

EXHIBIT A

**CITY OF ALLEN, TEXAS**

**INVESTMENT POLICY**

**October 12, 2021**

## **PURPOSE**

The purpose of this document is to set forth specific investment policy and strategy guidelines for the City of Allen in order to achieve the goals of safety, liquidity, yield and public trust for all investment activity. This policy serves to satisfy the statutory requirement (specifically the Public Funds Investment Act (PFIA), Chapter 2256, Texas Government Code, as amended, [the "Act"]) to define, adopt and review a formal investment strategy and policy. Additionally, this policy excludes the investment of public funds that are invested by a trustee pursuant to Chapter 172 of the Texas Local Government Code, and Chapter 113 and Chapter 117 of the Texas Trust Code, for the City's retiree healthcare benefits program. Such funds are invested pursuant to a separate Investment Guidelines Document as part of a Post-Retirement Health Care Plan Trust.

## **INVESTMENT STRATEGY**

The City of Allen maintains portfolios which utilize four specific investment strategy considerations designed to address the unique characteristics of the fund groups represented in the portfolios. Preservation and safety of principal shall be the foremost investment objective in each of the portfolios. Liquidity is the second objective. Its importance to each fund group is emphasized in the following paragraphs. Yield and diversification shall also be a consideration and shall be in compliance with the guidelines set forth in the Investment Policy.

- A. 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 which will experience minimal volatility during economic cycles. This may be accomplished by purchasing high quality, short-to-medium term securities which will complement each other in a ladder or barbell maturity structure.
- B. Investment strategies for debt service funds shall have as the primary objective the assurance of investment liquidity adequate to cover the debt service obligation on the required payment date. If the annual debt service obligation is covered, then securities may be purchased that have a stated final maturity date which exceeds the debt service payment date.
- C. Investment strategies for reserve funds shall have as the primary objective the ability to generate a dependable revenue stream to the appropriate fund from securities with a low to moderate degree of volatility. Securities should be of high quality and, except as may be required by any bond ordinance specific to an individual issue, of intermediate to longer-term maturities.
- D. Investment strategies for special projects or special purpose fund portfolios shall 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.

## **INVESTMENT POLICY**

### **I. SCOPE**

This investment policy applies to all financial assets of the City of Allen including component units reported as follows:

- General Fund
- Enterprise Funds
- Debt Service Funds
- Special Revenue Funds
- Capital Projects Funds
- Internal Service Fund
- Trust and Agency Funds
- Economic Development Corporation
- Community Development Corporation

Funds that are invested by a trustee pursuant to Chapter 172 of the Texas Local Government Code, and Chapter 113 and Chapter 117 of the Texas Trust Code, for the City's retiree healthcare benefits program are excluded from this policy.

### **II. OBJECTIVES**

The City of Allen shall manage and invest its cash with the four objectives listed in priority order: Safety; Liquidity; Yield and Public Trust. Safety of principal invested is always the primary objective. All investments shall be designed and managed in a manner responsive to the public trust and consistent with State and Local law.

#### **SAFETY**

The primary objective of the City's investment activity is preservation of capital. Each investment transaction shall be conducted in a manner to avoid capital losses.

#### **LIQUIDITY**

The City's investment portfolio shall remain sufficiently liquid to enable the City to meet operating requirements that may be reasonably anticipated. To the extent possible, the City 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 five years from the date of purchase.

## YIELD

The investment portfolio shall be designed with the objective of regularly exceeding the average rate of return on a six-month U.S. Treasury Bill. The City's investment risk constraints and cash flow needs shall be taken into consideration.

## PUBLIC TRUST

All participants in the City's investment process shall seek to act responsibly as custodians of the public trust. Investment officials shall avoid any transaction which might impair public confidence in the City's ability to govern effectively.

# **III. RESPONSIBILITY AND CONTROL**

## DELEGATION OF AUTHORITY AND TRAINING

Authority to manage the City's investment program is derived from a resolution of the City Council. The Chief Financial Officer (CFO) is designated as the primary investment officer of the City. The Assistant Chief Financial Officer is designated as secondary investment officer in the absence of the CFO. The CFO may delegate the day-to-day activities to a responsible individual(s) who has received the appropriate training required by state statute. The CFO shall be responsible for all transactions undertaken and shall establish a system of controls and compliance audit to regulate the activities of subordinate officials and persons authorized to execute investment transactions.

