

ORDINANCE NO. 2023-02-03

AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF ALVORD, TEXAS AMENDING THE INVESTMENT POLICY IN ORDINANCE NO. 04122007; PROVIDING FOR SEVERABILITY; AND ESTABLISHING AN EFFECTIVE DATE.

WHEREAS, the Public Funds Investment Act, Chapter 2256, Government Code, provides that each local government must establish a written investment policy; and

WHEREAS, the City of Alvord desires to adopt a plan for its investment practices, to define the authority of the investment officer and to prescribe policies and procedures consistent with the Public Funds Investment Act (the "PFIA").

NOW THEREFORE, BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF ALVORD, TEXAS:

SECTION 1. The recitations above are true.

SECTION 2. WRITTEN POLICY. (A) The PFIA prescribes that the City is to adopt written rules governing its investment practices and to define the authority of the Investment Officer. The following sections address the methods, procedures, and practices which must be exercised to ensure effective and judicious fiscal management of the City's funds. This ordinance shall serve as the City's Investment Policy.

(B) 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 this ordinance, seeking to optimize interest earnings to the maximum extent possible.

(C) Effective cash management is recognized as essential to good fiscal management. Investment interest is a 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.

SECTION 3. AUTHORITY TO INVEST FUNDS. The City Council of the City may purchase, sell, and invest its funds and funds under its control in investments hereinafter authorized and in compliance with investment policies approved by the City Council and according to the standard of care set out in Section 5.

SECTION 4. CONTRACT WITH APPROVED FIRM. In the exercise of its powers, the City Council may contract with an investment management firm registered under the Investment Advisors Act of 1940 (15 U.S.C. Section 80b-1 et seq.) or with the State Securities Board to provide for the investment and management of its public funds or other funds under its control. A contract with an approved investment management firm may not be for a term longer than two (2) years, and a renewal or extension of the contract must be approved by the City Council by ordinance or resolution. The Investment Officer may use the City's employees or the services of a contractor of the City to aid the Investment Officer in the execution of his duties.

SECTION 5. STANDARD OF CARE. (A) 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 and the probable income to be derived. Investment of funds shall be governed by the following investment objectives, in order of priority:

1. Preservation and safety of principal;
2. Liquidity.
3. Public trust from prudent investment activities; and
4. Yield.

In determining whether an investment officer has exercised prudence with respect to an investment decision, the determination shall be made taking into consideration the following:

1. the investment of all funds, or funds under the entity's control, over which the officer had responsibility rather than a consideration as to the prudence of a single investment; and
2. whether the investment decision was consistent with the written investment policy of the City.

(B) 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 insure maximum cash availability and maximum earnings on short-term investment of idle cash. All investments shall be designed and managed in a manner responsive to the public trust and consistent with state and local law.

(C) **Safety.** Safety of principal is the foremost objective of the City's 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 of the issuer or backer of the investment, by:
 - Limiting investments to the safest types of investments
 - 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 issuers will be minimized.
- **Interest Rate Risk** - The City will minimize the risk that the interest earnings and the market value of investments in the portfolio will fall due to changes in general interest rates, by:
- Structuring the investment portfolio so that investments mature to meet cash requirements for ongoing operations, thereby avoiding the need to liquidate investments prior to maturity.
 - Investing operating funds primarily in certificates of deposit, shorter-term securities, money market mutual funds, or local government investment pools functioning as money market mutual funds.
 - Diversifying maturities and staggering purchase dates to minimize the impact of market movements over time.

(D) **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 investments mature concurrent with cash needs to meet anticipated demands. Short-term investment pools and money market mutual funds provide daily liquidity and may be utilized as a competitive yield alternative to fixed maturity investments.

(E) **Public Trust.** All participants in the City's investment process shall seek to act responsibly as custodians of the public trust. Investment officers shall avoid any transaction that might impair public confidence in the City's ability to govern effectively.

