

# ORDINANCE NO: 1418

AN ORDINANCE BY THE CITY COUNCIL OF THE CITY OF CIBOLO, TEXAS AMENDING THE INVESTMENT POLICY OF THE CITY OF CIBOLO; APPOINTING THE CITY'S INVESTMENT OFFICERS; PROVIDING THAT THIS ORDINANCE SHALL BE CUMULATIVE OF ALL OTHER ORDINANCES; PROVIDING FOR A SEVERABILITY CLAUSE; AND PROVIDING FOR AN EFFECTIVE DATE.

WHEREAS, Chapter 2256 of the Texas Government Code, commonly known as the "Public Funds Investment Act" requires the City to adopt a written investment policy by rule, order, ordinance or resolution annually; and

WHEREAS, the Public Funds Investment Act requires changes made to the Policy be recorded; and

**WHEREAS,** the Public Funds Investment Act requires the City to designate by rule, order, ordinance, or resolution, one or more officers or employees as investment officers responsible for the investment of funds consistent with the adopted written investment policy; and

**WHEREAS**, the City of Cibolo Investment Policy also includes the Cibolo Economic Development Corporation (CEDC) to allow for the prudent investment of the CEDC's funds, as authorized by the Cibolo City Council and the Cibolo Economic Development Corporation Board of Directors; and

WHEREAS, Ordinance 1387 adopted an investment policy for the City of Cibolo in December 2022; and

**WHEREAS**, the attached Investment Policy and incorporated revisions comply with the Public Funds Investment Act, and authorize the investment of funds in safe and prudent investments.

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

# SECTION 1

The Investment Policy herein attached as Exhibit "A" to this Ordinance is compliant with the following requirement of the Public Funds Investment Act. The Investment Policy notes the following changes from the prior year:

- V. Prudence updated the language to match the PFIA wording.
- VII. Authorized Investments updated the wording to include "no-load".
- IX. Selection of Qualifying Institutions-Depository updated the Code 105.017 legal reference to include "Local".
- X. Collateral, Safekeeping & Custody-Time & Demand Pledged Collateral updated the language to clarify the amounts and values required for pledged securities, as well as added specific language for letters of credit pledged as collateral. Also, made the bullet

points regarding perfected collateral consistent, changing "has to" to "must" on the second bullet.

• XI. Investment Policy Adoption – updated the language to indicate that the policy would be adopted by Ordinance of the City Council and Resolution of the EDC.

# **SECTION 2**

The City Manager, Assistant City Manager, Finance Director and Accounting Manager are hereby named as investment officers of the City to be responsible for the investment of its funds consistent with the Investment Policy.

# SECTION 3 CUMULATIVE CLAUSE

That this Ordinance shall be cumulative of all other ordinances of the City of Cibolo, Texas, except where the provisions of this Ordinance are in direct conflict with the provisions of such other ordinances, in which event the conflicting provisions of such ordinances are hereby repealed.

# SECTION 4 SEVERABILITY

That it is hereby declared to be the intention of the City Council of the City of Cibolo that the phrases, clauses, sentences, paragraphs, and sections of this Ordinance are severable, and if any phrase, clause, sentence, paragraph or section of this Ordinance should be declared unconstitutional by the valid judgment or decree of any court of competent jurisdiction, such unconstitutionality shall not affect any of the remaining phrases, clauses, sentences, paragraphs or sections of the Ordinances, since the same would have been enacted by the City Council without incorporation in this ordinance of any such unconstitutional phrases, clause, sentence, paragraph or section.

## SECTION 5 EFFECTIVE DATE

This Ordinance shall take effect immediately.