The investment officers and persons authorized to execute investment transactions shall attend training sessions of at least 10 hours in compliance with Section 2256.008 of the Act within 12 months after taking office or assuming duties and at least 8 hours every two years thereafter.

## SAFEKEEPING AND CUSTODY

The CFO shall establish written procedures for the operation of the investment program, consistent with this investment policy. Procedures shall include reference to safekeeping and reporting of the portfolio market value for securities held in safekeeping, banking service contracts and collateral. Securities and collateral will be held by a third-party custodian designated by the City or by the Federal Reserve Bank and held in the City's name as evidenced by safekeeping receipts of the institution with which the securities are deposited. The market value of the securities and collateral shall be reported at least monthly by the custodians. Any substitutions and/or releases of collateral must be approved by the CFO or another person qualified to execute investment transactions designated by the CFO. All collateral must have a market value of 103% of the original purchase price of the investment (less FDIC or NCUSIF insurance) plus accrued interest.

## PRUDENT INVESTOR RULE

The standard of prudence to be applied by the investment officer shall be the "prudent investor" rule which states: "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:

- A. 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
- B. whether the investment decision was consistent with the written investment policy of the entity.

All participants in the investment program will seek to act responsibly as custodians of the public trust. Investment staff will avoid any transaction that might impair public confidence in the City's ability to govern effectively. Investment staff shall recognize that the investment portfolio is subject to public review and evaluation. The overall program shall be designed and managed with a degree of professionalism which is worthy of the public trust. Nevertheless, the City recognizes that in a marketable, diversified portfolio, occasional measured losses are inevitable and must be considered within the context of the overall portfolio's investment rate of return.

## ETHICS AND CONFLICTS OF INTEREST

City staff 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 the ability to make impartial investment decisions. An investment officer of the City who has a personal business relationship and/or a relationship by blood or marriage within the second degree, as defined in the PFIA Section 2256.005, with a financial organization seeking to sell an investment to the City, shall file a disclosure statement with the Texas Ethics Commission, the City Council, and the City Manager.

## LIABILITY

Investment and management staff acting in accordance with written procedures and this investment policy and exercising due diligence shall be relieved of personal responsibility for market price changes, provided deviations from expectations are reported in a timely fashion and the liquidity and the sale of the securities are carried out in accordance with the terms of this policy.

## INVESTMENT SAFEGUARDS

CASH FLOW: Investment staff of the City will maintain a cash flow analysis which identifies the present and future cash requirements. The investment portfolio (utilizing cash flow analysis) will be structured such that the selling of securities prior to maturity for the purpose of meeting daily cash needs would be on an exception basis only.

SEPARATION OF DUTIES: Investment staff of the City will be responsible for maintaining the cash flow analysis, determining the amount eligible for investment, and all other administrative duties necessary in executing and tracking the investments. Authorized Finance management staff will be responsible for the actual investment decisions.

INTERNAL CONTROL: The CFO shall establish an annual process of independent review by an external auditor in conjunction with the annual audit. This review will provide internal control by assuring compliance with policies and procedures.

## **IV. INVESTMENT PORTFOLIO**

### RISK AND 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 which shall be achieved by the following general guidelines:

- A. risk of issuer default is controlled by limiting investments to those instruments allowed by the Act, which are described herein;
- B. risk of market price changes shall be controlled by avoiding over-concentration of assets in a specific maturity sector, limitation of the weighted average maturity of operating funds investments to less than 18 months, and avoidance of over-concentration of assets in specific instruments other than U.S. Treasury Securities, and U.S. Agency Obligations or Securities and authorized investment pools.
- C. risk of illiquidity due to technical complications shall be controlled by the selection of securities dealers as described herein.
- D. Concentration of credit risk is controlled by limiting the amount of investment with a single issuer to no more than 35% of the total portfolio with the exception of State approved investment pools and U.S. Government Securities and Agency Obligation.
- E. Custodial credit risk is minimized by requiring pledged securities to be in the name of the City.