(F) **Yield.** The investment portfolio shall be designed with the objective of attaining a market rate of return throughout budgetary and economic cycles, considering the investment risk constraints and liquidity needs. Return on investment is of secondary importance compared to the safety and liquidity objectives described above.

SECTION 6. INVESTMENT STRATEGIES. (A) **General.** The PFIA requires the City Council to adopt a separate written investment strategy for each of the funds or group of funds under its control. The City directs that each of its accounts be governed by the following investment objectives and strategies, in order of priority:

1. Understanding of the suitability of the investment to the financial requirements of the City;
2. Preservation and safety of principal;
3. Liquidity of the funds to meet anticipated disbursements;
4. Marketability of the investment if the need arises to liquidate the investment before maturity;
5. Diversification of the investment portfolio; and
6. Yield.

(B) The City of Alvord 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. 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 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:

- (1) 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.
- (2) Investment strategies for **debt service funds** shall have as the primary objective the assurance of investment liquidity 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.
- (3) Investment strategies for **bond funds** and for **debt service 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.
- (4) Investment strategies for **construction projects or special purpose fund** will have as their primary objective to assure 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 7. SUITABLE AND AUTHORIZED INVESTMENTS. (A) Subject to any limitations otherwise imposed by applicable law, regulations, bond indentures or other agreements (including but not limited to V.T.C.A., Government Code, Chapter 2256) the City may invest funds in any of the following:

1. Obligations of the United States of America, its agencies and instrumentalities, which are guaranteed as to principal and interest by the full faith and credit of the United States of America;

2. Certificates of Deposit issued by a bank organized under Texas law, the laws of another state, or federal law, that has its main office or a branch office in Texas, or by a savings and loan association or a savings bank organized under Texas law, the laws of another state, or federal law, that has its main office or a branch office in Texas and that is guaranteed or insured by the Federal Deposit Insurance or its successor or secured by obligations in a manner and amount provided by law for deposits of the entity;
3. Fully collateralized direct repurchase agreements with a defined termination date secured by obligations of the United States or its agencies and instrumentalities. These shall be pledged to the Entity, held in the Entity's name, and deposited at the time the investment is made with the Entity or with a third party selected and approved by the Entity. Repurchase agreements must be purchased through a primary government securities dealer, as defined by the Federal Reserve, or a financial institution doing business 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. (Sweep Accounts and/or Bond Proceeds);
4. Money Market Mutual funds that are 1) registered and regulated by the Securities and Exchange Commission, 2) have a dollar weighted average stated maturity of 90 days or less, 3) rated AAA by at least one nationally recognized rating service, and 4) seek to maintain a net asset value of \$1.00 per share;
5. Local government investment pools, which 1) meet the requirements of Chapter 2256.016 of the Public Funds Investment Act, 2) are rated no lower than AAA or an equivalent rating by at least one nationally recognized rating service, 3) seek to maintain a \$ 1.00 net asset value, and 4) are authorized by resolution or ordinance by the City Council; and
6. Commercial paper that has a stated maturity of 270 days or less from the date of issuance and is rated A-1 or P-1 or an equivalent rating by at least two nationally recognized rating agencies.

All prudent measures will be taken to liquidate an investment that is downgraded to less than the required minimum rating.

The following are not authorized investments under this section:

1. Obligations whose payment represents the coupon payments on the outstanding principal balance of the underlying mortgage-backed security collateral and pays no principal;
2. Obligations whose payment represents the principal stream of cash flow from the underlying mortgage-backed security collateral and bears no interest;

3. Collateralized mortgage obligations that have a final stated maturity date of greater than 10 years;
4. Collateralized mortgage obligations the interest rate of which is determined by an index that adjusts opposite to the changes in a market index; and
5. Any instrument or security not authorized for investment under the PFIA.

(B) 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, investments may be liquidated prior to maturity for the following reasons:

- An investment with declining credit may be liquidated early to minimize loss of principal.
- Cash flow needs of the City require that the investment be liquidated.
- A security swap would improve the quality, yield, or target duration of the portfolio.

