

RESOLUTION 2024 - 01

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF MINERAL WELLS, TEXAS, ADOPTING THE CITY OF MINERAL WELLS INVESTMENT POLICY ATTACHED HERETO AS EXHIBIT "A"; DECLARING THAT THE CITY COUNCIL HAS COMPLETED ITS REVIEW OF THE INVESTMENT POLICY AND INVESTMENT STRATEGIES OF THE CITY AND THAT EXHIBIT "A" RECORDS ANY CHANGES TO EITHER THE INVESTMENT POLICY OR INVESTMENT STRATEGIES; PROVIDING A REPEALING CLAUSE; PROVIDING A SEVERABILITY CLAUSE; AND PROVIDING FOR AN EFFECTIVE DATE.

WHEREAS, in accordance with the Public Funds Investment Act, Chapter 2256, Texas Government Code, the City Council of the City of Mineral Wells, Texas by resolution adopted an investment policy; and

WHEREAS, Section 2256.005, Texas Government Code, requires the City Council to review the investment policies and investment strategies not less than annually and to adopt a resolution or order stating the review has been completed and recording any changes made to either the investment policies or investment strategy.

NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF MINERAL WELLS, TEXAS:

SECTION 1. That the City of Mineral Wells Investment Policy attached hereto as Exhibit "A" be and the same is hereby adopted and shall govern the investment policies and investment strategies for the City, and shall define the authority of the Investment Officers of the City from and after the effective date of this resolution.

SECTION 2. That the City Council of the City of Mineral Wells has completed its review of the investment policies and investment strategies and any changes made to either the investment policies or investment strategies are recorded in Exhibit "A" hereto.

SECTION 3. That all provisions of the resolutions of the City of Mineral Wells, Texas, in conflict with the provisions of this resolution be, and the same are hereby, repealed, and all other provisions not in conflict with the provisions of this resolution shall remain in full force and effect.

SECTION 4. That should any word, sentence, paragraph, subdivision, clause, phrase or section of the resolution be adjudged or held to be void or unconstitutional, the same shall not affect the validity of the remaining portions of said resolution which shall remain in full force and effect.

SECTION 5. That this resolution shall become effective immediately from and after its passage.

DULY RESOLVED AND ADOPTED by the City Council of the City of Mineral Wells, Texas,
on this the 2nd day of January, 2024.

Regan L. Johnson
Regan Johnson, Mayor

ATTEST:

Sharon McFadden
Sharon McFadden, City Clerk

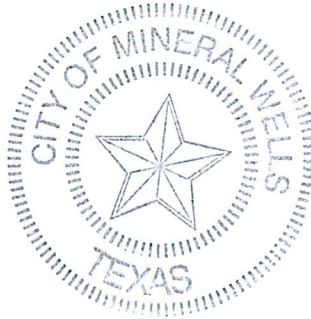


EXHIBIT “A”
City of Mineral Wells Investment Policy

ARTICLE I
PURPOSE AND NEED FOR POLICY

Chapter 2256 of the Texas Government Code, as amended from time to time by the Texas State Legislature ("Public Funds Investment Act" or "PFIA") requires each city to adopt rules governing its investment practices and to define the authority of the Investment Officers. The Investment Policy addresses the methods, procedures and practices which must be exercised to ensure effective and prudent fiscal management of City funds.

ARTICLE II
SCOPE

The Investment Policy applies to the investment and management of all funds under direct authority of the City.

A. These funds are accounted for in the City's Annual Comprehensive Financial Report (ACFR) and include the following:

- (1) General Fund;
- (2) Special Revenue Funds;
- (3) Capital Project Funds;
- (4) Enterprise Funds;
- (5) Mineral Wells Economic Development Corporation;
- (6) Trust and Agency Funds, to the extent not required by law or existing contract to be kept segregated and managed separately;
- (7) Debt Service Funds, including reserves and sinking funds to the extent not required by law or existing contract to be kept segregated and managed separately; and
- (8) Any new fund created by the City unless specifically exempted from this policy by the City or by law.

This Investment Policy shall apply to all transactions involving the financial assets and related activity of all the foregoing funds.