## AUTHORIZED INVESTMENTS

Assets of the City may be invested in the following instruments if deemed an authorized investment pursuant to the Public Funds Investment Act, Chapter 2256, Texas Government Code, as amended:

- A. obligations of the United States of America, its agencies and instrumentalities;
- B. direct obligations of the State of Texas or its agencies and instrumentalities;
- C. 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;
- D. other obligations, the principal and interest of which are unconditionally guaranteed or insured by, or backed by the full faith and credit of, the State of Texas or the United States or the respective agencies and instrumentalities, including obligations that are fully insured or guaranteed by the Federal Deposit Insurance Corporation or by the explicit full faith and credit of the United States;
- E. obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than A or its equivalent;
- F. Certificates of deposit issued by a depository institution that has its main office or a branch office in Texas. The certificate of deposit must be guaranteed or insured by the Federal Deposit Insurance Corporation (FDIC) or its successor or the National Credit Union Share Insurance Fund (NCUSIF) or its successor and secured by acceptable collateral securities in the name of or benefit of the City and have a market value of at least 103% of the original purchase price (less FDIC or NCUSIF insurance) plus accrued interest. Additionally, funds invested by the City through a broker that has a main office or branch office in Texas and is selected from a list approved by the City as required by section 2656.025 of the Public Funds Investment Act or a depository institution that has a main office or branch office in Texas and is selected by the City are authorized investments if the following conditions are met:
  - a. the broker or depository institution selected by the City as specified above arranges for the deposit of the funds in certificates of deposit in one or more federally insured depository institutions, wherever located, for the account of the City;
  - b. the full amount of the principal and accrued interest of each of the certificates of deposit is insured by the United States or an instrumentality of the United States; and
  - c. the City appoints a depository bank or a clearing broker registered with the Securities and Exchange Commission Rule 15c-3 (17CFR, Section 240

15c3-3) as custodian for the City with respect to the certificates of deposit issued for account to the City;

- G. Public Funds Investment pools in the State of Texas which follow practices allowed by the current law and whose investments may consist of CD's, U.S. Treasuries, U.S. Government Agency Securities, U.S. Government Sponsored Corporation's Instruments, Commercial Paper, Repurchase Agreements, or other investment instruments permitted by law.
- H. Collateralized Repurchase Agreements that are contractual agreements between the City and commercial banks, trust companies, state or federally chartered savings and loan associations, and federally chartered savings banks. The Repo issuer sells acceptable securities to the City and, in turn, the City agrees to resell the securities on a specific date at a specified amount (original cost plus interest). Repurchase agreements are required to be backed by acceptable collateral securities in the name of or benefit of the City and have a market value of at least 103% of the original purchase price plus accrued interest.
- I. Commercial Paper and Banker's Acceptances that have met all requirements of state law, including ratings, term, and security.
- J. No-load money market mutual fund that meets the requirements of state law as an authorized investment under Chapter 2256 of the PFIA.
- K. Guaranteed investment contracts that meet the requirements of state law as an authorized investment for bond proceeds and that the governing body of the City has specifically authorized guaranteed investment contracts as an eligible investment in the order, ordinance, or resolution authorizing the issuance of bonds
- L. The City is not required to liquidate investments that were an authorized investment at the time of purchase.
- M. If an authorized investment in the City's portfolio is rated in a way that causes it to become an unauthorized investment, the investment officers of the City shall review the investment to determine whether it would be more prudent to hold the investment until its maturity, or to redeem the investment. Officers shall consider the time remaining until maturity of the investment, the quality of the investment, and the quality and amounts of collateral which may be securing the investment in determining the appropriate steps to take.
- N. The City requires that all City depository accounts have sufficient pledged collateral, valued at market, held by a third-party custodian designated by the City in the City's name, and secured at 103% of the City balances less the amount of FDIC or NCUSIF insurance at all times.



The following is the maximum goal for various types of authorized deposits (shown as a percentage of total investments) for each type of investment. The percentages are based mainly on the safety and liquidity of the investment and to obtain the overall highest rate of return with appropriate risk for the City.

A. Collateralized/Insured Certificates of Deposits (CD's):	50%
B. Collateralized Repurchase Agreements:	30%
C. U.S. Treasury Obligations:	100%
D. Municipal Investment Pool (MIP):	100%
E. Commercial Bank Savings Accounts:	15%
F. U.S. Government Agency Securities: non-callable	100%
G. U.S. Government Agency Securities: callable	70%
H. U.S. Government Sponsored Corporation's Instruments: non-callable	75%
I. U.S. Government Sponsored Corporation's Instruments: callable	70%
J. Commercial Paper:	20%
K. Banker's Acceptances:	10%
L. Guaranteed Investment Contracts:	25%
M. State or Local Governmental Obligations:	50%
N. Money Market Mutual Funds	15%*
O. Local Government Investment Pools (LGIP)	100%

- Must comply with percentage restriction in PFIA Section 2256.014(c)

### TERM OF INVESTMENTS

The maximum term of any investment may not exceed five (5) years.