SECTION 8. COLLATERALIZATION. Consistent with the requirements of the Public Funds Collateral Act, it is the policy of the City to require full collateralization of all City funds on deposit with a depository bank, other than investments. 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 which the City has a current custodial agreement. The Investment Officer is responsible for entering into collateralization agreements with third party custodians in compliance with this Policy. The agreements are to 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 clearly marked evidence of ownership (safekeeping receipt) must be supplied to the City and retained. Collateral shall be reviewed at least monthly to assure that the market value of the pledged securities is adequate. All collateral shall be subject to inspection and audit by the City Secretary or the City's independent auditors. The City will accept as collateral the following securities:

1. Obligations of the United States or its agencies and instrumentalities;
2. Direct obligations of the state of Texas or its agencies and instrumentalities;
3. Collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States;
4. Obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized rating firm not less than A or its equivalent with a remaining maturity of ten (10) years or less;

5. A surety bond issued by an insurance company rated as to investment quality by a nationally recognized rating firm not less than A; and
6. A letter of credit issued to the City by the Federal Home Loan Bank

Securities pledged as collateral must be retained in a third party bank in the state and city shall be provided the original safekeeping receipt on each pledged security. The Investment Officer must approve release of collateral in writing prior to its removal from the safekeeping account. The financial institution(s) with which the city invests and/or maintains other deposits shall provide quarterly, and as requested by the City, a listing of the collateral pledged to the City marked to current market prices. The listing shall include at a minimum, total pledged securities itemized by:

1. Name, type and description of the securities pledged;
2. Safekeeping receipt;
3. Par Value;
4. Current Market Value; and
5. Maturity Date.

SECTION 9. INVESTMENT OFFICER. (A) The City hereby appoints the City Administrator and the City Finance Officer, each as the City's Investment Officers.

The term Investment Officer shall apply to all Investment Officers, whether one or more. The authority granted to the Investment Officer is effective until rescinded by the City, until the expiration of the officer's term of office, or the termination of the person's employment by the City, or if an investment management firm, until expiration of the contract with the City. The Investment Officer shall exercise the judgment and care, under prevailing circumstances, that a prudent person would exercise in the management of the person's own affairs; however, the City Council retains ultimate responsibility as fiduciaries of the assets of the City. Unless authorized by law, a person may not deposit, withdraw, transfer, or manage in any other manner the funds of the City.

(B) An Investment Officer of the City who has a personal business relationship with a business organization offering to engage in an investment transaction with the City shall file a statement disclosing that personal business interest. An Investment Officer who is related within the second degree of affinity or consanguinity, as determined under Chapter 573 of the Texas Government Code, to an individual seeking to sell an investment to the City shall file a statement disclosing that relationship. In addition, a statement required under this section must be filed with the Texas Ethics Commission and the governing body of the City. For purposes of this section, an Investment Officer has a personal business relationship with a business organization if:

1. the Investment Officer owns 10% or more of the voting stock or shares of the business organization or owns \$5,000 or more of the fair market value of the business organization,
2. funds received by the Investment Officer from the business organization exceed 10% of the Investment Officer's gross income for the previous year; or
3. the Investment Officer has acquired from the business organization

during the previous year investments with a book value of \$2,500 or more for the personal account of the Investment Officer.

(C) The standard of prudence to be applied by the Investment Officer shall be the "prudent person" rule. This rule states that "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." 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 officer had responsibility rather than a consideration as to the prudence of a single investment.
- Whether the investment decision was consistent with the written approved investment policy of the City.

(D) The Investment Officer, acting in accordance with written procedures and exercising due diligence, shall not be held personally responsible for a specific investment's credit risk or market price changes, provided that these deviations are reported immediately and the appropriate action is taken to control adverse developments.

