



**CITY OF FRIENDSWOOD
INVESTMENT COMMITTEE
MONDAY, JULY 20, 2020 - 4:00 PM**

AGENDA

1. Online Meeting Information

- A. Investment Committee Meeting
Mon, Jul 20, 2020 4:00 PM - 5:30 PM (CDT)

Please join my meeting from your computer, tablet or smartphone.

<https://global.gotomeeting.com/join/204111525>

You can also dial in using your phone.

United States (Toll Free): [1 866 899 4679](tel:18668994679)

United States: [+1 \(224\) 501-3318](tel:+12245013318)

Access Code: 204-111-525

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<https://global.gotomeeting.com/install/204111525>

2. Call to Order

3. Communications from the Public

4. Approval of Minutes

- A. Consideration and possible action regarding minutes of 02/03/2020 meeting.

5. Discussion and Possible Actions

- A.
Review, discussion and possible action regarding the City's quarterly investment reports ending 3/31/2020 and 6/30/2020.
- B. Discussion and possible action regarding the annual review of the City's Investment Policy

6. Reports

7. Comments

8. Adjournment



**KATINA HAMPTON
DIRECTOR OF ADMINISTRATIVE SERVICES**

This facility is wheelchair accessible and accessible parking spaces are available. Requests for accommodations or interpretive service must be made **two (2)** business days or more prior to this meeting. Please contact the City Secretary's Office at (281) 996-3270 for further information.

**I, MELINDA WELSH, CITY SECRETARY OF THE CITY OF FRIENDSWOOD DO
HEREBY CERTIFY THAT THE ABOVE NOTICE OF MEETING OF THE
FRIENDSWOOD INVESTMENT COMMITTEE WAS POSTED IN A PLACE
CONVENIENT TO THE GENERAL PUBLIC IN COMPLIANCE WITH CHAPTER 551,
TEXAS GOVERNMENT CODE, ON**

DATE

AT TIME

**MELINDA WELSH, TRMC
CITY SECRETARY**

INVESTMENT COMMITTEE MEETING MINUTES

Draft

February 3, 2020

The Investment Committee held a regular meeting on February 3, 2020 at 4:15 p.m. at City Hall in Friendswood, Texas. The following members were present:

Bob Bozka
Larry Collison
Katina Hampton, Investment Officer
Rhonda Blokas, Deputy Investment Officer

Allan Rasmussen was absent.

1. Committee meeting minutes from October 21, 2019 were reviewed.
 - Mr. Bozka made a motion to approve the minutes as corrected. Mr. Collison seconded the motion. Motion passed unanimously.
2. The Committee reviewed and discussed the quarterly investment report for the period ending December 31, 2019.
 - Mr. Collison made a motion to accept the Investment Report for the quarter ended 12/31/19. Mr. Bozka seconded the motion and it carried unanimously.
3. The committee discussed upcoming meeting dates. The next meeting will be scheduled for the April 20, 2020.
4. The meeting was adjourned at 5:15 p.m.

CITY OF FRIENDSWOOD
INVESTMENT REPORT
FOR THE PERIOD ENDED MARCH 31, 2020

SECURITIES:

TRANSACTION NUMBER	CUSIP NUMBER	ISSUER	CALL DATE	CALLABLE	BROKER	PRINCIPAL AMOUNT	BOOK VALUE	PURCHASE PRICE	PURCHASE DATE	MATURITY DATE	COUPON RATE	YIELD TO MATURITY OR CALL	BEGINNING PERIOD MARKET PRICE	BEGINNING PERIOD MARKET VALUE	ENDING PERIOD MARKET PRICE	ENDING PERIOD MARKET VALUE	RATINGS MDY	RATINGS S&P
010417-01	3135G0546	FNMA	1/27/2020		HT	500,000	500,000	100.00	01/27/17	01/27/20	1.650%	1.650%	100.0023	500,012			0 Aaa	AA+
012419-04	3130AFRM1	FHLB	1/30/2020	1x	WF	499,900	500,000	99.98	01/30/19	07/30/21	2.700%	2.708%	100.0601	500,301			0 Aaa	AA+
012419-06	3134GSS22	FHLMC	1/28/2020	Qtrly	WF	499,900	500,000	99.98	01/28/19	01/28/22	2.750%	2.757%	100.0535	500,268			0 Aaa	AA+
101119-02	3133EK2C9	FFCB	1/15/2020	Continuous	FTN	500,000	500,000	100.00	10/11/19	10/15/21	1.890%	1.890%	100.0005	500,003			0 Aaa	AA+
040919-01	3137EAEF2	FHLMC	4/20/2020	Bullet - Noncallable	WF	494,827	500,000	98.97	04/09/19	04/20/20	1.375%	2.400%	99.9200	499,600	100.0476	500,238	Aaa	AA+
032819-01	3130A66T9	FHLB	9/11/2020	Bullet - Noncallable	WF	495,415	500,000	98.96	03/28/19	09/11/20	1.625%	2.270%	99.9782	499,891	100.6647	503,324	Aaa	AA+
071019-01	3130AGQC2	FHLB	7/10/2020	Bullet - Noncallable	WF	1,000,000	1,000,000	100.00	07/10/19	07/10/20	2.000%	2.000%	100.1758	1,001,758	100.4746	1,004,746	Aaa	AA+
032819-02	3133EJJD2	FFCB	4/5/2021	Bullet - Noncallable	WF	503,043	500,000	100.44	03/28/19	04/05/21	2.540%	2.230%	101.2150	506,075	102.3086	511,543	Aaa	AA+
032820-03	3130AG3Y9	FHLB	2/15/2022	Bullet - Noncallable	WF	503,336	500,000	100.42	03/28/19	02/15/22	2.420%	2.180%	101.6543	508,272	103.7481	518,741	Aaa	AA+
053019-02	3133EKP22	FFCB	6/10/2020	Continuous	FTN	500,000	500,000	100.00	05/30/19	06/10/22	2.370%	2.370%	100.2240	501,120	100.2616	501,308	Aaa	AA+
101119-01	3133EK2F2	FFCB	4/15/2020	Continuous	FTN	500,000	500,000	100.00	10/11/19	10/15/21	1.820%	1.820%	99.9674	499,837	100.0355	500,178	Aaa	AA+
101119-03	3130AHCE1	FHLB	4/15/2020	Qtrly	WF	499,750	500,000	100.00	10/11/19	04/15/21	1.750%	1.784%	99.9674	499,837	100.0491	500,246	Aaa	AA+
101119-04	3134GUHX1	FHLMC	10/15/2020	Qtrly	WF	499,375	500,000	100.00	10/11/19	10/15/21	1.625%	1.689%	99.9296	499,648	100.6721	503,361	Aaa	AA+
101119-05	3134GUJ0	FHLMC	10/21/2020	Qtrly	WF	499,250	500,000	100.00	10/11/19	01/21/22	1.700%	1.769%	99.7995	498,998	100.6590	503,295	Aaa	AA+
120919-01	3137EAE19	FHLMC	2/16/2021	Bullet - Noncallable	WF	1,000,000	1,000,000	100.00	10/02/19	02/16/21	2.375%	1.770%	100.8573	1,008,573	101.6742	1,016,742	Aaa	AA+
101119-06	3133EK3E4	FFCB	4/21/2021	Bullet - Noncallable	CF	500,000	500,000	100.00	10/11/19	04/21/21	1.650%	1.650%	100.1163	500,582	101.2877	506,439	Aaa	AA+
122319-01	3130AB3T1	FHLB	7/24/2020	Bullet - Noncallable	WF	500,370	500,000	100.07	12/23/19	07/24/20	1.750%	1.622%	100.0520	500,260	100.4687	502,344	Aaa	AA+
111819-01	313378JP7	FHLB	9/10/2021	Bullet - Noncallable	WF	506,677	500,000	101.34	11/18/19	09/10/21	2.375%	1.622%	101.2953	506,477	102.7345	513,673	Aaa	AA+
111819-02	3130AF5B9	FHLB	10/12/2021	Bullet - Noncallable	WF	512,817	500,000	102.56	11/18/19	10/12/21	3.000%	1.622%	102.4460	512,230	104.0087	520,044	Aaa	AA+
111919-01	3135G0W74	FNMA	10/28/2020	Qtrly	WF	500,250	500,000	100.05	11/19/19	10/28/22	1.800%	1.746%	100.0404	500,202	100.4629	502,315	Aaa	AA+
011320-01	3134GUV98	FHLMC	4/13/2020	Qtrly	WF	500,000	500,000	100.00	01/07/20	04/13/22	1.710%	1.710%	0.0000	0	100.0428	500,214	Aaa	AA+
011320-02	3134GUR93	FHLMC	10/13/2020	Qtrly	WF	500,000	500,000	100.00	01/07/20	10/13/22	1.720%	1.720%	0.0000	0	100.6388	503,194	Aaa	AA+
011420-01	3133ELGJ7	FFCB	4/13/2020	Continuous	WF	499,650	500,000	99.95	01/13/20	10/13/21	1.620%	1.650%	0.0000	0	100.0023	500,012	Aaa	AA+
011420-02	3134GUR28	FHLMC	7/7/2020	Qtrly	WF	499,875	500,000	99.98	01/13/20	01/07/22	1.670%	1.680%	0.0000	0	99.9385	499,693	Aaa	AA+
011420-03	3134GUY20	FHLMC	10/28/2020	1x	WF	499,875	500,000	99.98	01/13/20	01/01/22	1.625%	1.638%	0.0000	0	100.3416	501,708	Aaa	AA+
020620-01	3133ELJH8	FFCB	1/23/2023	Bullet - Noncallable	WF	501,780	500,000	100.36	02/06/20	01/23/23	1.600%	1.477%	0.0000	0	102.9212	514,606	Aaa	AA+
TOTAL - FIXED SECURITIES (less Maturities and Calls)						12,016,289	12,000,000			20.43%			9,043,358			12,127,958		

