

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 Bonds
- 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