SECTION 10. INVESTMENT OFFICER TRAINING. The Investment Officer shall receive at least the minimum amount of training required under the PFIA. The PFIA requires:

“the investment officer of a local government shall:

(1) attend at least one training session from an independent source approved by the governing body of the local government or a designated investment committee advising the investment officer as provided for in the investment policy of the local government and containing at least 10 hours of instruction relating to the treasurer's or officer's responsibilities under this subchapter within 12 months after taking office or assuming duties; and

(2) attend an investment training session not less than once in a two-year period that begins on the first day of that local government's fiscal year and consists of the two consecutive fiscal years after that date, and receive not less than 10 hours of instruction relating to investment responsibilities under this subchapter from an independent source approved by the governing body of the local government or a designated investment committee advising the investment officer as provided for in the investment policy of the local government.

(a-1) Except as provided by Subsection (g), the treasurer, or the chief financial officer if the treasurer is not the chief financial officer, and the investment officer of a school district or a municipality, in addition to the requirements of Subsection (a)(1), shall attend an investment training session not less than once in a two-year period that begins on the first day of the school district's or municipality's fiscal year and consists of the two consecutive fiscal years after that date, and receive not less than eight hours of instruction relating to investment responsibilities under this subchapter from an independent source approved by the governing body of the school district or municipality, or by a designated investment committee advising the investment officer as provided for in the investment policy of the school district or municipality.

(b) An investing entity created under authority of Section [52\(b\)](#), Article III, or Section [59](#), Article XVI, Texas Constitution, that has contracted with an investment management firm under Section [2256.003\(b\)](#) and has fewer than five full-time employees or an investing entity that has contracted with another investing entity to invest the entity's funds may satisfy the training requirement provided by Subsection (a)(2) by having an officer of the governing body attend four hours of appropriate instruction in a two-year period that begins on the first day of that local government's fiscal year and consists of the two consecutive fiscal years after that date. The treasurer or chief financial officer of an investing entity created under authority of Section [52\(b\)](#), Article III, or Section [59](#), Article XVI, Texas Constitution, and that has fewer than five full-time employees is not required to attend training required by this section unless the person is also the investment officer of the entity.

(c) Training under this section must include education in investment controls, security risks, strategy risks, market risks, diversification of investment portfolio, and compliance with this chapter.

(d) Not later than December 31 each year, each individual, association, business, organization, governmental entity, or other person that provides training under this section shall report to the comptroller a list of the governmental entities for which the person provided required training under this section during that calendar year. An individual's reporting requirements under this subsection are satisfied by a report of the individual's employer or the sponsoring or organizing entity of a training program or seminar.

SECTION 11. ANNUAL REVIEW OF POLICY. City Council shall review its investment policy and investment strategies not less than annually. City Council shall adopt an ordinance or resolution stating that it has reviewed the investment policy and investment strategies and that the ordinance or resolution so adopted shall record any changes made to either the investment policy or investment strategies.

SECTION 12. COMPLIANCE AUDIT. The City in conjunction with its annual audit shall perform a compliance audit of management controls on investments and adherence to the entity's established investment policies.

SECTION 13. REQUIREMENTS PRIOR TO ANY TRANSACTIONS. A written copy of the investment policy shall be presented to any person offering to engage in an investment transaction with the City or to an investment management firm under contract with the City to invest or manage the entity's investment portfolio. For this section, a business organization includes investment pools and an investment management firm under contract with the City to invest or manage the entity's investment portfolio. Nothing in this subsection relieves the City of the responsibility for monitoring the investments made by the City to determine that they are in compliance with this policy. The qualified representative of the business organization offering to engage in an investment transaction with the City shall execute a written instrument in a form similar to Exhibit A attached hereto. The Investment Officer of the City may not acquire or otherwise obtain any authorized investment described in the investment policy of the City from a person who has not delivered to the City an executed form substantially similar to Exhibit A attached hereto. The Investment Officer shall keep a list of approved depositories, which list shall be updated

from time to time.

