



CITY OF BOERNE, TEXAS

INVESTMENT POLICY

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CITY OF BOERNE, TEXAS
INVESTMENT POLICY
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**CITY OF BOERNE, TEXAS
INVESTMENT POLICY**

SECTION 1: SCOPE & OBJECTIVES

1.1 SCOPE

This investment policy applies to the investment and management of all funds under direct authority of the City of Boerne, Texas.

1.2 STATEMENT OF CASH MANAGEMENT PHILOSOPHY

The City of Boerne will maintain a comprehensive cash management program to include the effective collection of all accounts receivable, the prompt deposit of receipts to the City's bank accounts, the payment of obligations to comply with state law and in accord with vendor invoices, and the prudent investment of idle funds in accord with this policy.

1.3 OBJECTIVES

The City's investment program will be conducted to accomplish the following objectives, listed in priority order:

- a. *Safety*. The City will give priority to the preservation and safety of the principal invested. Investments will be made in a manner that will mitigate credit risk and interest rate risk.
- b. *Liquidity*. The City will maintain the availability of sufficient cash to pay obligations of the City when they are due.
- c. *Yield*. The City will invest idle cash at the highest possible rate of return, consistent with state and local laws and the objectives of safety and liquidity listed above.
- d. *Diversity*. It is also the objective of the City of Boerne to diversify its investments to eliminate the risk of loss resulting from over concentration of assets in a specific maturity, a specific issuer or a specific class of securities. It is the intent of the City of Boerne to invest its funds to maturity.

SECTION 2: STANDARD OF CARE

2.1 PRUDENCE

Investments will 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. The City Council recognizes that in maintaining a diversified portfolio occasional measured losses due to market volatility are inevitable and must be considered within

the context of the overall portfolio's investment return, provided that adequate diversification has been implemented. In determining whether prudence has been exercised with respect to an investment decision, the determination shall be made taking into consideration:

- (1) the investment of all funds, or funds under the City's control 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.

2.2 ETHICS & CONFLICT OF INTEREST

Officers and employees involved in the investment process will refrain from personal business activity that could conflict with the proper execution of the investment program, or which could impair their ability to make impartial investment decisions. Employees and investment officers shall disclose any material interests in financial institutions with which they conduct business. They shall further disclose any personal investment positions that could be related to the performance of the investment portfolio. Employees and officers shall refrain from undertaking personal investment transactions with the same individual with which business is conducted on behalf of the City. Personal business relationship, for these purposes, is defined as: a). 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; b). 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 c). 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.

2.3 DELEGATION OF AUTHORITY

The Finance Director, as the City's chief financial officer, is responsible for overall management of the City's investment program and is designated as the City's Investment Officer. Accordingly, the Finance Director is responsible for day-to-day administration of the investment program and for the duties listed below:

- a. Maintain current information as to available cash balances in City accounts, and as to the amount of idle cash available for investment;
- b. Make investments and maintain written procedures for the operating and internal control of the investment program consistent with this policy. Such procedures shall include explicit delegation of authority to persons responsible for investment transactions. All persons involved in investment activities will be referred to as investment officer with the Finance Director as the primary investment officer;
- c. Ensure that all investments are adequately secured; and
- d. Attend training as required by Section 2256.008 (a) of the Texas Government Code and ensure that any staff executing transactions covered by this policy attend the required training. Training required includes at least one training session related to their respective duties within 12 months of assuming office or duties. An investment officer

shall attend an investment training session not less than once in a two-year period that begins on the first day of the City's fiscal year and consists of the two consecutive fiscal years after that date. The training provider must be an independent provider approved by City Council.

- e. Independent providers authorized to provide the required investment training shall include but not be limited to Alamo Area Council of Governments (AACOG), Government Treasurers' of Texas (GTOT), University of North Texas, Government Finance Officers Association (state and local chapters), Texas Municipal League, Texas Society of CPA's, TexPool, and Texas State University.

2.4 INVESTMENT COMMITTEE

An investment committee consisting of the Finance Director, the Assistant Finance Director, Finance Officer II – Payroll & Investment Administrator, the Deputy City Manager and the City Manager, shall meet at least quarterly to determine general strategies and to monitor results. The investment committee shall include in its deliberations such topics as: economic outlook, portfolio diversification, maturity, structure, potential risk to the City's funds, and authorized brokers and dealers. Any two members of the committee may request a special meeting, and three members shall constitute a quorum.