B. This policy excludes:

- (1) Employee Retirement and Pension Funds administered or sponsored by the City.
- (2) Defeased bond funds held in trust escrow accounts.

C. Review and Amendment

The City Council is required by state statute and by this Investment Policy to review this Investment Policy and investment strategies not less than annually and to adopt a resolution or an ordinance stating the review has been completed and recording any changes made to either the policy or strategy statements.

ARTICLE III
PRUDENCE

Investments shall be made with judgment and care, under prevailing circumstances, that a person of prudence, discretion, and intelligence would exercise in the management of the person's own affairs, not for speculation, but for investment, considering the probable safety of capital and the probable income to be derived.

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

D. Review and Amendment

- (1) The investment of all funds, or funds under the City's control, over which the Officer had responsibility rather than a consideration as to the prudence of a single investment; and
- (2) Whether the investment decision was consistent with the written investment policy of the City.

All participants in the investment program will seek to act responsibly as custodians of the public trust. Investment Officers will avoid any transaction that might impair public confidence in the City's ability to govern effectively. Investment Officers 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.

Investment Officers, acting in accordance with written procedures and exercising due diligence, shall not be held personally responsible for market price changes, provided that these deviations from expectations are reported immediately to the Finance Director, the City Manager and the City Council, and that appropriate action is taken by the Investment Officers and their oversight managers to control adverse developments.

ARTICLE IV

OBJECTIVES

A. Preservation and Safety of Principal

Preservation of principal is the foremost objective of the City. Each investment transaction shall seek first to ensure that capital losses are avoided, whether the loss occurs from the default of an issuer or from erosion of market value.

B. Liquidity

The City's investment portfolio will remain sufficiently liquid to enable the City to meet all operating requirements which can be reasonably anticipated. Liquidity will be achieved by maintaining appropriate cash-equivalent balances, matching investment maturities with forecasted cash flow requirements and by investing in securities with active secondary markets.

C. Yield

The investment portfolio of the City shall be designed to meet or exceed the average rate of return on 91-day U.S. treasury bills throughout budgetary and economic cycles, taking into account the City's investment risk constraints and the cash flow characteristics of the portfolio. Legal constraints on debt proceeds that are not exempt from federal arbitrage regulations are limited to the arbitrage yield of the debt obligation. Investment Officers will seek to optimize the yield of these funds in the same manner as all other City funds. However, if the yield achieved by the City is higher than the arbitrage yield, positive arbitrage income will be rebated to the federal government as required by applicable federal regulations.

ARTICLE V

INVESTMENT COMMITTEE

A. Members

An Investment Committee, consisting of the City Manager or his designee, the Finance Director, and the City Clerk shall review the City's investment strategies and monitor the results of the investment program periodically. This review can be done by reviewing the quarterly written reports and by holding Committee meetings as necessary. The Committee will be authorized to invite other advisors to attend meetings as needed.

B. Scope

The Investment Committee shall include in its deliberations such topics as economic outlook, investment strategies, portfolio diversification, maturity structure, potential risk to the City's funds, evaluation and authorization of broker/dealers, rate of return on the investment portfolio, review and approval of training providers, and compliance with the Investment Policy. The Investment Committee will also advise the City Council of any future amendments to the Investment Policy that are deemed necessary or recommended.

C. Procedures

The Investment Committee should meet at least annually to discuss the investment program and policies.

ARTICLE VI
RESPONSIBILITY AND CONTROL

A. Investment Officers

The City Manager and Finance Director are hereby appointed as Investment Officers. No person shall engage in an investment transaction except as provided under the terms of this Policy and the procedures established by this Policy. This Policy explicitly authorizes the Investment Officers to withdraw, transfer, deposit, and enter into related financial agreements, and invest the City's funds.

B. Delegation

Routine management responsibility and the establishment of written procedures for the operation of the investment program consistent with this Investment Policy are assigned to the Finance Director. Such procedures shall include explicit delegation of authority to persons responsible for the daily cash management operation, the execution of investment transactions, overall portfolio management, and investment reporting. The Finance Director may delegate the daily investment responsibilities to either internal investment officials or an external investment advisor. However, the use of an external investment advisor must be approved in advance by the City Council. The Investment Officers and/or investment officials will be limited by compliance with all federal regulations, ordinances, and the statements of investment strategy.