# PASSED, APPROVED AND ADOPTED THIS 14th DAY OF NOVEMBER 2023.

	Mark Allen Mayor	
ATTEST: Leggy mi		
Peggy Cimics, TRMC City Secretary		

# EXHIBIT A

## CITY OF CIBOLO AND CIBOLO ECONOMIC DEVELOPMENT CORPORATION

## INVESTMENT POLICY

## I. INTRODUCTION

The purpose of this document is to set forth specific investment policy and strategy guidelines for the City of Cibolo (the "City") and the Cibolo Economic Development Corporation (the "EDC") in order to achieve their desired investment goals. In accordance with state statute, the City Council and Board of Directors of the EDC ("the Board") shall review its investment strategies and policy not less than annually. This Policy satisfies the statutory requirement of Texas Government Code Chapter 2256, the Public Funds Investment Act (the "Act").

Throughout this Investment Policy, the City and EDC shall be collectively referred to as the "Entity".

## II. SCOPE

This Investment Policy applies to all financial assets of the Entity. The funds are accounted for in the Entity's Annual Comprehensive Financial Report and include (but are not limited to):

- General Fund
- Special Revenue Funds
- Debt Service Funds
- Capital Projects Funds
- Enterprise Funds
- Economic Development Funds

When advantageous, the Entity will consolidate cash balances to optimize investment strategy implementation. Investment income will be allocated to the consolidated funds based on their respective participation in the consolidated balances and in accordance with generally accepted accounting principles.

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 Entity by outside agencies under pension plans or deferred compensation programs.

# III. INVESTMENT OBJECTIVES, STRATEGY AND MAXIMUM MATURITY

## **Objectives**

It is the policy of the Entity that all funds shall be managed and invested in conformance with State and Federal Regulations, applicable bond covenants and ordinances, and this adopted Investment Policy. The Entity shall manage and invest available funds with these primary objectives:

- Preservation and safety of principal;
- Maintenance of adequate liquidity;
- Promotion of public trust; and
- Attainment of risk-appropriate yield.

### **Investment Strategy and Maximum Maturity**

The Entity shall maintain a proactive cash management program which includes timely collection of accounts receivable, vendor payments in accordance with invoice terms, and prudent investment of assets. Cash management is the process of managing monies in order to ensure maximum cash availability and reasonable yield on short-term investments.

The Entity may maintain one commingled portfolio for investment purposes which incorporates the specific investment strategy considerations and the unique characteristics of the fund groups represented in the portfolio:

#### A. Operating Funds

This fund group includes the total of cash and investments for current operations plus all required operating reserves for the following fund types: general fund, enterprise funds, and special revenue funds.

- <u>Suitability</u> Any investment eligible in the Investment Policy is suitable for Operating Funds.
- <u>Safety of Principal</u> All investments shall be of high quality with no perceived default risk. Market price fluctuations may occur. However, by managing the weighted average days to maturity for the Operating Funds to 270 days or less and restricting the maximum allowable maturity to two years, the price volatility of the overall portfolio will be minimized.
- Liquidity The short-term Operating Funds require the greatest short-term liquidity of any of the Fund types. Cash equivalent investments will provide daily liquidity and may be utilized as a competitive yield alternative to fixed maturity investments.
- <u>Marketability</u> Securities with active and efficient secondary markets are necessary in the event of an unanticipated cash flow requirement.
- <u>Diversification</u> Investment maturities should be staggered throughout the budget cycle to provide cash flow based on the anticipated operating needs of the Entity. Market cycle risk will be reduced by diversifying the appropriate maturity structure out through two years.
- <u>Yield</u> Attaining a competitive market yield for comparable investment types and portfolio restrictions is the desired objective. The yield of an equally weighted, rolling three-month Treasury bill portfolio will be the minimum yield objective.
- B. Debt Service Funds
  - <u>Suitability</u> -- Any investment eligible in the Investment Policy is suitable for the Debt Service Funds.
  - <u>Safety of Principal</u> All investments shall be of high quality with no perceived default risk. Market price fluctuations may occur. However, by managing Debt Service Funds to not exceed the debt service payment schedule, the market risk of the overall portfolio will be minimized.

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Liquidity – Debt Service Funds have predictable payment schedules. Therefore, investment maturities should not exceed the anticipated cash flow requirements. Cash equivalent investments may provide a competitive yield alternative for short term fixed maturity investments. A singular repurchase agreement may be utilized if disbursements are allowed in the amount necessary to satisfy any debt service payment. This investment structure is commonly referred to as a flexible repurchase agreement.