SECTION 3: INVESTMENT STRATEGIES

3.1 OPERATING FUNDS

Operating Funds are defined as cash and investments used for day-to-day operations that do not fall into one of the other categories. Operating funds will be invested in a manner suitable for funds requiring a high degree of liquidity. Investments of Operating Funds shall be limited to a dollar weighted average maturity no greater than one year, and all investment instruments must meet credit and safety criteria as required by the Public Funds Investment Act and this policy. Involuntary liquidation of Operating Fund investments is unlikely due to their short term nature. However, should a liquidation of investments prior to maturity be necessary, their short term nature will make material losses unlikely. Operating Fund investments will be diverse and include any listed authorized investment as stated in Section 4.1. Investment of Operating funds will be structured to attain the highest possible yield given the liquidity and safety requirements.

3.2 CONTINGENCY RESERVES (or operating reserves)

Contingency Reserves are the minimum fund balance/working capital requirements as defined by Council in the Annual Operating Budget. Contingency Reserve balances may be used to cover any cash operating shortfalls due to timing of bond issues, revenue receipts, etc. When short-term cash flow needs are met, investments of these funds may exceed 24 months per Section 4.3. The maximum maturity of an individual investment shall not exceed 36 months. Involuntary liquidation of Contingency Reserve investments is unlikely due to their nature. However, should a liquidation

of investments prior to maturity be necessary, the comparatively longer term nature of some of the investments, could result in material losses depending on financial and economic conditions. Contingency Reserve investments will be diverse and include any listed authorized investment as stated in Section 4.1. Investment of Contingency Reserves will be structured to attain the highest possible yield given the liquidity and safety requirements.

3.3 DEBT

3.3.1 Reserves. Debt reserves are defined as bond reserve funds required to be set aside in accordance with bond covenants. The City of Boerne reserve funds will include investments appropriate to provide reserves to meet any shortfalls in bond funds. Bond reserve funds are not anticipated to be utilized except in the case of extreme situations; therefore, investments of these funds may exceed 24 months per Section 4.3. The maximum maturity of an individual investment shall not exceed 60 months. Involuntary liquidation of Debt Reserve investments is unlikely due to their nature. However, should a liquidation of investments prior to maturity be necessary, the comparatively longer term nature of some of the investments, could result in material losses depending on financial and economic conditions. Debt reserve investments will be diverse if allowed by bond covenants and include any listed authorized investment as stated in Section 4.1. Federal tax law limits the earnings on these funds and investment yield will be considered accordingly.

3.3.2 Debt Service Funds. Debt Service funds are defined as those funds accumulated to meet periodic payments required by bond and note maturity schedules. The investment maturities are limited by pertinent debt service requirements and tax laws limiting accumulation and earnings for such funds. Involuntary liquidation of investments is highly unlikely due to the nature of these funds. Debt Service fund investments will be diverse and include any listed authorized investment as stated in Section 4.1. The maximum maturity of an individual investment shall not exceed one year.

3.4 BOND PROCEEDS (capital projects funds)

Capital Projects funds are defined as those funds received from the sale of City of Boerne bonds or notes and not otherwise set aside for debt service or reserve purposes. These funds typically include money to fund infrastructure construction or other large projects. The investment maturities are limited by pertinent project draw requirements and tax laws limiting earnings for such funds. Involuntary liquidation of investment is highly unlikely. Bond proceed investments will be diverse and include any listed authorized investment as stated in Section 4.1. The maximum maturity of an individual investment shall not exceed 24 months.

3.5 CEMETERY ENDOWMENT FUNDS

Cemetery Endowment funds are defined as those funds received by the City of Boerne that are to be set aside for the perpetual care and maintenance of the City of Boerne Cemetery. The principal of these funds is to remain intact and cannot be used for any purpose except in the case of extreme

situations and only upon request to and approval by the City Council of the City of Boerne. The interest earned on these funds may be used for the perpetual care and maintenance of the cemetery. Based on the restriction of the use of the principal of these funds, they may be invested for a period that may exceed 24 months and up to 60 months per Section 4.3.

SECTION 4: AUTHORIZED INVESTMENTS

4.1 ALLOWABLE INVESTMENTS

For all investments acquired with public funds by the City of Boerne, procedures to monitor rating changes at least once on a monthly basis must be followed. As described by Section 2256.021 of the Government Code, an investment that requires a minimum rating under this subchapter does not qualify as an authorized investment during the period the investment does not have the minimum rating. The City shall take all prudent measures that are consistent with its investment policy to liquidate an investment that does not have the minimum rating.