C. Internal Controls

Internal controls shall be designed to prevent losses of public funds arising from fraud, employee error, misrepresentations by third parties, unanticipated changes in financial markets, or imprudent actions by Investment Officers. Controls deemed most important would include: avoidance of collusion; separation of duties; third-party custodial safekeeping; avoidance of bearer-only securities; clear delegation of authority; specific limitations regarding securities losses and remedial action; written confirmation of telephone transactions; minimizing the number of authorized investment officials; and documentation of any rationale for investment transactions.

In conjunction with the annual independent audit, a compliance audit of management controls on investments and adherence to the Investment Policy and incorporated Investment Strategies shall be performed by the City's independent auditor.

D. Ethics and Conflicts of Interest

An Investment Officer of the City who has a personal business relationship with a business organization offering to engage in an investment transaction with the City shall file a statement

disclosing that personal business interest. An Investment Officer who is related within the second degree of affinity or consanguinity to an individual seeking to sell an investment to the City shall file a statement disclosing that relationship. These disclosures shall be to the Texas Ethics Commission and the City Council. For purposes of this section, an Investment Officer has a personal business relationship with a business organization if:

- (1) The Investment Officer owns ten (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 ten (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.

Investment Officers of the City shall refrain from personal and business activities involving any of the City's custodians, depositories, broker/dealers or investment advisors which may influence the Officer's ability to conduct his duties in an unbiased manner. Investment Officers will not utilize investment advice concerning specific investments or classes of investments obtained in the transaction of the City's business for personal investment decisions, will in all respects subordinate their personal investment transactions to those of the City, particularly with regard to the timing of purchase and sales and will keep all investment advice obtained on behalf of the City and all transactions contemplated and completed by the City confidential, except when disclosure is required by law.

E. Investment Training Requirements

In order to ensure quality and capability of investment management, each Investment Officer shall attend at least ten (10) hours of training relating to their investment responsibilities within twelve (12) months after assuming their duties. In addition to this initial requirement, each Investment Officer shall receive not less than eight (8) hours of instruction relative to their investment responsibilities during each subsequent two year period aligned with the City's fiscal year. The investment training session shall be provided by an independent source approved by the Investment Committee. For purposes of this policy, 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. Such training shall include education in investment controls, credit risk, market risk, investment strategies, and compliance with investment laws, including the Public Funds Investment Act. A list will be maintained of the number of hours and conferences attended for each Investment Officer and a report of such information will be provided to the Investment Committee.

ARTICLE VII
AUTHORIZED INVESTMENTS

- A. Obligations, including letters of credit, of the United States or its agencies and instrumentalities, including the Federal Home Loan Banks.
- B. Direct obligations of the State of Texas or its agencies and instrumentalities.
- C. Other obligations, the principal and interest of which are unconditionally guaranteed or insured by, the State of Texas, or the United States or its instrumentalities, including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation or by the explicit full faith and credit of the United States.
- D. Obligations of states, agencies, 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.
- E. Local Government Investment Pools, which are authorized by resolution or ordinance by the City Council, are rated no lower than AAA or AAA-m or at an equivalent rating by at least one nationally recognized rating service and managed in compliance with the PFIA.
- F. Certificates of Deposit, and other forms of financial deposit, when such deposits are:
 - (1) Issued by a depository institution that has its main office or branch office in Texas; and
 - (2) Are guaranteed or insured by the Federal Deposit Insurance Corporation or the National Credit Union Share Insurance Fund or their successors; or
 - (3) Secured as described in Article XI; or
 - (4) Placed in federally insured depository institutions in accordance with the conditions prescribed in Sections 2256.009(a) and 2256.010(b) of the Public Funds Investment Act, as amended.
- G. Fully collateralized repurchase agreements, including flexible repurchase agreements (flex repo), with a defined termination date secured by cash and obligations of the United States or its agencies and instrumentalities pledged to the City and held in the City's account by a third party selected by the City. Repurchase agreements must be purchased through a primary government securities dealer, as defined by the Federal Reserve, or a financial institution doing business in the State of Texas. The securities received for repurchase agreements must have a market value greater than or equal to 103 percent of the agreement balance including accrued interest. All transactions shall be governed by a Repurchase Agreement between the City and the primary government securities dealer or financial institution initiating Repurchase Agreement transactions.