SECTION 14. SCOPE. This Investment Policy shall govern the investment of all financial assets of the City. These funds are accounted for in the City's Comprehensive Annual Financial Report (CAFR) and include:

- General Fund
- Special Revenue Funds
- Capital Projects Funds
- Enterprise Funds
- Trust and Agency Funds, to the extent not required by law or existing contract to be kept segregated and managed separately
- Debt Service Funds, including reserves and sinking funds, to the extent not required by law or existing contract to be kept segregated and managed separately
- Any new fund created by the City, unless specifically exempted from this Policy by the City Council or by law.

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.

SECTION 15. ETHICS. 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 Officer 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.

SECTION 16. INVESTMENT PARAMETERS. (A) Maximum Maturity. 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. The City will not directly invest in securities maturing more than two (2) 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 except in the case of a flexible repurchase agreement for bond proceeds. The maximum maturity for such an investment shall be determined in accordance with project cash flow projections and the requirements of the governing bond ordinance.

The composite portfolio 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.

(B) 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 over concentration in investments from a specific issuer or business sector (excluding U.S. Treasury securities and certificates of deposit that are fully insured and collateralized in accordance with state and federal law),
- Limiting investment in investments that have higher credit risks (example: commercial paper),
- Investing in investments with varying maturities, and
- Continuously investing a portion of the portfolio in readily available funds such as local government investment pools (LGIPs), money market funds or overnight repurchase agreements to ensure that appropriate liquidity is maintained in order to meet ongoing obligations.

The following maximum limits, by instrument, are established for the City's total portfolio:

1. U.S. Treasury Securities	100%
2. Agencies and Instrumentalities	85%
3. Certificates of Deposit	100%
4. Repurchase Agreements*	20%
5. Money Market Mutual Funds	50%
6. Authorized Pools	50%

*Excluding flexible repurchase agreements for bond proceeds investments

SECTION 17. SELECTION OF BANKS AND DEALERS. (A) **Depository.** At least every 5 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 law.
- 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
- Lowest net banking service cost, consistent with the ability to provide an appropriate level of service.
- The credit worthiness and financial stability of the bank.

(B) Authorized Brokers/Dealers. The City shall, at least annually, review, revise, and adopt a list of qualified broker/dealers and financial institutions authorized to engage in securities transactions with the City. Those firms that request to become qualified bidders for securities transactions will be required to provide (1) a completed broker/dealer questionnaire that provides information regarding creditworthiness, experience and reputation, and (2) a certification stating the firm has received, read and understood the City's investment policy and agree to comply with the policy. Authorized firms may include primary dealers or regional dealers that qualify under Securities & Exchange Commission Rule 15C3-1 (Uniform Net Capital Rule), and qualified depositories. All investment providers, including financial institutions, banks, money market mutual funds, and local government investment pools, must sign a certification acknowledging that the organization has received and reviewed the City's investment policy and that reasonable procedures and controls have been implemented to preclude investment transactions that are not authorized by the City's policy.

(C) Competitive Bids. It is the policy of the City to require competitive bidding for all individual security purchases and sales except for: a) transactions with money market mutual funds and local government investment pools and b) treasury and agency securities purchased at issue through an approved broker/dealer or financial institution. The Investment Officer shall develop and maintain procedures for ensuring a competition in the investment of the City's funds.

(D) Delivery v. 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.

SECTION 18. SAFEKEEPING AND CUSTODIAN AGREEMENTS. (A) 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. Securities owned by the City shall be held in the City's name as evidenced by safekeeping receipts of the institution holding the securities.

(B) Collateral for deposits will be held by a third party custodian designated by the City and pledged to the City as evidenced by safekeeping receipts of the institution with which the collateral is deposited. Original safekeeping receipts shall be obtained. Collateral may be held by the depository bank's trust department, a Federal Reserve bank or branch of a Federal Reserve bank, a Federal Home Loan Bank, or a third party bank approved by the City.

SECTION 19. PERFORMANCE. (A) **Performance Standards.** The City's investment portfolio will be managed in accordance with the parameters specified within this ordinance. 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.