The City of Boerne funds may be invested in the following instruments:

4.1.1 Certificates of Deposit: Certificates of Deposit if the certificate is issued by a depository institution that has its main office or a branch office in the State of Texas. In addition, funds may be invested in Certificates of Deposit through a broker that has its main office or a branch office in the State of Texas and is selected from a list adopted by the City or the broker or the depository institution selected by the City arranges for the deposit of the funds in Certificates of Deposit in one or more federally insured depository institution, wherever located, for the account of the City. All certificates of deposits in excess of the FDIC insured amount must be collateralized as described by Section 2256.009 (a) of the Code. Collateral must be held by a third party and in accordance with Section 5.4 of this policy. Bids for Certificates of Deposit may be solicited: orally, in writing, electronically, or in any combination of those methods.

4.1.2 U.S. Treasuries and U.S. Agencies and direct obligations of this state:

- a. Securities issued by the United States Treasury or its Governmental Agencies, which are backed as to principal and interest, 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 of America.
- b. Obligations of states, agencies, counties, cities, and other political subdivisions of this state or any state rated as to investment quality by a nationally recognized investment rating firm not less than "A" or its equivalent and backed by the full faith and credit of the state or the respective instrumentality.

4.1.3 Investment Pools: Investment pools that meet the following criteria:

- a. Investment objectives of an investment pool must be in order of priority:

- (1) preservation and safety of principal;
 - (2) liquidity; and
 - (3) yield.
- b. An investment pool must provide an offering circular or other similar disclosure instruments and provide monthly transaction reporting as required by Section 2256.016 of the Texas Government Code.
 - c. Investment in a new pool will require the approval of the City Council.
 - d. A public funds investment pool created to function as a money market mutual fund must (1) mark its portfolio to market daily, (2) include in its investment objectives the maintenance of a stable net asset value of \$1 for each share, (3) In addition to the requirements of its investment policy and any other forms of reporting, a public funds investment pool created to function as a money market mutual fund shall report yield to its investors in accordance with regulations of the federal Securities and Exchange Commission applicable to reporting by money market funds and (4) be continuously rated no lower than AAA or AAA-m or at an equivalent rating by at least one nationally recognized rating service.
 - e. If the investment pool operates an Internet website, the information in a disclosure instrument or report described in Subsection (b) and (d) must be posted on the website.
 - f. To maintain eligibility to receive funds from and invest funds on behalf of the City under this chapter, an investment pool must make available to the City an annual audited financial statement of the investment pool in which the City has funds invested.
 - g. If an investment pool offers fee breakpoints based on fund balances invested, the investment pool in advertising investment rates must include either all levels of return based on the breakpoints provided or state the lowest possible level of return based on the smallest level of funds invested.

4.1.4 Money Market Mutual Funds: No-load money market mutual funds if the fund:

- a. Is registered and regulated by the Securities and Exchange Commission and provides a prospectus and other information required by the Securities Exchange Act of 1934 (15 U.S.C. Sec 78a et seq.) or the Investment Company Act of 1940 (15 U.S.C. Sec 80a-1 et seq.);
- b. Marks its portfolio to market daily;
- c. Includes in its investment objectives the maintenance of a stable net asset value of \$1 for each share;
- d. Has a dollar-weighted average stated maturity of 90 days or fewer;
- e. Is continuously rated no lower than AAA or at an equivalent rating by at least one nationally recognized rating service.

The City may not invest more than 15 percent of its monthly average fund balance, excluding bond proceeds, reserves and other debt service monies, in money market mutual funds.

4.1.5 Repurchase Agreements: A fully collateralized repurchase agreement is an authorized investment if the repurchase agreement:

- a. Has a defined termination date;
- b. Is secured by a combination of cash and obligations described by Section 2256.009 (a)(1) of the Texas Government Code; and
- c. Requires the securities being purchased by the entity or cash held by the entity to be pledged to the entity, held in the entity's name, and deposited at the time the investment is made with the entity or with a third party selected and approved by the entity; and
- d. Is placed through a primary government securities dealer, as defined by the Federal Reserve, or a financial institution doing business in this state.

4.1.6 Commercial Paper: Commercial paper is an authorized investment if the commercial paper;

- a. Has a stated maturity of 365 days or fewer from the date of its issuance; and
- b. Is rated not less than A-1 or P-1 or an equivalent rating by at least:
 1. Two nationally recognized credit rating agencies; or
 2. One nationally recognized credit rating agency and is fully secured by an irrevocable letter of credit issued by a bank organized and existing under the laws of the United States or any state.