### TRANSACTION BIDS

Transaction bids may be obtained orally, in writing, electronically, or in any combination of these methods. At least three competitive bids for individual security purchases are required, however, this provision excludes transactions involving money market mutual funds, local government investment pools, securities issued and deemed to be made at prevailing market rates, or a reinvestment of funds from a called security with the original broker.

### TRANSACTION SETTLEMENTS

The settlement of all transactions, except investment pool funds and mutual funds, shall be on a delivery versus payment basis.

## **V. REPORTING**

The CFO shall submit a signed quarterly investment report to the City Council that contains the information required by the Public Funds Investment Act including but not limited to:

- A. describing in detail the investment position of the entity on the date of the report;
- B. stating 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;
- C. stating the maturity date of each separately invested asset that has a maturity date; and
- D. stating the compliance of the investment portfolio of the City as it relates to the investment strategy stated in the City's Investment Policy.

## **VI. SELECTION OF BROKERS AND SECURITY DEALERS**

For brokers and dealers of government securities the City may select only those dealers reporting to the Market Reports Division of the Federal Reserve Board of New York also known as the "Primary Government Security Dealers," unless a comprehensive credit and capitalization analysis reveals that other firms are adequately financed to conduct public business. Investment officials shall not knowingly conduct business with any firm with whom public entities have sustained losses on investments. All securities dealers shall provide the City with references from public entities which they are currently serving. The City shall review the list of brokers on an annual basis pursuant to Section 2256.025 of the Public Funds Investment Act.

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

- A. audited financial statements
- B. proof of National Association of Securities Dealers (NASD) certification
- C. proof of state registration
- D. certification of having read the City's Investment Policy signed by a qualified representative of the organization
- E. acknowledgement that the organization has implemented reasonable procedures and control in an effort to preclude investment activities not authorized by this policy arising out of investment transactions conducted between the City and the organization.

The list of brokers/dealers, financial institutions, banks, and investment pools shown are authorized to conduct investment business with the City.

## **VII. INVESTMENT POLICY ADOPTION**

The City of Allen Investment Policy shall be adopted by resolution of the City Council. The City Council shall review this Investment Policy and investment strategies annually and any modifications made thereto must be approved by the City Council.

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

Alamo Capital 2030 Main Street, Suite #1300 Irvine, CA 92614	Nader Mokri	949-701-1300	<a href="mailto:nmokri@alamocapital.com">nmokri@alamocapital.com</a>
American National Bank 720 S. Greenville Ave., Allen, TX 75002	Colleen Biggerstaff Admin. Officer Greg Jebson	972-727-5785 Ext 5929 214-863-6179 F	<a href="mailto:colleenbiggerstaff@anbtx.com">colleenbiggerstaff@anbtx.com</a> <a href="mailto:GregJebson@anbtx.com">GregJebson@anbtx.com</a>
Cantor Fitzgerald & Co. 110 East 59 <sup>th</sup> Street, 4 <sup>th</sup> Floor New York, NY 10022	John Baldo Gilbert Ramon Charo Ammerman	713-599-5192	<a href="mailto:gilbert.ramon@cantor.com">gilbert.ramon@cantor.com</a>
Comerica Bank MC6548 1508 West Mockingbird Ln Dallas, TX 75235	Vicky Weatherby	713-507-7022	<a href="mailto:vmweatherby@comerica.com">vmweatherby@comerica.com</a>
Comerica Securities, Inc. 39400 Woodward Avenue #160, MC: 7951 Bloomfield Hills, MI 48304	Chris Theut Institutional Sales Kyle Rademaker	248-645-4173 800-327-7058 248-645-4167 F	<a href="mailto:ctheut@comerica.com">ctheut@comerica.com</a> <a href="mailto:ksrademaker@comerica.com">ksrademaker@comerica.com</a>
Financial Northeastern 100 Passaic Avenue Fairfield, NJ 07004	Steven Azzato	973-396-1043 800-362-9876 x1271 866-840-4596 F	<a href="mailto:sazzato@financialnortheastern.com">sazzato@financialnortheastern.com</a>
FHN Financial 920 Memorial City Way, 11 <sup>th</sup> Floor Houston, TX 77024	Buddy Saragusa	713-435-4475 817-471-7646 C	<a href="mailto:buddy.saragusa@fhnfinancial.com">buddy.saragusa@fhnfinancial.com</a>
Hilltop Securities 1201 Elm Street, Suite 3500 Dallas, TX 75270	Walt Parrish	214-859-6617	<a href="mailto:walt.parrish@hilltopsecurities.com">walt.parrish@hilltopsecurities.com</a>
Independent Bank 1600 Redbud Blvd. McKinney, TX 75069	Amy Feagin Noah Elrod	214-720-1205 469-301-2796	<a href="mailto:nelrod@ibt.com">nelrod@ibt.com</a>
Interbank 5307 E. Mockingbird Ln. Dallas, TX 75260	Bill Lawrence Treasury Services Officer	214-584-2417	<a href="mailto:Bill.Lawrence@interbank.com">Bill.Lawrence@interbank.com</a>
Pershing, LLC One Pershing Plaza Jersey City, NJ 07399	Steven Azzato	973-396-1043	<a href="mailto:sazzato@financialnortheastern.com">sazzato@financialnortheastern.com</a>