H. No-load money market mutual funds if the mutual fund:

- (1) Is registered with and regulated by the Securities and Exchange Commission;
- (2) Includes in its investment objectives the maintenance of a stable net asset value of one dollar (\$1.0000) for each share; and
- (3) Complies with the requirements of the PFIA.

I. In addition to those prohibited by the Public Funds Investment Act, investment instruments not authorized for purchase by the City include the following:

- (1) Banker's Acceptances;
- (2) "Bond" Mutual Funds;
- (3) Collateralized Mortgage Obligations of any type; and
- (4) Commercial Paper

J. If an investment in the City's portfolio becomes an unauthorized investment due to changes in the Investment Policy or the Public Funds Investment Act, the City is not required to liquidate it. If an authorized investment is downgraded to less than the required minimum rating causing it to become an unauthorized investment, the Investment Officers of the City shall take all prudent measures to liquidate the investment. Investment Officers shall consider the time remaining until maturity of the investment, the overall quality of the investment, and the quality and amounts of any collateral which may be securing the investment in determining the appropriate steps to take.

ARTICLE VIII

PORTFOLIO AND INVESTMENT ASSET PARAMETERS

A. Competitive Process for Investments

It is the policy of the City to provide a competitive environment for all individual investment purchases and sales, and financial institution, money market mutual fund, and local government investment pool selections.

B. Maximum Maturities

The City will manage its investments to meet anticipated cash flow requirements. Unless matched to a specific cash flow, the City will not directly invest in instruments maturing more than five years from the date of purchase.

C. Diversification

The allocation of assets in the portfolios should be flexible depending upon the outlook for the economy and the investment markets. In establishing specific diversification strategies, the following general policies and constraints shall apply.

- (1) Portfolio maturities and call dates shall be staggered in a way that avoids undue concentration of assets in a specific sector. Maturities shall be selected which provide the stability of income and reasonable liquidity.
- (2) To attain sufficient liquidity, the City shall schedule the maturity of its investments to coincide with known disbursements. Risk of market price volatility shall be controlled through maturity diversification.
- (3) The City shall not invest more than 50% of the investment portfolio in repurchase agreements, excluding bond proceeds and reserves.
- (4) The City shall not invest more than 50% of the investment portfolio in any individual money market mutual fund.
- (5) The Investment Committee shall review diversification strategies and establish or confirm guidelines on at least an annual basis. The Investment Committee shall review the quarterly investment reports and evaluate the probability of market and default risk in various investment sectors as part of its consideration.

ARTICLE IX

AUTHORIZED BROKER/DEALERS

A. The Investment Committee will, at least annually, authorize a list of broker/dealers who are eligible to provide investment services to the City. These firms may include:

- (1) All primary government securities dealers; and
- (2) Those regional broker/dealers who qualify under Securities and Exchange Commission Rule 15C3-1 (uniform net capital rule), and who meet other financial credit criteria standards in the industry.

These firms will be selected based on their competitiveness, participation in agency selling groups and the experience and background of the salesperson handling the account.

B. All broker/dealers who desire to become qualified bidders for investment transactions must supply the Investment Officers with the following:, when requested:

- (1) Audited financial statements;
- (2) Proof of Financial Industry Regulatory Authority (FINRA) registration; and
- (3) Resumes of all sales representatives who will represent the financial institution or broker/dealer firm in dealings with the City.

All business organizations, as defined by Section 2256.005, (including local government investment pools and discretionary investment management firms) shall provide an executed written instrument, by the qualified representative, in a form acceptable to the City and the business organization substantially to the effect that the business organization has received and reviewed the Investment Policy of the City and acknowledges 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, requires an interpretation of subjective investment standards, or relates to investment transactions of the City that are not made through accounts or other contractual arrangements over which the business organization has accepted discretionary investment authority.