4.1.7 Banker's Acceptances: A banker's acceptance is an authorized investment if the banker's acceptance:

- a. Has a stated maturity of 270 days or fewer from the date of its issuance; and
- b. Will be, in accordance with its terms, liquidated in full at maturity;
- c. Is eligible for collateral for borrowing from a Federal Reserve Bank; and
- d. Is accepted by a bank organized and existing under the laws of the United States or any state, if the short-term obligations of the bank or of a bank holding company of which the bank is the largest subsidiary are rated not less than A-1 or P-1 or at an equivalent rating by at least one nationally recognized credit rating agency.

4.1.8 Other Investments: Other investments as approved by the City Council and not prohibited by law.

4.2 COMPLIANCE WITH STATE LAW

All authorized investments outlined above must meet the requirements of the Public Funds Investment Act, Section 2256 of the Texas Government Code. No investment may be made in any instrument except as provided above.

4.3 LENGTH OF INVESTMENTS

The following general constraints will apply: maturities exceeding 24 months will require authorization by the City Manager or Deputy City Manager or a minimum of two (2) members of the Investment Committee. Maturities will be staggered to avoid undue concentration of assets in a specific maturity sector and maturities selected will provide for stability of income and reasonable liquidity. In no instance shall the maximum stated maturity be greater than its longest stated debt service requirement unless further restricted in Section 3, Investment Strategies, of this policy; bond covenants or state law.

4.4 MEASURING MARKET VALUE

Market Value of the investment portfolio will be calculated quarterly. Pricing information will come from Bloomberg or any other source deemed reliable by the Finance Director. If the price of a particular security is not available from any of these sources, the price may be estimated by analyzing similar securities' market values.

SECTION 5: SAFEKEEPING AND CUSTODY

5.1 AUTHORIZED DEALERS

The City of Boerne will purchase investments only from institutions which are included on a list of banks and broker/dealers approved by the investment committee. All dealers on this list are required to complete a questionnaire and furnish supporting documentation required by the Finance Director. Securities shall only be purchased from those institutions on the approved list.

5.1.1 Investments shall only be made with those dealers who have:

- a. Received, and reviewed the City's Investment Policy, and;
- b. Acknowledged that it has implemented reasonable procedures and controls in an effort to preclude investment transactions conducted between the entity and the City 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.
- c. Submitted a certification signed by a qualified representative of the firm acknowledging the above requirements (see Appendix B for an example). A qualified representative of a business organization is a person who holds a position with the organization, is authorized to act on behalf of the organization, and who is:
 - a). for organizations regulated or registered with a securities commission, registered under the rules of the National Association of Securities Dealers; or
 - b). for state and national banks and savings banks, a member of the loan committee or authorized by corporate resolution to act on behalf of and bind the banking institution; or
 - c). for an investment pool, a person authorized by the elected official or board with authority to administer the activities of the

- investment pool to sign the written instrument on behalf of the investment pool.
- d. Been included on the Federal Reserve Bank of New York list of primary government securities dealers or been
 - e. Licensed by the State of Texas.
 - f. Regulation by the Securities and Exchange Commission (SEC).
 - g. Membership in good standing of the National Association of Securities Dealers, Inc. (NASD).
 - h. Been in continuous compliance with the Fed's capital adequacy guideline throughout the recent trading period.
 - i. Provided immediate disclosure to the City of Boerne whenever the firm's capital position falls short of the capital adequacy standard.
 - j. Provided independent certification by an outside auditor or similar agency that the dealer firm complied with the capital adequacy standard on its most recent balance sheet date (year-end).

5.1.2 The Investment Committee will be authorized to delete dealers from the approved list for:

- a. Slow response time;
- b. Less than competitive pricing;
- c. Little or no information on technical or fundamental expectations based on economic indicators;
- d. Decayed Transactions or continuing operational difficulties;
- e. Unwillingness to continue to abide by the provisions listed in Section 5; or
- f. The dealer firm did not comply with the capital adequacy standard on its most recent balance sheet date (year-end).

City investment officers will be authorized to transact business with up to ten brokers/dealers during any six months period and will monitor those on an ongoing basis. The Investment Committee will perform an annual review of approved firms, in order to assess performance, and to add or delete firms from the approved list as it deems necessary. The Investment Committee may perform reviews to amend the approved list on a more frequent basis, if necessary, upon approval by the City Manager or Deputy City Manager.