LOCAL GOVERNMENT INVESTMENT POOLS:

	ASSET VALUE	YIELD MONTH	AVERAGE MATURITY
Texas CLASS POOLED CASH	776,786		
Texas CLASS GOVERNMENT POOLED CASH	10,700,528		
Texas CLASS 2006 W/S Bonds	44,555		
Texas CLASS 2009 W/S Bonds	349,942		
Texas CLASS 2015 GO Bonds	53,059		
Texas CLASS 2016 GO Bonds	148,499		
Texas CLASS 2016 W/S Bonds	0		
Texas CLASS 2017 GO Bonds	0		
Texas CLASS 2018 W/S Bonds	0		
Texas CLASS GOVERNMENT 2016 W/S Bonds	2,937,340		
Texas CLASS GOVERNMENT 2017 GO Bonds	1,168,730		
Texas CLASS GOVERNMENT 2018 W/S Bonds	18,181,443		
Total - Texas CLASS	34,360,882		
LONE STAR INVESTMENT POOL (Consolidated Cash)	0		
TEXPOOL (Consolidated Cash)	7,656,921		
TOTAL POOL INVESTMENTS	42,017,803		
Pooled Cash - Wells Fargo Bank	4,776,787		
* Earnings off-set account analysis fee charges			
TOTAL INVESTMENTS	58,810,879		
TOTAL INVESTMENTS - PREVIOUS QUARTER	58,711,489		
		27.32%	Consolidated cash % of all LGIPs
		54.46%	Bond Proceeds % of all LGIPs
		0.00%	Consolidated Cash % of all LGIPs
		18.22%	Consolidated Cash % of all LGIPs
		71.45%	Percentage of Total Investments (LGIPs)
		8.12%	Percentage of Total Investments (Wells Fargo Bank)

CITY OF FRIENDSWOOD
INVESTMENT REPORT
FOR THE PERIOD ENDED MARCH 31, 2020

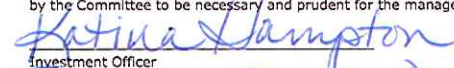
Compliance Statement:

The investments for the period are in compliance with the investment strategy expressed in the City's Investment Policy and the Public Funds Investment Act.

Review:

This report is submitted to the City Investment Committee for its review and to make any changes thereto as determined by the Committee to be necessary and prudent for the management of City Funds.

Signature:


Investment Officer

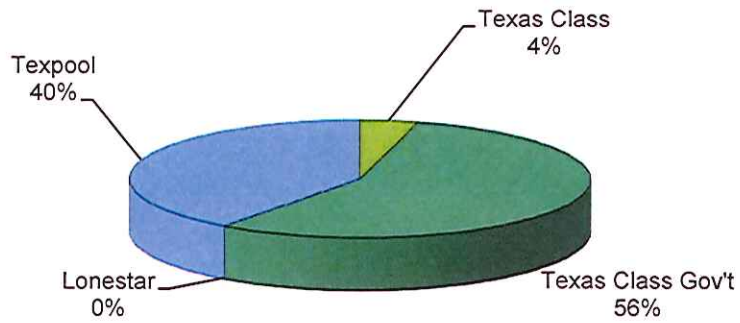
4/15/2020
Date

Signature:

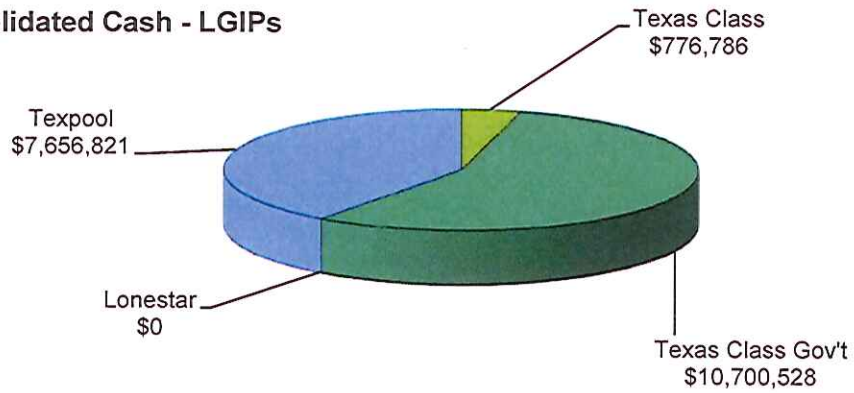

Deputy Investment Officer

4/15/2020
Date

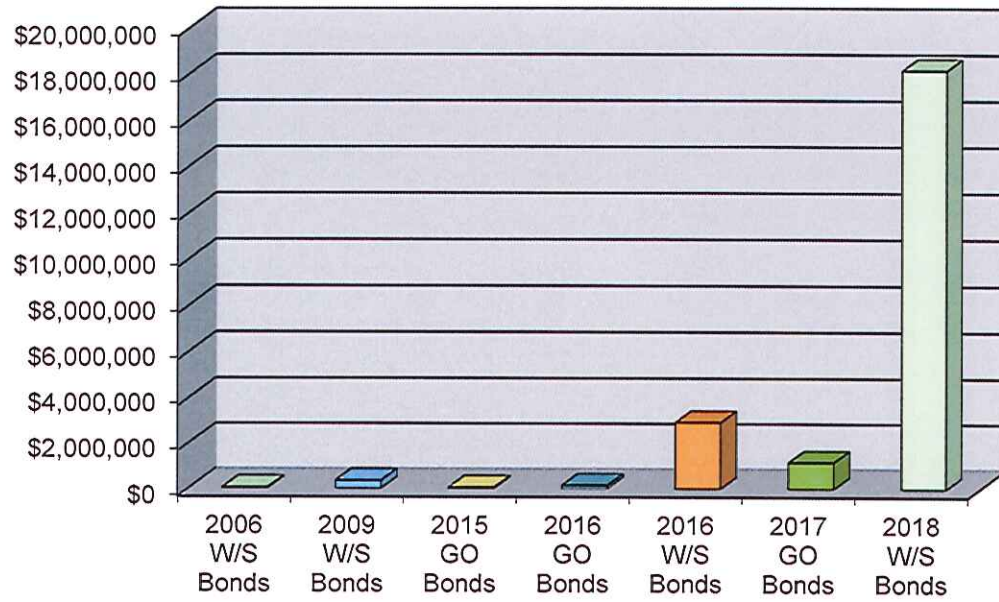
Consolidated Cash - LGIPs

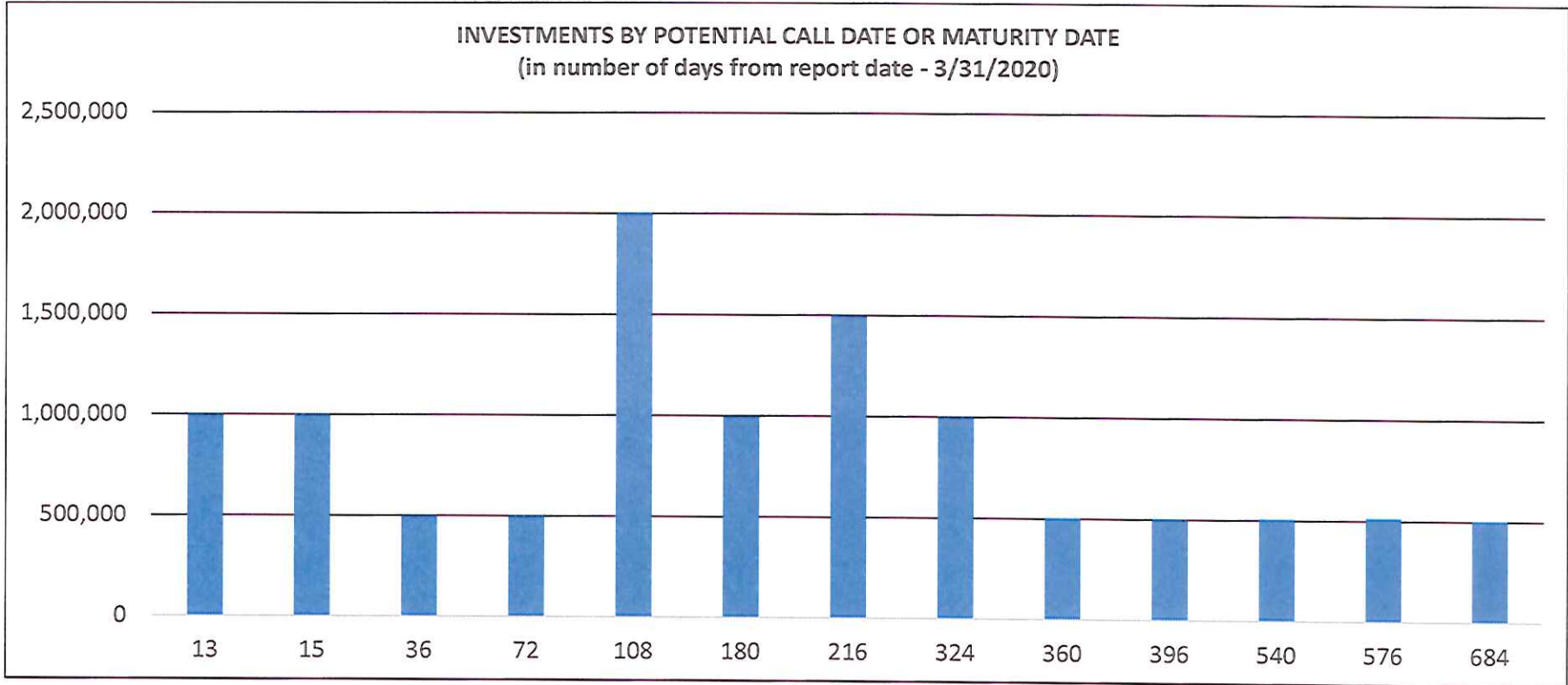


Consolidated Cash - LGIPs



Bond Funds - Local Gov't Investment Pools





CITY OF FRIENDSWOOD
INVESTMENT REPORT
FOR THE PERIOD ENDED JUNE 30, 2020

SECURITIES:

TRANSACTION NUMBER	CUSIP NUMBER	ISSUER	CALL DATE	CALLABLE	BROKER	PRINCIPAL AMOUNT	BOOK VALUE	PURCHASE PRICE	PURCHASE DATE	MATURITY DATE	COUPON RATE	YIELD TO MATURITY OR CALL	BEGINNING PERIOD MARKET PRICE	BEGINNING PERIOD MARKET VALUE	ENDING PERIOD MARKET PRICE	ENDING PERIOD MARKET VALUE	RATINGS MDY	RATINGS S&P
010417-01	3135G0S46	FNMA	1/27/2020		HT	500,000	500,000	100.00	01/27/17	01/27/20	1.650%	1.650%	100.0023	500,012			0 Aaa	AA+
012419-04	3130AFRM1	FHLB	1/30/2020	1x	WF	499,900	500,000	99.98	01/30/19	07/30/21	2.700%	2.708%	100.0601	500,301			0 Aaa	AA+
012419-06	3134GSS22	FHLMC	1/28/2020	Qtrly	WF	499,900	500,000	99.98	01/28/19	01/28/22	2.750%	2.757%	100.0535	500,268			0 Aaa	AA+
040919-01	3137EAEF2	FHLMC	4/20/2020	Bullet - Noncallable	WF	494,827	500,000	98.97	04/09/19	04/20/20	1.375%	2.400%	100.0476	500,238			0 Aaa	AA+
053019-02	3133EKPV2	FFCB	6/10/2020	Continuous	FTN	500,000	500,000	100.00	05/30/19	06/10/22	2.370%	2.370%	100.2616	501,308			0 Aaa	AA+
101119-01	3133EK2F2	FFCB	4/15/2020	Continuous	FTN	500,000	500,000	100.00	10/11/19	10/15/21	1.820%	1.820%	100.0355	500,178			0 Aaa	AA+
101119-03	3130AHCE1	FHLB	4/15/2020	Qtrly	WF	499,750	500,000	100.00	10/11/19	04/15/21	1.750%	1.784%	100.0491	500,246			0 Aaa	AA+
011320-01	3134GUV98	FHLMC	4/13/2020	Qtrly	WF	500,000	500,000	100.00	01/07/20	04/13/22	1.710%	1.710%	100.0428	500,214			0 Aaa	AA+
011420-01	3133ELGJ7	FFCB	4/13/2020	Continuous	WF	499,650	500,000	99.95	01/13/20	10/13/21	1.620%	1.650%	100.0023	500,012			0 Aaa	AA+
101119-02	3133EK2C9	FFCB	1/15/2020	Continuous	FTN	500,000	500,000	100.00	10/11/19	10/15/21	1.890%	1.890%	100.0005	500,003			0 Aaa	AA+
032819-01	3130A66T9	FHLB	9/11/2020	Bullet - Noncallable	WF	495,415	500,000	98.96	03/28/19	09/11/20	1.625%	2.270%	100.6647	503,324	100.2771	501,386	Aaa	AA+
071019-01	3130AGQC2	FHLB	7/10/2020	Bullet - Noncallable	WF	1,000,000	1,000,000	100.00	07/10/19	07/10/20	2.000%	2.000%	100.4746	1,004,746	100.0475	1,000,475	Aaa	AA+
032819-02	3133EJJD2	FFCB	4/5/2021	Bullet - Noncallable	WF	503,043	500,000	100.44	03/28/19	04/05/21	2.540%	2.230%	102.3086	511,543	101.7818	508,909	Aaa	AA+
032820-03	3130AG3Y9	FHLB	2/15/2022	Bullet - Noncallable	WF	503,336	500,000	100.42	03/28/19	02/15/22	2.420%	2.180%	103.7481	518,741	103.5005	517,503	Aaa	AA+
101119-04	3134GUHX1	FHLMC	10/15/2020	Qtrly	WF	499,375	500,000	100.00	10/11/19	10/15/21	1.625%	1.689%	100.6721	503,361	100.3891	501,946	Aaa	AA+
101119-05	3134GUJ0	FHLMC	10/21/2020	Qtrly	WF	499,250	500,000	100.00	10/11/19	01/21/22	1.700%	1.769%	100.6590	503,295	100.3915	501,958	Aaa	AA+
120919-01	3137EAE9	FHLMC	2/16/2021	Bullet - Noncallable	WF	1,000,000	1,000,000	100.00	10/02/19	02/16/21	2.375%	1.770%	101.6742	1,016,742	101.3396	1,013,396	Aaa	AA+
101119-06	3133EK3E4	FFCB	4/21/2021	Bullet - Noncallable	CF	500,000	500,000	100.00	10/11/19	04/21/21	1.650%	1.650%	101.2877	506,439	101.0102	505,051	Aaa	AA+
122319-01	3130AB3T1	FHLB	7/24/2020	Bullet - Noncallable	WF	500,370	500,000	100.07	12/23/19	07/24/20	1.750%	1.622%	100.4687	502,344	100.0953	500,477	Aaa	AA+
111819-01	313378JP7	FHLB	9/10/2021	Bullet - Noncallable	WF	506,677	500,000	101.34	11/18/19	09/10/21	2.375%	1.622%	102.7345	513,673	102.4799	512,400	Aaa	AA+
111819-02	3130AF5B9	FHLB	10/12/2021	Bullet - Noncallable	WF	512,817	500,000	102.56	11/18/19	10/12/21	3.000%	1.622%	104.0087	520,044	103.5999	518,000	Aaa	AA+
111919-01	3135G0W74	FNMA	10/28/2020	Qtrly	WF	500,250	500,000	100.05	11/19/19	10/28/22	1.800%	1.746%	100.4629	502,315	100.4897	502,449	Aaa	AA+
011320-02	3134GUR93	FHLMC	10/13/2020	Qtrly	WF	500,000	500,000	100.00	01/07/20	10/13/22	1.720%	1.720%	100.6388	503,194	100.2618	501,309	Aaa	AA+
011420-02	3134GUR28	FHLMC	7/7/2020	Qtrly	WF	499,875	500,000	99.98	01/13/20	01/07/22	1.670%	1.680%	99.9385	499,693	100.0004	500,002	Aaa	AA+
011420-03	3134GUJ20	FHLMC	10/28/2020	1x	WF	499,875	500,000	99.98	01/13/20	01/01/22	1.625%	1.638%	100.3416	501,708	100.0363	500,182	Aaa	AA+
020620-01	3133ELJH8	FFCB	1/23/2023	Bullet - Noncallable	WF	501,780	500,000	100.36	02/06/20	01/23/23	1.600%	1.477%	102.9212	514,606	103.4484	517,242	Aaa	AA+
060520-01	3135G0U27	FNMA	4/13/2021	Bullet - Noncallable	WF	509,825	500,000	101.97	06/05/20	04/13/21	2.500%	0.178%	0.0000	0	101.8271	509,136	Aaa	AA+
060520-02	3135G0K69	FNMA	5/6/2021	Bullet - Noncallable	WF	504,835	500,000	100.97	06/05/20	05/06/21	1.250%	0.187%	0.0000	0	100.9001	504,501	Aaa	AA+
060520-03	3135G0U35	FNMA	6/22/2021	Bullet - Noncallable	WF	513,385	500,000	102.68	06/05/20	06/22/21	2.750%	0.170%	0.0000	0	102.4852	512,426	Aaa	AA+
042120-01	3134GVLV8	FHLMC	10/27/2020	Qtrly	WF	500,000	500,000	100.00	04/21/20	01/27/23	0.650%	0.650%	0.0000	0	100.0209	500,105	Aaa	AA+
TOTAL - FIXED SECURITIES (less Maturities and Calls)						11,050,107	11,000,000			16.57%			9,125,764			11,128,847		