- <u>Marketability</u> Securities with active and efficient secondary markets are not necessary as the event of an unanticipated cash flow requirement is not probable.
- Diversification Market conditions influence the attractiveness of fully extending maturity to the next "unfunded" payment date. Generally, if investment rates are anticipated to decrease over time, the Entity is best served by locking in most investments. If the interest rates are potentially rising, then investing in shorter and larger amounts may provide advantage. At no time shall the debt service schedule be exceeded in an attempt to bolster yield.
- <u>Yield</u> -- Attaining a competitive market yield for comparable investment types and portfolio restrictions is the desired objective. The yield of an equally weighted, rolling three-month Treasury bill portfolio shall be the minimum yield objective.
- C. Debt Service Reserve Funds
  - <u>Suitability</u> Any investment eligible in the Investment Policy is suitable for Debt Service Reserve Funds. Bond resolution and loan documentation constraints and insurance company restrictions may create specific considerations in addition to the Investment Policy.
  - Safety of Principal All Investments shall be of high quality with no perceived default risk. Market price fluctuations may occur. However, managing Debt Service Reserve Fund maturities to not exceed the call provisions of the borrowing reduces the investment's market risk if the Entity's debt is redeemed and the Reserve Fund liquidated. No stated final investment maturity shall exceed the shorter of the final maturity of the borrowing or five years. Annual mark-to-market requirements or specific maturity and average life limitations within the borrowing's documentation will influence the attractiveness of market risk and reduce the opportunity for maturity extension.
  - Liquidity Debt Service Reserve Funds have no anticipated expenditures. The funds are deposited to provide annual debt service payment protection to the Entity's debt holders. The funds are "returned" to the Entity at the final debt service payment. Market conditions and arbitrage regulation compliance determine the advantage of investment diversification and liquidity. Generally, if investment rates exceed the cost of borrowing, the Entity is best served by locking in investment maturities and reducing liquidity. If the borrowing cost cannot be exceeded, then concurrent market conditions will determine the attractiveness of locking in maturities or investing shorter and anticipating future increased yields.
  - <u>Marketability</u> Securities with less active and efficient secondary markets are acceptable for Debt Service Reserve Funds.
  - <u>Diversification</u> Market conditions and the arbitrage regulations influence the attractiveness
    of staggering the maturity of fixed rate investments for Debt Service Reserve Funds. At no
    time shall the final debt service payment date of the bond issue be exceeded in an attempt
    to bolster yield.
  - <u>Yield</u> Achieving a positive spread to the applicable borrowing cost is the desired objective. Debt Service Reserve Fund portfolio management shall at all times operate within the limits of the Investment Policy's risk constraints.

- D. Bond Proceeds and Capital Projects Funds
  - <u>Suitability</u> Any investment eligible in the Investment Policy is suitable for the Bond Proceeds and Capital Projects Funds.
  - Safety of Principal All investments will be of high quality with no perceived default risk. Market fluctuations may occur. However, by restricting the maximum maturity to three years and by managing the Bond Proceeds and Capital Projects Funds to balance the short term and long term anticipated cash flow requirements, the market risk of the portfolio will be minimized.
  - <u>Liquidity</u> Selecting investment maturities that provide greater cash flow than the anticipated needs and maintaining appropriate cash-equivalent balances will reduce the liquidity risk of unanticipated expenditures.
  - <u>Marketability</u> The balancing of short-term and long-term cash flow needs requires the short-term portion of the Bond Proceeds and Capital Projects Funds to have securities with active and efficient secondary markets.
  - <u>Diversification</u> Investment maturities should blend the short-term and long-term cash flow needs to provide adequate liquidity, yield enhancement, and stability.
  - Yield Attaining a competitive market yield for comparable investment types and portfolio structures is the desired objective, however this portfolio maintains an investment strategy to comply with any applicable arbitrage or yield restriction regulations.