5.2 AUTHORIZED FINANCIAL INSTITUTIONS

Certificates of Deposit may be purchased at the qualified City depository. The City must have a written agreement with the qualified depository and that depository must meet all State Law for deposit of public funds. The City's Depository will be selected at least every five years, unless otherwise provided by law.

5.3 INTERNAL CONTROLS

All investment transactions will be documented by the Investment Officer. The Investment Officer

may make investments orally, but will follow promptly with a written confirmation to the financial institution or broker/dealer, with a copy of such confirmation retained in the City's files.

On investments in U.S. treasuries and agencies, the Investment Officer will take competitive bids. At least two (2) quotations will be taken for each such investment made.

A system of internal controls shall be designed to prevent losses of public funds arising from fraud, employee error, misrepresentation by third parties, unanticipated changes in financial markets, or imprudent actions by employees and officers of the City of Boerne. Controls deemed most important shall include:

1. Separation of duties to prevent collusion.
2. Separation of transaction authority from accounting and record keeping.
3. Custodial safekeeping at the depository bank.
4. Avoidance of bearer-form securities.
5. Clear delegation of authority.
6. Limiting the number of authorized investment officials.
7. Documentation of transactions and strategies.

These controls shall be reviewed by the City of Boerne's independent auditing firm.

5.4 SAFEKEEPING

With the exception of Investment Pools and Mutual Funds, all securities purchased by the City under this policy must be designated as assets of the City, must be conducted on a delivery-versus-payment (DVP) basis, and must be protected through the use of a third-party custody/safekeeping agent. The City will enter into a formal agreement with an institution of such size and expertise as is necessary to provide the services needed to protect and secure the investment assets of the City.

5.5 COLLATERALIZATION

To the extent not insured by federal agencies that secure deposits, City of Boerne funds (including cash on hand and Certificates of Deposit) must be collateralized by collateral securities in compliance with the Texas Public Funds Collateral Act. Only securities prescribed as eligible investments under the Public Funds Investment Act qualify as pledged securities. In order to provide an appropriate level of protection, the pledged securities must maintain a market value at least 102 percent of the amount on deposit plus accrued interest.

Securities pledged as collateral must be retained in a third party bank in the State of Texas in the City's name or by the Federal Reserve Bank. If pledged collateral is retained in a third-party bank other than the Federal Reserve Bank, the City will be provided the original safekeeping receipt on each pledged security and the City, financial institution, and the safekeeping bank(s) will operate in accordance with a master safekeeping agreement signed by each of the parties. The City's Investment Officer must approve in writing the release of collateral prior to its removal from the

safekeeping account in accordance with the terms of depository agreement.

The financial institution(s) with which the City invests and/or maintains deposits will provide monthly a listing of the collateral pledged to the City marked to current market prices. The listing will include total pledged securities itemized by name, type and description of the security; safekeeping receipt number; par value; current market value; maturity date, if available; and Moody's or Standard & Poor's rating, if available.

SECTION 6: REPORTING

6.1 QUARTERLY REPORTING

The Investment Officer shall prepare and submit to the Council a quarterly report on investment transactions for all funds covered by this policy. The report will be prepared in compliance with the Public Funds Investment Act and cover the investment position of the City at the end of each fiscal quarter. The contents will include at a minimum:

- a. Beginning and ending market value for the reporting period;
- b. Beginning and ending market value, type of funds and yield for each category of investment; and
- c. A statement as to the compliance with this policy and state law.

6.2 ANNUAL REPORTING

Within 60 days following the end of the fiscal year, the Investment Officer will present to the City Council a comprehensive annual report on the investment program and investment activity. In addition to the information required for quarterly reporting, the annual report will include a review of the activities and return for the twelve months, suggest policy revisions and improvements that might enhance the investment program, and include an investment plan for the ensuing fiscal year.

6.3 PERFORMANCE STANDARDS

In order to evaluate portfolio performance of funds subject to this policy, the City of Boerne portfolio will be compared against appropriately competitive and reasonable benchmarks, including money market mutual funds or investment pools of similar make-up and maturities.

6.4 COMPLIANCE

A compliance audit of management controls and adherence to this policy as it relates to the City of Boerne investments and investing activity will be performed on an annual basis in conjunction with the City's annual financial audit.