ARTICLE X

SAFEKEEPING OF INVESTMENT ASSETS

All security transactions entered into by the City shall be conducted using the delivery versus payment (DVP) basis. That is, funds shall not be wired or paid until verification has been made that the correct security was received by the safekeeping bank. The safekeeping bank is responsible for matching up instructions from the City's Investment Officers on an investment settlement with what is wired from the counterparty, prior to releasing the City's designated funds for a given purchase.

Securities will be held by a third party safekeeping bank designated by the Investment Officers and evidenced by safekeeping receipts or statements. The security shall be held in the name of the City or held on behalf of the City in a bank nominee name. The safekeeping bank's records shall assure the notation of the City's ownership of or explicit claim on the securities. The original copy of all safekeeping receipts shall be delivered to the City. A safekeeping agreement must be in place which clearly defines the responsibilities of the safekeeping bank.

ARTICLE XI

COLLATERAL

The City's depository bank(s) shall comply with Chapter 2257 of the Texas Government Code, (The Public Funds Collateral Act) and shall execute a mutually acceptable depository pledge agreement. The collateralized deposit portion of the agreement shall define the City'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:

- (1) The agreement must be in writing;
- (2) The agreement must be executed by the Depository and the City contemporaneously with the acquisition of the asset;
- (3) 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 City; and
- (4) The agreement must be part of the Depository's "official record" continuously since its execution.

The Federal Reserve Bank, Federal Home Loan Bank and other financial institutions authorized under the Public Funds Collateral Act, are eligible as custodial agents for collateral, subject to City approval. An authorized City representative will approve and release all pledged collateral.

A. Market Value

The Market Value of pledged securities as collateral must be equal to or greater than 103% of the principal and accrued interest for cash balances in excess of the Federal Deposit Insurance Corporation (FDIC) or National Credit Union Share Insurance Fund (NCUSIF) insurance coverage. The securities comprising the collateral will be marked to market on a monthly basis using quotes by a recognized market pricing service quoted on the valuation date, and the City will be sent reports monthly. The City reserves the right to accept or reject, at its sole discretion, any proposed collateral.

B. Collateral Substitution

Collateralized investments often require substitution of collateral. The custodial agent must contact the City for approval and settlement. The substitution will be approved if its value is equal to or greater than the required collateral value.

C. Collateral Reduction

Should the collateral's market value exceed the required amount, the depository bank or custodial agent may request approval from the City to reduce Collateral. Collateral reductions may be permitted only if the remaining collateral's market value exceeds the required amount.

D. Letters of Credit

Letters of Credit, issued by an agency or instrumentality of the United States, are acceptable collateral for financial institution deposits. They must be equal to or greater than 100% of the principal and anticipated interest for cash balances in excess of the Federal Deposit Insurance Corporation (FDIC) or National Credit Union Share Insurance Fund (NCUSIF) insurance coverage.

ARTICLE XII **INVESTMENT REPORTS**

A. Reporting Requirements

The Investment Officers shall prepare a quarterly investment report in compliance with section 2256.023 of the Public Funds Investment Act. The report shall be submitted to the City Council and the Investment Committee.

B. Investment Records

An investment official designated by the Finance Director shall be responsible for the recording of investment transactions and the maintenance of the investment records. Reconciliation of the accounting records and of any investments shall also be performed.

Weighted average yield to maturity shall be the City's performance measurement standard.

Information to maintain the investment program and the reporting requirements, including pricing or marking to market the portfolio, may be derived from various sources such as: broker/dealer research reports, newspapers, financial on-line market quotes, direct

communication with broker/dealers, market pricing services, investment software for maintenance of portfolio records, spreadsheet software, or external financial consulting services relating to investments.

C. Auditor Review

The City's independent external auditor must formally review the quarterly investment reports annually to ensure compliance with the Public Funds Investment Act and any other applicable State Statutes.

ARTICLE XIII
INVESTMENT STRATEGY STATEMENTS

The City portfolio will be structured to benefit from anticipated market conditions and to achieve a reasonable return. Relative value among asset groups shall be analyzed and pursued as part of the investment program within the restrictions set forth by the investment policy.