#### E. Economic Development Funds

These funds are designated for economic development projects.

- <u>Suitability</u> Any investment eligible in the Investment Policy is suitable for Economic Development Funds.
- <u>Safety of Principal</u> All investments will be of high quality with no perceived default risk. Market fluctuations may occur. However, by managing the weighted average days to maturity for the Economic Development Funds to 365 days or less and restricting the maximum allowable maturity to two years, the price volatility of the overall portfolio will be minimized. This will help provide a balance of the short-term and long-term anticipated cash flow requirements.
- <u>Liquidity</u> Cash equivalent investments will provide daily liquidity and may be utilized as a competitive yield alternative to fixed maturity investments.
- <u>Marketability</u> Securities with active and efficient secondary markets are necessary in the event of an unanticipated cash flow requirement.
- Diversification Investment maturities should be staggered throughout the budget cycle to provide cash flow based on the anticipated operating needs of the Entity. Market cycle risk will be reduced by diversifying the appropriate maturity structure out through two years.
- <u>Yield</u> Attaining a competitive market yield for comparable investment types and portfolio restrictions is the desired objective. The yield of an equally weighted, rolling three-month Treasury bill portfolio will be the minimum yield objective.

The Entity shall pursue a proactive investment portfolio management strategy. Securities may be sold before they mature if market conditions present an opportunity for the Entity to benefit from the trade, but the strategy will be primarily buy-and-hold. The Investment Officers will monitor the contents of the portfolio, the available markets, and the relative value of competing instruments to adjust the portfolio in response to market conditions.

#### IV. RESPONSIBILITY AND CONTROL

#### **Delegation of Authority and Training**

Authority to manage the Entity's investment program is derived from adoption of this Investment Policy. The City Manager, Assistant City Manager, Finance Director, and Accounting Manager are designated as Investment Officers of the Entity. The Investment Officers are authorized to give written and oral Instructions to place orders for the purchase of investments. No other person may deposit, withdraw, invest, transfer, or otherwise manage Entity funds eligible for investment. The Finance Director is responsible for day-to-day investment decisions and activities. The Finance Director shall establish procedures for the operation of the investment program, consistent with this Investment Policy.

The Officer will monitor on no less than a monthly basis, the FDIC or collateralized status of any bank deposit owned by the Entity. If a merger or acquisition of the bank has placed the Entity in a position which is not insured by the FDIC or collateralized, the Investment Officer will prudently redeem the deposit.

In order to ensure qualified and capable investment management, each Investment Officer shall attend at least one training session, from an approved independent training source, containing at least 10 hours of instruction relating to the Officer's responsibility under the PFIA within 12 months after assuming duties. Thereafter, each investment Officer shall additionally attend at least one training session, from an approved independent training source, containing at least 10 hours of independent training source, containing at least 8 hours of instruction relating to the Officer's responsibility under the PFIA not less than once in a two-year period. The two-year period shall begin on the first day of the Entity's fiscal year and consist of the two consecutive fiscal years after that date.

For purposes of this Policy, an "independent source" from which investment training shall be obtained shall include a professional organization, an institution of higher education or any other sponsor authorized to issue PFIA training certification. A list of independent training sources is included in Appendix A. The training must include education in investment controls, security risks, strategy risks, market risks, diversification of an investment portfolio, and compliance with PFIA.

#### Investment Advisor

The governing body of the Entity may contract with an investment management firm, registered under the Investment Advisor's Act of 1940 (15 U.S.C. Section 80b-1 et seq.), to provide for the investment and management of the funds of the Entity. The original contract will be for a term no longer than two (2) years. Renewal or extension of the contract must be by resolution of the governing body of the Entity.

### Internal Controls

The Finance Director is responsible for establishing and maintaining an internal control structure designed to reasonably assure that assets are protected from loss, theft, or misuse. 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 ongoing estimates and judgments by management.