6.5 INDEMNITY

The Mayor, City Council, City Manager, Deputy City Manager, Finance Director and any other finance department employees shall be personally indemnified in the event of investment loss, provided the Investment Policies of the City of Boerne have been followed.

SECTION 7: POLICY REVIEW AND AMENDMENTS

This investment policy will be reviewed by the City Council of the City of Boerne at least on an annual basis as required by the Public Funds Investment Act and will be amended as necessary. The Council will review the policy as part of the annual investment report presented by staff.

PASSED, APPROVED and ADOPTED this the ____ day of _____, 2019.

APPROVED:

MAYOR

ATTEST:

City Secretary

APPENDIX A: GLOSSARY of COMMON TREASURY TERMS

ACTIVE PORTFOLIO MANAGEMENT:

An approach to investment management in which the investment officer actively trades the portfolio to take advantage of changing market conditions. This style requires the investment officer to develop a comprehensive economic outlook and to take actions based upon that outlook. Requires relatively technical knowledge of the investment field.

BENCHMARKS:

A measure used to evaluate the effectiveness of the investment program. Suitable benchmarks are readily available and share the characteristics of the portfolio with respect to legal constraints and investment policy compliance. Benchmarks may be published figures or indexes in publications such as the Wall Street Journal or they may be specially created for the entity.

BOOK ENTRY SECURITIES:

Securities that are purchased, sold and held with only electronic computer entries rather than the transfer of physical certificates. Buyers typically receive receipts or confirmations as evidence of ownership.

BROKER:

A party who brings buyers and sellers together. Brokers do not take ownership of the property being traded. They are compensated by commissions.

COLLATERAL:

Securities that a borrower pledges to secure repayment of a loan. Also, refers to securities pledged by a bank to secure deposits of public monies.

CREDIT RISK:

Credit risk is the risk of loss due to failure of the security issuer to pay interest and/or principal in a timely manner.

DEALER:

A firm or an individual who buys and sells for his own account. Dealers have ownership, even if only for an instant, between a purchase from one party and a sale to another party. They are compensated by the spread between the price they pay and the price they receive.

DERIVATIVES:

Financial instruments whose value depends on the values of underlying assets or indexes.

INTEREST RATE RISK:

Interest rate risk is the risk that the market value of securities in the portfolio will fall due to changes in general interest rates. The longer the term, the more tendency there is for rates to fluctuate.

MARKET VALUE:

The price at which a security is trading and could presumably be purchased or sold.

PASSIVE INVESTMENT MANAGEMENT:

An approach to investment management in which the investment officer adopts a buy and hold strategy. Some investment techniques are used. Requires basic level investment knowledge.

PRIMARY DEALERS:

A group of securities dealers who are recognized as major participants in the government securities markets and who are willing to market all government securities. Primary dealers must submit daily reports of market activity and positions and monthly financial statements to the Federal Reserve Bank of New York and are subject to its oversight.

RATE OF RETURN:

The yield obtainable on a security based on its purchase price or its current market price.

REGIONAL DEALERS:

The second tier of broker/dealers (after primary dealers) composed of brokerage firms that specialize in certain market niches, typically on a regional basis.

SAVINGS BANK DEPOSITS:

Demand deposits held in an account at a savings and loan association.

SECONDARY MARKET:

A market made for the purchase and sale of outstanding debt issues following the initial distribution.

TREASURY BILLS:

Short term obligations issued by the United States Treasury. Bills are issued for maturities of one year or less. They do not pay interest but are issued on a discount basis instead.

TREASURY NOTES:

Medium term obligations issued by the United States Treasury. Notes are issued for initial maturities over 1 to 10 years.

YIELD:

The annual return on an investment expressed as a percentage.

APPENDIX B: ILLUSTRATIVE BROKER/DEALER
CERTIFICATION FORM

BROKER DEALER CERTIFICATION FORM
(as required by Texas Government Code 2256.005(k))

The City acknowledges that the only means the firm has to preclude unauthorized investment transactions between the firm and the City is to confirm that all provisions of the City's investment policy are followed in investment transactions conducted between the firm and the City, and, the second paragraph below should be read accordingly.

I, _____ as a qualified representative for the firm _____ do hereby certify that I and the broker covering this account, _____, have received and reviewed the investment policy of the City of Boerne, Texas.

I acknowledge that this firm has implemented reasonable internal procedures and controls in an effort to preclude investment transactions not authorized by the City's investment policy.

Signature

Name: _____

Title: _____

Date: _____