LOCAL GOVERNMENT INVESTMENT POOLS:

	ASSET VALUE	YIELD MONTH	AVERAGE MATURITY
Texas CLASS	POOLED CASH		
Texas CLASS	GOVERNMENT POOLED CASH		
Texas CLASS	2006 W/S Bonds		
Texas CLASS	2009 W/S Bonds		
Texas CLASS	2015 GO Bonds		
Texas CLASS	2016 GO Bonds		
Texas CLASS	2016 W/S Bonds		
Texas CLASS	2017 GO Bonds		
Texas CLASS	2018 W/S Bonds		
Texas CLASS	GOVERNMENT 2016 W/S Bonds		
Texas CLASS	GOVERNMENT 2017 GO Bonds		
Texas CLASS	GOVERNMENT 2018 W/S Bonds		
Texas CLASS	GOVERNMENT 2020 GO Bonds		
Total - Texas CLASS	42,481,100		
LONE STAR INVESTMENT POOL (Consolidated Cash)	0		
TEXPOOL (Consolidated Cash)	7,662,895		

TOTAL POOL INVESTMENTS

50,143,995	100.00%		
Pooled Cash - Wells Fargo Bank	5,477,152	75.21% Percentage of Total Investments (LGIPs)	
* Earnings off-set account analysis fee charges		8.22% Percentage of Total Investments (Wells Fargo Bank)	0.1600
TOTAL INVESTMENTS	66,671,254	100.00%	
TOTAL INVESTMENTS - PREVIOUS QUARTER	58,711,489		

CITY OF FRIENDSWOOD
INVESTMENT REPORT
FOR THE PERIOD ENDED JUNE 30, 2020

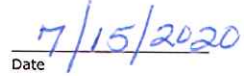
Compliance Statement:

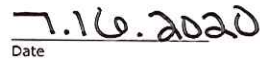
Review: The investments for the period are in compliance with the investment strategy expressed in the City's Investment Policy and the Public Funds Investment Act.

Signature: This report is submitted to the City Investment Committee for its review and to make any changes thereto as determined by the Committee to be necessary and prudent for the management of City Funds.