The internal controls shall address the following points:

- Avoidance of collusion.
- Separation of transaction authority from accounting and record keeping.
- Independent security safekeeping and collateral custody.
- Clear delegation of authority to subordinate staff members.
- Written confirmation for all transactions.

## V. PRUDENCE

The standard of care to be applied to all Entity investments shall be the "prudent person" rule, which states:

"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 their capital and as well as the probable income to be derived."

In determining whether an Investment Officer has exercised produce with respect to an investment decision, the determination shall be made taking into consideration the investment of all funds under the Entity's control, over which the Officer has responsibility rather than a consideration as to the produce of a single investment and whether the investment decision was consistent with the written investment Policy.

The Investment Officer, acting in accordance with written procedures and exercising due diligence, shall not be held personally liable for a specific investment's credit risk or market price changes, provided that these deviations are reported in a timely manner to the City Manager, the City Council and/or Board and that appropriate action is taken to control adverse developments.

#### VI. ETHICS AND CONFLICTS OF INTEREST

Investment Officers shall refrain from personal or business activity that could conflict with proper execution of the investment program, or which could impair the ability to make impartial investment decisions. Entity staff shall disclose to the City Manager any conflict with or personal and business financial interests in financial institutions that conduct investment business with the Entity. They shall further disclose positions that could be related to the performance of the Entity's portfolio. Investment Officers shall subordinate their personal financial transactions to those of the Entity, particularly with regard to timing of purchases and sales.

An Investment Officer who has a personal business relationship with an organization seeking to sell an investment to the Entity shall file a statement disclosing that personal business interest. An Investment Officer who is related within the second degree by affinity or consanguinity to an individual seeking to sell an investment to the Entity shall file a statement disclosing that relationship. A statement required under this subsection must be filed with the Texas Ethics Commission and the governing bodies of the Entity.

## VII. AUTHORIZED INVESTMENTS

Assets of the Entity may be invested only in the following instruments as further defined by the Act. If changes are made by the Act, they are not authorized until this Policy is modified and adopted by the City Council. All securities transactions will be made on a delivery-versus-payment basis and all owned securities will be safekept by the Entity's safekeeping agent or approved depository and those held as collateral will be held by the Entity's custodian.

- A. Obligations, including letters of credit, of the United States or its agencies and instrumentalities.
- B. Direct obligations of this state or its agencies and instrumentalities.
- C. Other obligations, the principal and interest of which are unconditionally guaranteed or insured by, or backed by the full faith and credit of, this state or the United States or their respective agencies and instrumentalities, including obligations that are fully guaranteed or insured by the FDIC or by the explicit full faith and credit of the United States.
- D. Obligations of any state or political subdivisions of a state rated A or better by a nationally recognized credit rating agency, not to exceed two years to maturity.
- E. Interest-bearing banking deposits that are guaranteed or insured by the Federal Deposit Insurance Corporation or its successor; or the National Credit Union Share Insurance Fund or its successor.
- F. Certificates of deposit, and other forms of deposit, issued by a depository institution that has its main office or branch office in Texas which meets the requirements of the PFIA and is guaranteed or insured by the FDIC, or its successor or the National Credit Union Share Insurance Fund or its successor or collateralized as defined by this Policy.
- G. Brokered Certificates of Deposit, and other forms of deposit, issued by one or more federally insured depository institutions, wherever located, provided that the funds are invested through a broker or depository institution that has its main office or branch office in Texas, is selected from a list of authorized brokers, and deposited for the account of the Entity. The full amount of the principal and accrued interest of each deposit is insured by the United States or an instrumentality of the United States.
- H. AAA-rated, constant dollar Local Government Investment Pools as defined by the Act and authorized by the City Council and Board of Directors.
- 1. <u>SEC registered</u>, <u>no-load</u> money market mutual funds that comply with the requirements of State law and seek to maintain a stable net asset value or \$1.0000.

