

MEMORANDUM

DATE: March 23, 2023
TO: Mayor Lankford & City Council
VIA: Mercy Rushing, City Manager
FROM: Cindy Karch, City Secretary *CK*
SUBJECT: Discuss and consider action on an resolution for Approved Broker/Dealers for the City of Mineola
Council Meeting March 27, 2023
Agenda Item for:

Background Information:

A few months ago, I asked the council to add Treasury Bills as an authorized investment for the city. Our investment policy does not allow the city to put more than 50% of total funds into one investment type. I checked and I was over 50% in TexPool. When I started trying to purchase treasuries, I couldn't quite figure out how to open a Treasury.gov account for the city. So, I reached out to Hilltop Securities, our bond council who are also financial advisors, to see if they could help me get that worked out. I spoke to Gilbert Ramon who gave me a lot of good information. He offered two additional investment pools that are managed by Hilltop Securities; TexSTAR and LOGIC. Their rates are comparable to TexPool, with a one-day liquidity. Plus, he could help me purchase securities but to do either, I would have to add him to the city's approved broker list. Well, the city does not have an approved broker list because we've never had the opportunity to invest before! Gilbert said that it would be prudent for the city to have more than one approved broker, and I agreed. So, I asked him if he could help and he gave me the name of the City of Fate finance director, Raju Anthony. Mr. Anthony was most helpful. He gave me five names with five different firms, and also told me that I would need a holding bank. If we purchase securities, they will not be delivered to the city, but rather to a bank who would hold and collateralize that investment for me. He suggested BOK Financial in Dallas, who handles all of their security holdings. So I got to work calling each broker on this list. I also called City National Bank to see if they would hold the securities, as I much preferred to use a local bank. I did not hear back immediately. Then, through discussing with these brokers, I saw that our investment policy requires brokers to submit specific documentation to be approved by the city. So I began gathering that. The Investment Policy also mentions a Broker/Dealer questionnaire, which I didn't have. Robert Phillips from SAMCO provided a few samples from other cities he worked with. I got to work again and drafted a questionnaire. I also spoke to BOK Financial and they happily agreed to hold our securities if we needed. A few days later, I did hear from CNB who also said they would gladly hold our securities, but then offered CDARS and ICS, the same type of investments we had

with BTH Bank! I was so excited to see that they offered this, but disappointed that I didn't know about it from the start, because this would have saved a lot of work! Anyway, after talking to CNB, he offered a 12 month CD in CDARS at 4.25% (4.32% APY) but it would have to be new funds. I transferred \$600,000 from TexPool to open the CD, trying to get us below 50% in TexPool. When our FHLB letter of credit (collateral) expires in August, I will probably transfer all funds at CNB into ICS Money Market accounts, which are fully FDIC insured and have a one-day liquidity.

So, all I really wanted to do was purchase a few treasury bills, and I ended up with a complete broker list and many more options for the city.

While the city does have a large cash balance at the moment, we still have about \$4.4M dedicated to the wastewater treatment plant, which those monthly payments are about \$300k-\$500k per month, \$700k in ARPA funds yet to be spent, \$1.4M in MEDC that will need to be invested separately, and \$1.7M in debt service payments at the end of the year. I much prefer short-term investments and will probably split the funds between TexPool, TexSTAR and LOGIC, but may purchase additional small CD's with maturities between 6 months to 1 year. I will ladder CD's so that one will mature each month, therefore not tying up funds for extended period of time. However, having the funds sit in money market accounts only earning 0.45% per month is not a good steward of city money.

Recommendation

You have a resolution for both TexSTAR and LOGIC, and a resolution approving an authorized broker list. I recommend the council approve all resolutions.

Final Disposition

RESOLUTION NO. _____

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF MINEOLA, TEXAS APPROVING BROKERS, DEALERS, AND FINANCIAL INSTITUTIONS TO CONDUCT INVESTMENT TRANSACTIONS FOR FISCAL YEAR 2022-2023; PROVIDING AN EFFECTIVE DATE.

WHEREAS, the City’s adopted investment policy states the City Council shall, at least annually, review, revisit and adopt the list of qualified broker/dealers and financial institutions which are authorized to engage in investment transactions with the City; and

WHEREAS, the City staff, in the best interest of the City, does not contract with an investment advisor and manages the investment of City funds internally; and

WHEREAS, City staff has received and reviewed all documentation required by the adopted Fiscal Year 2022-2023 investment policy for each broker, dealer, and financial institution.

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

SECTION 1. The recitals set forth above are true and correct and are incorporated as if fully set forth herein.

SECTION 2. The City Council does hereby adopt and approve the list of qualified brokers, dealers, and financial institutions for Fiscal Year 2022-2023, and attached hereto as **Exhibit A** and incorporated herein.

SECTION 3. This Resolution shall take effect upon its passage and approval.

DULY RESOLVED AND ADOPTED by the City Council of the City of Mineola, Texas on this the **27th** day of **March**, **2023**.

CITY OF MINEOLA, TEXAS

Jayne Lankford, Mayor

ATTEST:

Cindy Karch, City Secretary

Exhibit A

Authorized Broker/Dealer/Financial Institutions/Banks/Investment Pools

BOK Financial Corporate Trust 5956 Sherry Lane Suite 900 Dallas, TX 75225	Tony Hongnoi Vice President	(972)892-9968	thongnoi@bokf.com
Cantor Fitzgerald & Co. 6410 Poplar Ave Suite 700 Memphis, TN 38119	Russel Eleazer Jr. VP Fixed Income Sales	(901)347-1703	Terry.eleazerjr@cantor.com
City National Bank 201 Connally St Sulphur Springs, TX 75482	Tyler Higginbotham Vice President	(903)885-7523	Tyler.higginbotham@bankatcnb.com
Hilltop Securities 1201 Elm Street Suite 3500 Dallas, TX 75270	Gilbert Ramon Vice President	(713)654-8606 (713)724-4178 C	gilbert.ramon@hiltopsecurities.com
SAMCO Capital Markets Inc 6805 Capital of Texas Hwy Suite 350 Austin, TX 78731	Robert Phillips Managing Director	(214)765-1408	rphillips@samcocapital.com
SouthState DuncanWilliams 6750 Poplar Avenue Suite 300 Memphis, TN 38138	Patrick Boyer Vice President	(901)260-6811	patrick.boyer@duncanwilliams.com
TexPool Participant Services 1001 Texas Avenue Suite 1400 Houston, TX 77002	Denise Hamala Unit Manager	(866)839-7665	dhamala@federatedinv.com
TexSTAR/LOGIC 1201 Elm Street Suite 3500 Dallas, TX 75270	Mary Ann Dunda Managing Director	(214)953-4086	maryann.dunda@hiltopsecurities.com