Prosperity Bank 5851 Legacy Circle, Suite 400 Plano, TX 75024	Shatarro Richardson Aaron Sprunger	972-461-7162 SR 214-217-7034 AS	<a href="mailto:Shatarro.richardson@prosperitybankusa.com">Shatarro.richardson@prosperitybankusa.com</a> <a href="mailto:aaron.sprunger@prosperitybankusa.com">aaron.sprunger@prosperitybankusa.com</a>
Southside Bank 1201 S. Beckham Ave. Tyler, TX 75701	Mary McLarry	903-535-4504	<a href="mailto:mary.mclarry@southside.com">mary.mclarry@southside.com</a>
Stifel Nicolaus & Co., Inc. Fixed Income Capital Markets 100 Motor Parkway 2 <sup>nd</sup> Floor Hauppauge, NY 11788	Luke Donenfeld Vice President	800-645-5424 x4471 631-656-4471 (Direct) 917-846-8398 (Cell)	<a href="mailto:ldonenfeld@stifel.com">ldonenfeld@stifel.com</a>
Texas Class 2435 N. Central Expressway Suite 1200 Richardson, TX 75080	Karen Proctor Regional Director	214-473-4224	<a href="mailto:Karen.proctor@texasclass.com">Karen.proctor@texasclass.com</a>
Texas Security Bank 1212 Turtle Creek Blvd Dallas, TX 75207	Bonnie Nichols Senior Vice President Chief Compliance Officer	469-398-4804 214-571-9595 F	<a href="mailto:bonnie.nichols@texassecuritybank.com">bonnie.nichols@texassecuritybank.com</a>
TexPool Participant Services c/o Federated Investors 1001 Texas Avenue Suite 1400 Houston, TX 77002	Dianne Parker	866-839-7665 866-839-3291	<a href="mailto:dparker@federatedinv.com">dparker@federatedinv.com</a>
TexSTAR 1201 Elm Street Suite 3500 Dallas, TX 75270	Mary Ann Dunda Managing Director	214-953-4086 800-839-7827 214-753-8878 F	<a href="mailto:MaryAnn.Dunda@HilltopSecurities.com">MaryAnn.Dunda@HilltopSecurities.com</a>
The Baker Group 1601 NW Expressway, 20 <sup>th</sup> Floor Oklahoma City, OK 73118	Rick Hansing Managing Director	405-415-7237 800-998-8392 405-831-2429 F	<a href="mailto:rick@gobaker.com">rick@gobaker.com</a>
Vining Sparks IBG, LP. 775 Ridge Lake Blvd, 2 <sup>nd</sup> Floor Memphis, TN 38120	Anthony Nelson, SVP Mark Stahl, SVP	800-357-0256 206-443-7299 F	<a href="mailto:anelson@viningsparks.com">anelson@viningsparks.com</a> <a href="mailto:mstahl@viningsparks.com">mstahl@viningsparks.com</a>
Wells Fargo Brokerage Services, LLC 1445 Ross Avenue Suite 210 Dallas, TX 75202	Susan T Ward Huey Scott	Dallas 800-937-0998 Susan 214-740-1586 214-740-9990 F Huey 214-777-4033	<a href="mailto:wardst@wellsfargo.com">wardst@wellsfargo.com</a> <a href="mailto:Huey.H.Scott@wellsfargo.com">Huey.H.Scott@wellsfargo.com</a>