The Entity's authorized investment options are more restrictive than those allowed by State law. State law specially prohibits investment in the following investment securities:

- A. Obligations whose payment represents the coupon payments on the outstanding principal balance of the underlying mortgage-backed security collateral and pays no principal.
- B. Obligations whose payment represents the principal stream of cash flow from the underlying mortgage-backed security collateral and bears no interest.
- C. Collateralized mortgage obligations that have a stated final maturity date of greater than 10 years.
- D. Collateralized mortgage obligations the interest rate of which is determined by an index that adjusts opposite to the changes in a market index.

#### **Delivery versus Payment**

All securities shall be purchased on a delivery versus payment (DVP) settlement basis. Funds shall not be released until receipt of the security by the Entity's approved safekeeping agent. The security shall be held in the name of the Entity or held on behalf of the Entity. The safekeeping agent's records shall assure the notation of the Entity's ownership of or explicit claim on the securities and shall provide the Entity proof of possession with an original safekeeping receipt/report delivered directly to the Entity.

#### Competitive Environment

The Entity requires a competitive environment for all individual security purchases and sales, financial institution time deposit and transaction accounts, and money market mutual fund and local government investment pool selections. The Finance Director shall develop and maintain procedures for ensuring a competitive environment in the investment of the Entity's funds.

#### VIII. QUARTERLY REPORTING

The Finance Director shall submit a written investment report to Council and the Board at least quarterly and in a timely manner. The reports shall detail positions and all investments. It may include strategies employed in the most recent quarter and describe maturities, risk characteristics, and investment performance against the Policy benchmark. Weighted average yield to maturity will be the Entity's performance measurement standard. The report must:

- Describe in detail the investment position of the Entity on the date of the report;
- Be prepared jointly by all Investment Officers;
- Be signed by each Investment Officer;
- Contain a summary statement of each pooled fund group that states the:
  - a. Beginning market value for the reporting period;
  - b. Ending market value for the period; and
  - c. Fully accrued interest for the reporting period.
- State the book value and market value of each separately invested asset at the beginning and end
  of the reporting period by the type of asset and fund type invested;
- State the maturity date of each separately invested asset that has a maturity date;
- State the account or fund or pooled group fund in the Entity for which each individual investment was acquired;
- State the compliance of the investment portfolio of the Entity as it relates to:
  - a. The investment strategy expressed in the Entity's Investment Policy; and
  - b. Relevant provisions of the PFIA; and
  - b. State the rate of return on the investment portfolio.

In conjunction with the quarterly investment reporting, the Investment Officer will obtain and verify market prices and issuer ratings from reliable, independent sources.

# Compliance Audits

The Entity, in conjunction with its annual financial audit, will require the audit firm to conduct a compliance audit of the management controls on investments and adherence to investment policies. Also, in conjunction with the annual audit, the quarterly reports shall be formally reviewed and the result of the review shall be reported to the Council and Board by that auditor. Said results may be included in the annual audit report.

# Effect of Loss of Authorization or Rating

The Entity is not required to liquidate investments that were authorized investments at the time of purchase but no longer meet one or more requirements of this Policy. An investment that requires a minimum credit rating does not qualify as an authorized investment if, during the period, the investment does not have the minimum required rating. The Entity shall take all prudent measures that are consistent with this Investment Policy to liquidate an investment that does not have the minimum rating.

# IX. SELECTION OF QUALIFYING INSTITUTIONS

# **Depository**

At least every five years, a Primary Depository shall be selected through a formal request for application (RFA) process in accordance with Texas Local Government Code 105.017. In selecting a primary depository, the services, cost of services, credit worthiness, earnings potential, and collateralization by the institutions shall be considered. It is the policy of the Entity to permit selection of a depository outside municipal boundaries.

The selection of a primary depository will be determined by evaluation of the "most advantageous" criteria during the RFA process, and may include 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 the minimum required items in the banking RFA,
- P Complete response to all required items on the RFA form, and
- Competitive net banking service cost, consistent with the ability to provide an appropriate level of service.

# **Broker/Dealers**

A list of qualified broker/dealers will be reviewed, revised, and adopted at least annually by the City Council to engage in securities transactions with the Entity. No broker/dealer may be used if not on the approved list.

