the time of purchases and sales.

7.0 Authorized Financial Dealers and Institutions:

The Investment Officer will maintain a list of financial institutions authorized to provide investment services. In addition, a list will also be maintained of approved security broker/dealers selected by credit worthiness who are 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). No public deposit shall be made except in a qualified public depository as established by state law.

All financial institutions and broker/dealers who desire to become qualified bidders for investment transactions must supply the Investment Officer with the following:

Audited financial statements, trading resolution, proof of state registration, completed broker/dealer questionnaire, certification of having read City's investment policy and depository contracts.

An annual review of the financial condition and registrations of qualified bidders will be conducted by the Investment Officer.

A current audited financial statement is required to be on file for each financial institution and broker/dealer in which the City invests.

8.0 Authorized & Suitable Investments:

The City of Mineola is empowered by statute to invest in the following types of securities:

Certificates of Deposit

Treasury Securities

Repurchase Agreements

Insured Cash Sweep (ICS)

Certificate of Deposit Account Registry (CDARs)

Investment Pools, Texas Treasury Safekeeping Trust Company (TexPool) (ratings no lower than "AAA" or "AAAm")

Commercial Paper

9.0 Collateralization:

Collateralization will be required on two (2) types of investments:

Certificates of Deposit and repurchase (and reverse) agreements.

In order to anticipate market changes and provide a level of security for all funds, the collateralization level will be one hundred and two percent (102%) of market value of principal and accrued interest.

The City of Mineola chooses to limit collateral to the following:

Any bond issued directly by the Federal Government or by an agent or agency representing the Federal Government

Collateral will always be held by the party with whom the City has a current custodial agreement. A clearly marked evidence of ownership (safekeeping receipt) must be supplied to the City and retained.

The right of collateral substitution is granted.

10.0 Safekeeping and Custody:

All security transactions, including collateral for repurchase agreements, entered into by the City shall be conducted on a delivery-versus-payment (DVP) basis. Securities will be held by a third party custodian designated by the Investment Officer or held by the party with whom the City has a current custodial agreement and evidenced by safekeeping receipts.

11.0 Diversification:

The City of Mineola will diversify its investments by security type. With the exception of U.S. Treasury securities, authorized pools, interest bearing bank accounts, and Certificates of Deposit, no more than fifty percent (50%) of the City's total investment portfolio will be invested in a single security type.

12.0 Maximum Maturities:

To the extent possible, the City of Mineola 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 one (1) year from the date of purchase. However, the City may collateralize its repurchase agreements using longer-dated investments not to exceed three (3) years to maturity.

Reserve funds may be invested in securities exceeding one (1) year if the maturity of such investments are made to coincide as nearly as practicable with the expected use of the funds.

13.0 Internal Control:

The Investment Officer shall establish an annual process of independent review by an external auditor. This review will provide internal control by assuring compliance with policies and procedures.

14.0 Performance Standards:

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

- 14.1 Market Yield (Benchmark):** The City of Mineola's investment strategy is passive. Given this strategy, the basis used by the Investment Officer to determine whether market yields are being achieved shall be the six-month Treasury Bill rate.

15.0 Reporting:

The Investment Officer is charged with the responsibility of including a market report on investment activity and returns in the City's financial report. Reports will include:

Performance, number of trades and interest earnings.

16.0 Investment Policy Adoption:

The City's investment policy shall be adopted by resolution of the governing body. The policy shall be reviewed annually by the governing body and any modifications made thereto must be approved by the governing body.

EXHIBIT A

**City of Mineola
Authorized Investment Officer and Investment Officials**

Finance Director – Investment Officer

City Manager – Investment Official