The City maintains portfolios which utilize four specific investment strategy considerations designed to address the unique characteristics of the fund groups represented in the portfolios.

A. Operating Funds

Suitability – All investments authorized in the Investment Policy are suitable for Operating Funds.

Preservation and Safety of Principal – All investments shall be high quality with no perceived default risk.

Liquidity – Investment strategies for operating funds have as their primary objective to assure that anticipated cash flows are matched with adequate investment liquidity. The dollar weighted average maturity of operating funds, based on the stated final maturity date of each investment, will be calculated and limited to one year or less. Constant \$1.00 NAV investment pools and money market mutual funds, and financial institution transaction accounts shall be an integral component in maintaining daily liquidity. Investments for these funds shall not exceed a 24-month period from date of purchase.

Marketability – Securities with active and efficient secondary markets will be purchased in the event of an unanticipated cash requirement.

Diversification – Maturities shall be staggered throughout the budget cycle to provide cash flows based on anticipated needs. Investment risks may be reduced through diversification among authorized investments, as appropriate.

Yield – The City's objective is to attain a competitive market yield for comparable securities and portfolio constraints. The benchmark for Operating Funds shall be the 91-day Treasury bill.

B. Reserve and Deposit Funds

Suitability – All investments authorized in the Investment Policy are suitable for Reserve and Deposit Funds.

Preservation and Safety of Principal – All investments shall be high quality with no perceived default risk.

Liquidity – Investment strategies for reserve and deposit funds shall have as the primary objective the ability to generate a dependable revenue stream to the appropriate reserve fund from investments with a low degree of volatility. Except as may be required by the bond ordinance specific to an individual issue, investments should be of high quality, with short- to-intermediate-term maturities. The dollar-weighted average maturity of reserve and deposit funds, based on the stated final maturity date of each investment, will be calculated and limited to three years or less.

Marketability – Securities with active and efficient secondary markets will be purchased in the event of an unanticipated cash requirement.

Diversification – Maturities shall be staggered throughout the budget cycle to provide cash flows based on anticipated needs. Investment risks may be reduced through diversification among authorized investments, as appropriate.

Yield – The City's objective is to attain a competitive market yield for comparable securities and portfolio constraints. The benchmark for Reserve and Deposit Funds shall be the 91-day Treasury bill.

C. Capital Project Funds and Special Purpose Funds

Suitability – All investments authorized in the Investment Policy are suitable for Capital Project Funds and Special Purpose Funds.

Preservation and Safety of Principal – All investments shall be high quality with no perceived default risk.

Liquidity – Investment strategies for Capital Project Funds and Special Purpose Funds' portfolios will have as their primary objective to assure that anticipated cash flows are matched with adequate investment liquidity. The stated final maturity dates of investments held should not exceed the estimated project completion date or a maturity of no greater than five years. The dollar-weighted average maturity of bond and certificate capital project funds and special

purpose funds, based on the stated final maturity date of each investment, will be calculated and limited to three years or less.

Marketability – Securities with active and efficient secondary markets will be purchased in the event of an unanticipated cash requirement.

Diversification – Maturities shall be staggered throughout the budget cycle to provide cash flows based on anticipated needs. Investment risks may be reduced through diversification among authorized investments, as appropriate.

Yield – The City's objective is to attain a competitive market yield for comparable securities and portfolio constraints. The benchmark for Capital Project Funds and Special Purpose Funds shall be the 91-day Treasury bill. A secondary objective of these funds is to achieve a yield equal to or greater than the arbitrage yield of the applicable bond or certificate.

D. Capital Project Funds and Special Purpose Funds

Suitability – All investments authorized in the Investment Policy are suitable for Debt Service Funds.

Preservation and Safety of Principal – All investments shall be high quality with no perceived default risk.

Liquidity – 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. Investments purchased shall not have a stated final maturity date which exceeds the next unfunded debt service payment date.

Marketability – Securities with active and efficient secondary markets are not required as cash requirements are predictable.

Diversification – Investment risks may be reduced through diversification among authorized investments, as appropriate.

Yield – The City's objective is to attain a competitive market yield for comparable securities and portfolio constraints. The benchmark for Debt Service Funds shall be the 91-day Treasury bill.