# **Investment Policy Certification**

All local government investment pools and discretionary investment management firms must acknowledge, in writing, that the organization has received and reviewed the Entity's Investment Policy and that reasonable procedures and controls have been implemented to preclude investment transactions that are not authorized by the Entity's Policy and in accordance with the PFIA.

### X. COLLATERAL, SAFEKEEPING AND CUSTODY

#### Time and Demand Pledged Collateral

All Entity demand and time deposits shall be secured above FDIC coverage by pledged collateral. In order to anticipate market changes and provide a level of security for all funds, <u>the market value of securities pledged</u> <u>as</u> collateral will be maintained and monitored by the depository at 102% of <u>market value of the</u> principal and accrued interest on the deposits less the applicable level of FDIC insurance. It is the responsibility of the depository to monitor collateral margins at all times. Letters of credit shall be equal to or greater than 100% of the principal and anticipated interest of the deposits less the applicable level of FDIC insurance.

Collateral pledged to secure deposits of the Entity shall be held by a third-party custodian outside the holding company of the depository in accordance with a custodial agreement signed by authorized representatives of the Entity, the Depository, and the custodian (as appropriate). The City shall approve all third-party custodians for the holding of securities pledged to the City as collateral to secure financial institution deposits. A pledge receipt shall be issued to the Entity listing the specific investment, rate, maturity, and other pertinent information. The Entity shall receive a complete, monthly listing of collateral directly to the Entity.

Financial institutions serving as Entity Depositories will be required to sign a depository agreement with the Entity. The collateralized deposit portion of the agreement shall define the Entity's rights to the collateral in case of default, bankruptcy, or closing, and shall establish a perfected security interest in compliance with Federal and State regulations, including:

- The agreement must be in writing;
- The agreement <u>must has to be executed by the Depository and Entity contemporaneously with the</u> acquisition of the asset;
- The agreement must be approved by the Board of Directors or designated committee of the Depository and a copy of the meeting minutes must be delivered to the Entity; and
- The agreement must be part of the Depository's "official record" continuously since its execution.

All collateral shall be subject to inspection and audit by the Finance Director or the Entity's independent auditors.

#### Authorized Collateral

The Entity shall accept all forms of collateral eligible within the Public Funds Collateral Act. The Entity reserves the right, in its sole discretion, to accept or reject any form of insurance or collateralization pledged towards financial institution deposits.

#### Safekeeping Agreements

The City shall contract with a bank or banks for the safekeeping of securities owned by the City as part of its investment portfolio. Securities owned by the City shall be held in the City's account as evidenced by safekeeping receipts of the institution holding the securities.

#### XI. INVESTMENT POLICY ADOPTION

The Entity Investment Policy shall be reviewed and adopted by <u>ordinance</u>/resolution of the City Council and the EDC Board no less than annually, whether or not any changes are to be made. The <u>ordinance</u>/resolution shall include a description of all changes made to the policy.

## APPENDIX A

# INDEPENDENT TRAINING SOURCES

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Government Finance Officers Association Government Finance Officers Association of Texas Government Treasurers' Organization of Texas International City/County Management Association Texas Municipal League Council of Governments University of North Texas Center for Public Management American Institute of Certified Public Accountants

## APPENDIX B

# QUALIFIED BROKER/DEALER LIST

The authorized broker/dealer list for the Entity is shown below. Each of these firms, and the individual covering the account, are sent the current Investment Policy:

Cantor Fltzgerald & Company FHN Financial Hilltop Securities Multi-Bank Securities, Inc. (MBS) Wells Fargo Securities

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Government Treasurers' Organization of Texas Certification of Investment Policy

Presented to the

City of Cibolo

for developing an investment policy that meets the requirements of the Public Funds Investment Act and the standards for prudent public investing established by the Government Treasurers' Organization of Texas.

Heather Harlbert

Government Treasurers' Organization of Texas President

Investment Policy Review Committee

For the two-year period ending April 30, 2025