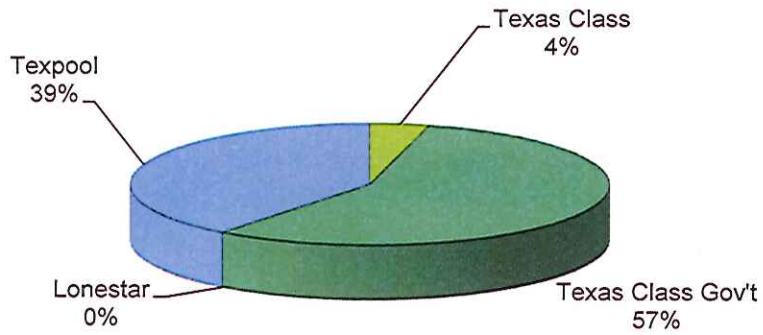

Investment Officer

Signature: 
Deputy Investment Officer

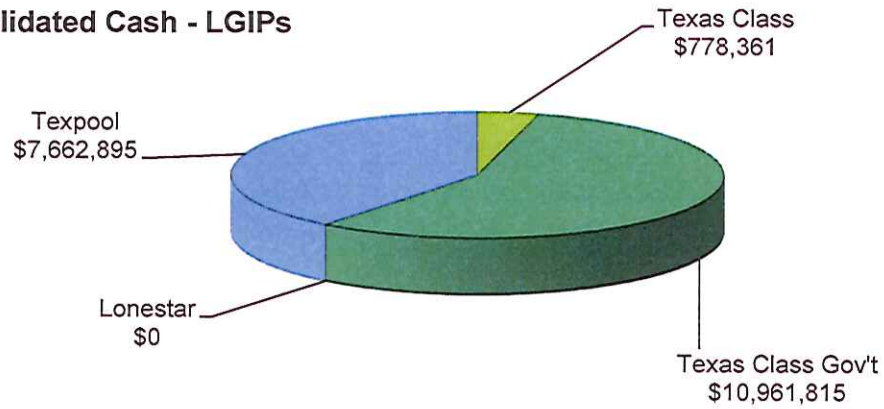

Date


Date

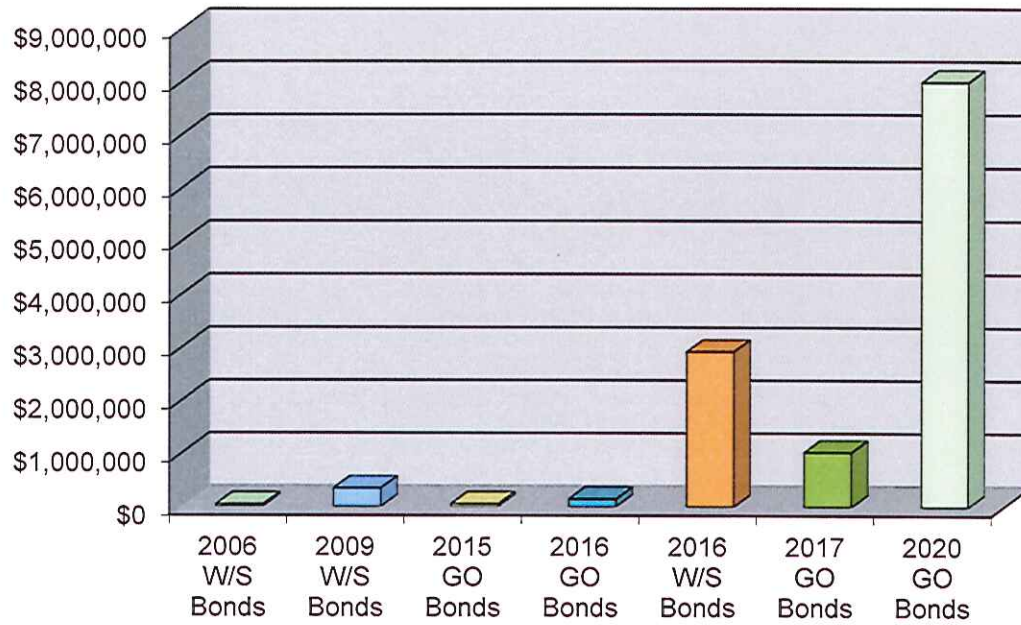
Consolidated Cash - LGIPs



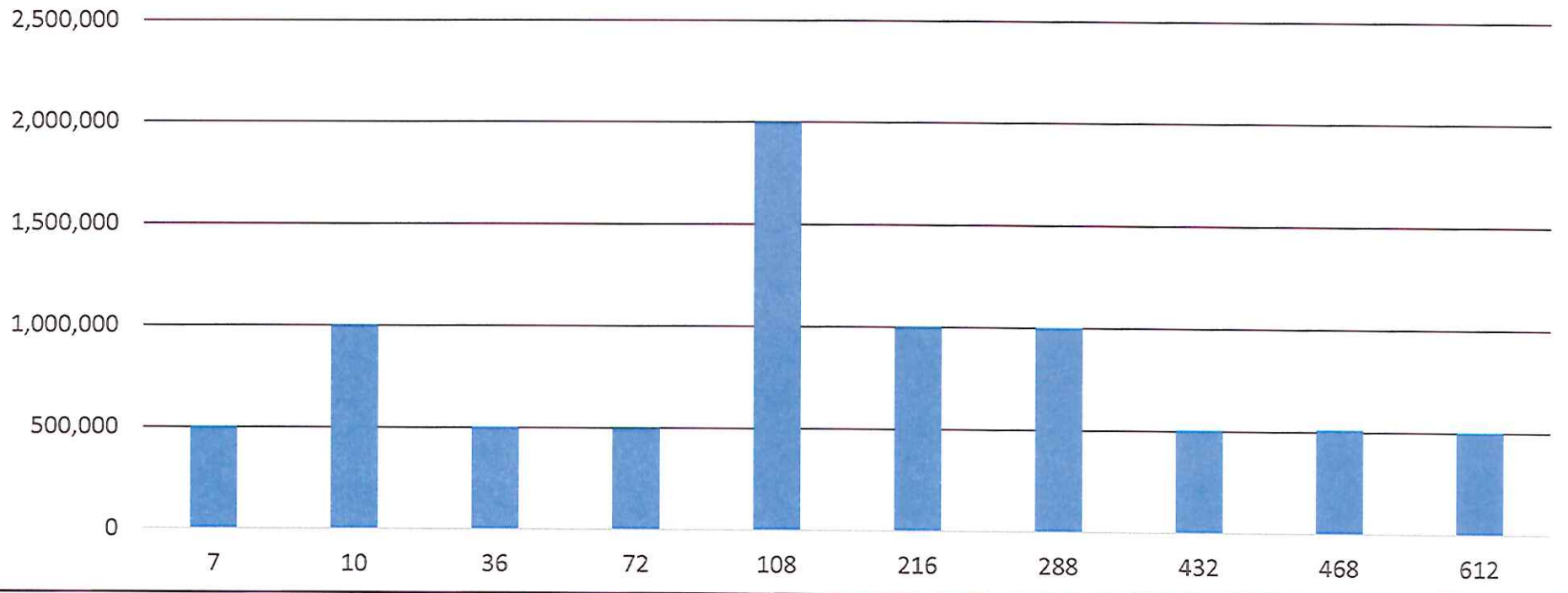
Consolidated Cash - LGIPs



Bond Funds - Local Gov't Investment Pools



INVESTMENTS BY POTENTIAL CALL DATE OR MATURITY DATE
(in number of days from report date - 6/30/2020)



CITY OF FRIENDSWOOD, TEXAS INVESTMENT POLICY

August 3, 2020

- I. **Policy** - It is the policy of the City of Friendswood that, giving due regard to the safety and risk of investment, all available funds shall be invested in conformance with these legal and administrative guidelines. The City's portfolio shall be designed and managed in a manner responsive to the highest public trust and consistent with this policy. Investments shall be made in a manner which will provide the maximum security of principal invested through limitations and diversification while meeting the daily cash flow needs of the City. The receipt of a market rate of return will be secondary to the requirements for safety and liquidity. This policy will adopt passive investment strategies designed to minimize administrative expenses while obtaining market-average rates of return and incurring minimal risks. It is the intent of the City to be in complete compliance with local law and the Texas Public Funds Investment Act.
- II. **Scope** - This investment policy applies to all financial assets and funds placed for investment by the City. The City commingles its funds for investment purposes for efficiency and investment opportunity. These funds are defined in the City's Comprehensive Annual Financial Report (CAFR) and include:

- General Fund
- Special Revenue Funds
- Debt Service Funds
- Enterprise Funds
- Trust and Agency Funds

And any new funds created by the City, unless specifically exempted by the City Council and this policy.

Investment income will be allocated to the various funds based on their respective participation 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 City by outside agencies under deferred compensation.

- III. **Objectives** - The investment policy of the City shall be governed by these primary objectives: safety, liquidity and yield. The suitability of each investment decision will be made on the basis of these objectives.
- A. **Safety** - The foremost objective of the investment program shall be to assure the safety of the invested funds. Investments shall be undertaken in a manner that seeks to ensure the preservation of capital while minimizing credit rate and interest rate risk. Investment for speculation purposes is prohibited.

1. **Credit Risk and Concentration of Credit Risk** – The City will minimize credit risk, the risk of loss due to the failure of the issuer or backer of the investment, and concentration of credit risk, the risk of loss attributed to the magnitude of investment in a single issuer.
2. **Interest Rate Risk** – The city will manage the risk that the interest earnings and the market value of investments in the portfolio will fall due to changes in general interest rates.
3. **Collateralization** – The City requires collateralization of all uninsured collected balances of invested funds and any accrued interest on funds invested; acceptance, substitution, release and valuation of collateral for City investments shall be in accordance with the Public Funds Collateral Act, Chapter 2257, Texas Government Code.

B. **Liquidity** - Funds will be invested with maturities necessary to maintain sufficient liquidity to provide adequate and timely working funds.

C. **Yield** – Return on investment is of least importance compared to the safety and liquidity objectives described above.

IV. **Legal Limitations, Responsibilities and Investment Authority** - Authority and parameters for the investment of public funds in Texas are found in the Public Funds Investment Act, Chapter 2256, Texas Government Code (the “Act”).

The Interlocal Cooperation Act, Chapter 791, Texas Government Code, authorizes local governments in Texas to participate in investment pools established thereunder. That statute and reference to authorized investment in investment pools in the Act, is primary authority for use of investment pools by political subdivisions of the State of Texas.

- V. **Delegation of Investment Authority** - The Director of Administrative Services is designated as the Investment Officer of the City and is responsible for the implementation of these policies, and for assuring that investment management decisions and activities fully comply herewith. The Investment Officer shall develop and maintain administrative procedures for the operation of the investment program, which are in strict accordance with this investment policy, as approved by the City Council. The Investment Officer and Liaison/Deputy Investment Officer shall comply with training requirements of the Public Funds Investment Act (PFIA). Investment Officer(s) must obtain 10 hours of PFIA training within 12 months of assuming investment responsibilities and 8 hours of PFIA training every two years thereafter. The investment training session shall be provided by an independent source approved by the City Council or Investment Committee. An “independent source” from which investment training shall be obtained shall

include a professional organization, an institute of higher learning or any other sponsor, other than a Business Organization with whom the City may engage in an investment transaction. The Deputy Director of Administrative Services – Finance shall serve as designated liaison/deputy investment officer in the event circumstances require timely action and the Investment Officer is not available. However, no officer or designee may engage in an investment transaction except as provided under the terms of this policy and the procedures established by the Investment Officer and approved by the City Manager.