(B) **Performance Benchmarks.** It is the policy of the City to purchase investments with maturity dates coinciding with cash flow needs. Through this strategy, the City shall seek to optimize interest earnings utilizing 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. The City's portfolio shall be designed with the objective of regularly meeting or exceeding the average rate of return on U.S. Treasury Bills at a maturity level comparable to the City's weighted average maturity in days.

SECTION 20. REPORTING. (A) Methods. The Investment Officer shall prepare, at the City Council's direction, 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 principals. This summary will be prepared in a manner that 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 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 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 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 that 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.

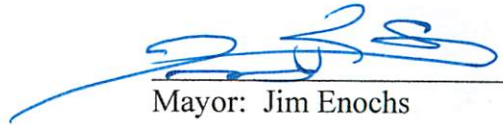
An independent auditor will perform a formal annual review of the quarterly reports with the results reported to the governing body.

(B) Monitoring Market Value. Market value of all securities in the portfolio will be determined on a quarterly basis. These values will be obtained from a reputable and independent source and disclosed to the City Council quarterly in a written report.


SECTION 21. SEVERABILITY. It is hereby declared that the sections, paragraphs, sentences, clauses, and phrases of this ordinance are severable and, if any phrase, clause, sentence, paragraph, or section of this ordinance shall be declared unconstitutional or invalid by the valid judgment or decree of any court of competent jurisdiction, such unconstitutionality or invalidity shall not affect any of the remaining phrases, clauses, sentences, paragraphs, or sections of this ordinance, because the same would have been enacted by the City Council without the incorporation of any such unconstitutional phrase, clause, sentence, paragraph, or section.

SECTION 22. REPEALER. All ordinances and parts thereof in conflict herewith are hereby expressly repealed insofar as they conflict herewith. This ordinance repeals and replaces Ordinance No. **04122007**.


SECTION 23. This ordinance shall take effect immediately after passage hereof. Passed and approved this 16th day of February, 2023.

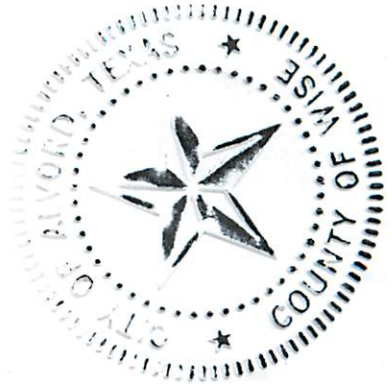

Mayor: Jim Enochs

Attest:


Pam Gregg, City Secretary

Approved as to form:

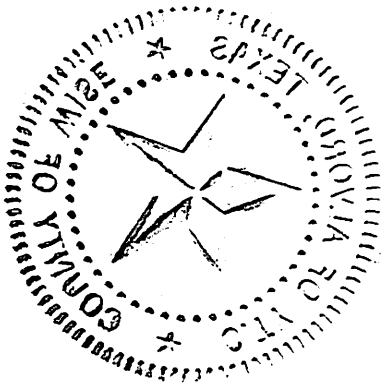

James E. Shepherd, City Attorney



San Antonio, Texas, July 1, 1917. (Circular stamp: TEXAS, JULY 1, 1917)

Dear Mr. [Name]:

[Faint handwritten text]



[Handwritten signature]

Very respectfully,

[Handwritten signature]

Yours truly,

EXHIBIT A

CITY OF ALVORD, TEXAS

Financial Intermediary Certification

As required by Texas Government Code 2256.00S(k)

I, as the authorized representative for the firm City of Alvord
do hereby certify that I have received and reviewed the Investment Policy for the City of Alvord,
Texas.

We acknowledge that this firm has implemented reasonable internal procedures and controls in an effort to preclude investment transactions conducted between this firm and the City of Alvord that are not authorized by the City of Alvord's Investment Policy, except to the extent that this authorization is dependent on an analysis of the makeup of the City of Alvord's entire portfolio or requires an interpretation of subjective investment standards.

Signature: Troy R. Gregg
Name: Troy R. Gregg
Title: City Administrator
Firm Name: City of Alvord
Date: 2/16/23