VI. **Standards** of Care - To be observed.

As fiduciaries of the City's assets, City Council retains ultimate responsibility of the investment portfolio.

A. **Prudence** The standard of prudence used by the City of Friendswood shall be the "Prudent Person Rule" and shall be applied in the context of managing the overall portfolio. This standard states: "the person designated as 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." In determining whether the Investment Officer has exercised prudence with respect to an investment decision, the determination shall be made taking into consideration:

1. The investment of all funds under the City's control, over which the officer had responsibility; and
2. Whether the investment decision was consistent with the written investment policy of the City.

B. **Ethics** - Officers and employees involved in the investment process shall refrain from personal business activity that could conflict with the proper execution and management of the investment program, or that could impair their ability to make impartial decisions. Employees and investment officials shall disclose, in writing, to the Texas Ethics Commission and the City's governing body, any material interests, including personal business relationships, with any financial institution with which it is proposed that the City conduct business. For the purposes of this section, an investment officer has a personal business relationship with a business organization if: (1) the investment officer owns 10 percent 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 percent 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. In accordance with Texas Government Code 573 and for the purposes of this section, if Investment Officer(s) is related within the second degree

by affinity or consanguinity to an individual seeking to transact investment business with the City, the Investment Officer(s) will file a disclosure statement of this fact in writing with the Texas Ethics Commission and the City’s governing body.

C. **Liquidity** - To meet the investment objectives of the City, the maturity of investments shall be targeted to coincide with the cash flow needs of the City. Funds of the City shall be invested in instruments whose maturities do not exceed approved periods as determined by their policy. Unless matched to a specific requirement, the Investment Officer may not invest more than 30% of the portfolio for a period greater than two (2) years. The Investment Officer may not invest in any portion of the portfolio for a period greater than three (3) years.

D. **Diversification** - The investment portfolio shall be diversified to minimize the risk of loss resulting from over-concentration of assets in a specific maturity, specific issuer or specific class of securities. Nevertheless, the City recognizes that in a diversified portfolio, occasional measured interest losses are inevitable, and must be considered within the context of the overall portfolio’s investment return. At a minimum, diversification standards by security type and issuer shall be:

<u>Security Type</u>	<u>Maximum % of Portfolio</u>
U.S. Treasuries & securities with the U.S. Government’s guarantee	Not To Exceed 75%
U.S. Government Agencies and instrumentalities	Not To Exceed 75%
Certificates of Deposit	Not To Exceed 75%
Money Market Funds	Not To Exceed 30%
Local Government Investment Pools	Not To Exceed 75%*
*(No more than 50% shall be invested in any single pool.)	

E. **Yield** - The core of investments shall be limited to relatively low risk securities in anticipation of earning a fair return relative to the risk being assumed. The earnings from investments shall be used in a manner that best serves the public trust and interests of the City in compliance with applicable covenants or other legal restrictions.

F. **Safekeeping and Custody** - To protect against potential fraud and embezzlement, the cash and investments of the City of Friendswood shall be secured by the City, or through third party custody and safekeeping procedures as herein designated. The third party custodian shall be required to issue safekeeping receipts to the City listing each specific security, description, maturity, CUSIP number, yield and/or coupon and other pertinent information. Each safekeeping receipt shall clearly indicate that

the instrument is held for the City of Friendswood. All safekeeping arrangements shall be documented by the Investment Officer.

All investment transactions shall be executed on “delivery vs. payment” basis to ensure that securities are deposited in the eligible financial institutions prior to the release of funds.

VII. **Internal Controls** - The City Council shall establish an annual process of independent review by an external auditor. This review shall provide internal control by assuring compliance with policies and procedures. Compliance and management controls of the City’s investment policy will be included in this annual review.

VIII. **Investment Committee** - Upon adoption of this policy an Investment Committee shall be established. Members include three unpaid private sector financial professionals (example: banker, broker, CPA) appointed by the City Council to serve staggered three-year terms. The Investment Committee shall serve in an advisory capacity only. The Committee shall perform such duties assigned to it by this Policy and such other duties as may, from time to time, be assigned to it by the City Council.

The Investment Committee shall meet at least quarterly. It may meet more often as desired. Two members may request a meeting. Two members constitute a quorum.

The Investment Committee is charged with the duty of determining general investment strategies for the City and monitoring results. It shall include in its deliberations such topics as economic outlook, investment strategies, portfolio diversification and maturity structure, potential risks to City funds, the target rate of return on the investment portfolio and annual review and approval of authorized depositories, brokers/dealers.

IX. **Authorized Investments** - Specific security instruments are authorized under the provisions of the Public Funds Investment Act. The conservative philosophy employed by the City is to choose investments in a manner which ensures safety, while promoting diversity of market sector and maturity. The choice of high-grade government instruments is designed to provide for the safety of principal, return an acceptable yield and assure marketability. City funds may be invested only in the following:

A. Obligations of the U.S. Government, its agencies and instrumentalities and government sponsoring enterprises (GSEs), not to exceed three (3) years to stated maturities, excluding collateralized mortgage obligations (CMOs).

B. Certificates of deposit or other financial institution deposits issued by a depository institution that has its main office or a branch office in Texas, guaranteed or insured by the Federal Deposit Insurance Corporation (or its successor), or collateralized, in accordance with Section 2256.010, the Texas Government Code and Chapter 2257 the Public Funds Collateral Act, and not to exceed three (3) years to stated maturity. Both principal and interest earned on the investment will be

guaranteed, insured or collateralized as stated.

C. No-load money market mutual funds that are registered and regulated by the Securities and Exchange Commission subject to the limitations contained in Section 2256.014, Texas Government Code.

D. Local Government Investment Pools, such as TexPool Investment Pool (TexPool), Lone Star Investment Pool (LSIP) and Texas CLASS investment pool, provided such pools comply with Chapter 2256, Sections .016, .017, .018, .019 and .0204, Texas Government Code.

E. Commercial Paper in accordance with Section 2256.013, of the Local Government Code. The stated maturity must be 365 days or fewer from the date of its issuance, rated not less than A-1 or P-1 or an equivalent rating by at least two nationally recognized credit rating agencies or one national recognized credit rating agency and is fully secured by an irrevocable letter of credit issued by a bank organized an existing under the laws of the United State or any state.

X. **Loss of Required Minimum Rating** – Rating status of investments of the City’s portfolio will be reviewed quarterly by the Investment Officer(s). All prudent measures, consistent with the City’s investment policy, will be exercised to liquidate investments downgraded below the A-1 or P-1 required by this policy.

XI. **Existing Investment Exemption** – The City is not required to liquidate an investment which was an authorized investment type at the time of purchase.

XII. **Authorized Financial Dealers and Institutions** - The Investment Officer shall maintain a list of financial institutions authorized to provide investment services. In addition, a list shall also be maintained of approved security broker/dealers selected by credit worthiness who are authorized to provide investment services in the State of Texas. These may include primary dealers or regional dealers that qualify under Securities & Exchange Commission Rule 15C3-1 (uniform net capital rule).

All financial institutions and broker/dealers who desire to become qualified bidders for investment transactions must supply the Investment Officer with the following: audited financial statements, proof of registration with Financial Industry Regulatory Authority (FINRA) and proof of state registration.

A written copy of the investment policy shall be presented to any person offering to engage in an investment transaction with the City. For purposes of this subsection, “a business organization includes investment pools. The qualified representative of the business organization offering to engage in an investment transaction with” the City “shall execute a written instrument” (Exhibit “A”) “to the effect that the business organization has: (1) received and reviewed the investment policy of the City; and (2) acknowledged that the

business organization has implemented reasonable procedures and controls in an effort to preclude investment transactions conducted between” the City “and the organization that are not authorized by” the City’s “investment policy, except to the extent that this authorization is dependent on an analysis of the makeup of the City’s “entire portfolio or requires an interpretation of subjective investment standards.”

- XIII. **Competitive Bidding Requirement** - Securities and certificates of deposits may be purchased or sold only after a reasonable review of the offers/bids, to verify that the City is receiving fair market value/price for the investment. At least three (3) competitive offers/bids must be obtained prior to purchase or sell of securities and certificates of deposits. Comparison of investment pools will occur to confirm that the City receives fair market value/return on investments.
- XIV. **Methods to Monitor the Market Price of Investments** - The market price of investments acquired with public funds will be monitored through one of the following methods: (1) accessing financial information provided by the safekeeping custodian via communication software; (2) obtaining pricing information as provided in financial publications, such as the Wall Street Journal; and (3) obtaining pricing information from qualified broker/dealers or financial institution representatives. Market value of the City’s investments will be reviewed and calculated on a monthly basis. The quarterly investment report will include the market value of the portfolio.
- XV. **Reporting** - The Investment Officer shall prepare and submit to the City Manager and City Council a quarterly report of investment transactions for all funds of the City. Quarterly investment reports will be reviewed annually by an independent auditor. The report shall include all information as required by Section 2256.023 of the Act.
- XVI. **Limitation of Personal Liability** - The Investment Officer and those delegated investment authority under this policy, when acting in accordance with the written procedures and this policy and in accord with the Prudent Person Rule, shall be relieved of personal responsibility and liability in the management of the portfolio provided that deviations from expectations for a specific security’s credit risk or market price change or portfolio shifts are reported in a timely manner and that appropriate action is taken to control adverse market effects.
- XVII. **Investment Strategy** - The City of Friendswood shall maintain a portfolio which involves investment strategy considerations, designed to address the unique characteristics of the fund groups represented in the portfolio. The objectives of each fund group must be considered in context of the structure of the overall portfolio.
- A. **Operating Funds** - 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.

B. **Capital and Special Projects Funds** - Primary strategy for these fund types is to assure that anticipated cash requirements are matched to ensure adequate liquidity at the time of payment. A portion of investments (at least 10%) should be highly liquid to allow for flexibility and unanticipated project outlays. The stated final maturity date of any security held should not exceed the estimated project completion date.

C. **Debt Service Fund** – In accordance with Section 2256.0208, investment strategies for debt service funds will have as their primary objective the assurance of investment liquidity adequate to cover the debt service obligation on the required payment date.

D. **Overall Short-term Strategy** - The City uses a consolidated cash system for cash and investments where cash is commingled and ownership tracked by equity accounts. From this a considerable amount is available for investment in highly liquid local government investment pools. Interest earnings are apportioned back based on equity in the pool. Use of the pool enables short-term interfund borrowing during the course of the year using “due-to/due-from” accounting methodology. This gives considerable flexibility to the immediate cash needs of an individual fund. In addition, the City’s portfolio will have a maximum dollar-weighted average maturity of 3 years or less based on the stated maturity date (if applicable) of each investment.

E. **Bond Proceeds** - Exclusive of all other City investments, up to 100% of the proceeds from a bond sale may be invested in a separate pooled (LGIP) account, and are not subject to the liquidity and diversification limitations found elsewhere in this policy.

F. **Performance Benchmarks** – Comparative data such as coupon rates, market price, market value, interest rates and rating agencies will be used to gauge performance of the City’s investment portfolio.

XVIII. **Intent** - It is the stated intent of this Policy to adhere by and to be in conformance with the statute known as the Public Funds Investment Act, Chapter 2256, Texas Government Code, as amended by House Bill 2799 enacted by the 75th Texas Legislature. Specific interpretation of a section contrary to this intent shall not void the remaining Policy.

XIX. **Adoption** - This Investment Policy shall be formally adopted by Resolution of the City Council. The Policy shall be reviewed on an annual basis by the City Manager and City Council.

Exhibit A

TEXAS PUBLIC FUNDS INVESTMENT ACT

CERTIFICATION BY BUSINESS ORGANIZATION

This certification is executed on behalf of the City of Friendswood (the Investor) and _____ (the Business Organization) pursuant to the Public Funds Investment Act, Chapter 2256, Texas Government Code (the Act), in connection with investment transactions conducted between the Investor and the Business Organization.

The undersigned Qualified Representative of the Business Organization hereby certifies on behalf of the Business Organization that:

The undersigned is a Qualified Representative of the Business Organization offering to enter in an investment transaction with the Investor as such terms are used in the Public Funds Investment Act, Chapter 2256, Texas Government Code; and

The Qualified Representative of the Business Organization has received and reviewed the Investment Policy furnished by the Investor; and

The Qualified Representative of the Business Organization has implemented reasonable procedures and controls in an effort to preclude investment transactions conducted between the Business Organization and the Investor that are not authorized by the City of Friendswood ' s Investment Policy, except to the extent that this authorization is dependent on an analysis of the makeup of the City ' s entire portfolio or requires an interpretation of subjective investment standards.

Qualified Representative of the Business Organization

Signature: _____

Name: _____

Title: _____

Date: _____

LIST OF AUTHORIZED DEPOSITORIES AND QUALIFIED BROKERS
AUTHORIZED TO ENGAGE IN INVESTMENT TRANSACTIONS
WITH THE CITY OF FRIENDSWOOD

1. BOK Financial Securities, Inc.
2. FHN Financial Capital Markets (formerly FTN Financial Securities Corporation)
3. Hilltop Securities
4. Wells Fargo Brokerage Services, LLC
5. Wells Fargo Bank
6. Lonestar Investment Pool
7. TexPool
8. Texas Class
9. Cantor Fitzgerald & Company

The above list of broker/dealers and financial institutions were approved by the Investment Committee at a regular meeting, and are qualified to engage in investment transactions with the City of Friendswood, as required by the Texas Public Funds Investment Act, Chapter 2256, Section .025.

Name: Katina Hampton, Investment Officer

Date: August 3, 2020