



# City of Colleyville Audit Committee Agenda

City Hall  
100 Main Street  
Colleyville, Texas 76034  
817.503.1000  
www.colleyville.com

---

Tuesday, January 17, 2023  
5:00 P.M.

City Manager's Conference Room  
Third Floor – City Hall

---

**1. CALL TO ORDER**

**2. APPROVAL OF MINUTES**

September 6, 2022

**3. REGULAR AGENDA ITEMS**

**3a** Approval of the City of Colleyville Investment Policy annual review

**3b** Quarterly Investment Reports for the quarter ended September 30, 2022 and December 31, 2022

**4. ADJOURNMENT**

I hereby certify this agenda was posted on City Hall bulletin boards Friday, January 13, 2023, by 5:00 p.m.

Christine Loven, TRMC  
City Secretary

*A quorum of the Colleyville City Council and/or any other Colleyville Board, Commission, or Committee may be in attendance at this meeting.*

*Any matter on this agenda may, at the discretion of the governing body, be opened for public comment and discussion.*

*If you plan to attend this public meeting and have a disability that requires special accommodations, please advise Executive Secretary at least 48 hours in advance at 817.503.1111, and reasonable accommodations will be made to assist you.*



# City of Colleyville Audit Committee Minutes

City Hall  
100 Main Street  
Colleyville, Texas 76034  
817.503.1000  
www.colleyville.com

---

Tuesday, September 6, 2022  
4:30 p.m.

City Manager's Conference Room  
Third Floor – City Hall

---

## 1. CALL TO ORDER

Mayor Lindamood called the meeting to order at 4:30 p.m.

**Present:** Committee Members: George Dodson and Brandi Elder.

**Absent:** Chuck Kelley.

**Also Present:** Mayor Bobby Lindamood, Finance Director Kyle Lester, Accounting Manager Karen Hines, and City Manager Jerry Ducay.

## 2. APPROVAL OF MINUTES

June 7, 2022

The June 7, 2022 minutes were approved.

## 3. REGULAR AGENDA ITEMS

**3a** Discussion of the Fiscal Year September 30, 2022, audit which will be conducted by the City's audit firm Weaver and Tidwell

Jennifer Ripka, Weaver and Tidwell, provided a presentation which reviewed the year end audit. She noted and reviewed new GASB pronouncements and regulations, for this fiscal year, and requirements for Fiscal Year 2023.

**3b** Presentation of the third quarter FY22 investment report

Finance Director Kyle Lester presented the third quarter investment report, highlighting earnings of \$96,248 compared to \$22,060 last quarter.

## 4. ADJOURNMENT

The meeting was adjourned at 4:50 p.m.

PASSED BY A VOTE OF \_ AYES, \_ NAYS, THIS 17<sup>TH</sup> DAY OF JANUARY 2023.

Minutes prepared from meeting notes taken by Karen Hines:



Christine Loven, TRMC  
City Secretary



# City of Colleyville Audit Committee Agenda Briefing

City Hall  
100 Main Street  
Colleyville, Texas 76034  
www.colleyville.com

---

<b>Agenda Number</b> 3a	<b>Agenda Date</b> 1/17/2023	<b>Number</b>
<b>Type</b> Regular Agenda Items		
<b>Department</b> Finance		

---

## **Title**

Approval of the City of Colleyville Investment Policy annual review

## **Explanation**

The Public Funds Investment Act requires that the governing body of a public entity review the investment strategy and adopt a written instrument by resolution stating that it has reviewed the investment policy and investment strategies.

The City's investment strategy is addressed under the "Investment Strategy" section of the attached City of Colleyville Investment Policy. Staff proposes no changes and will make an Investment Policy presentation.

## **Attachments**

1. Policy Update Presentation
2. Investment Policy 2023
3. PFIA



# **Annual Review of City of Colleyville Investment Policy**

January 17, 2023

# Purpose



- **Policy to invest public funds to provide reasonable rate of return while incurring minimal risk as well as sufficient daily cashflow to meet the demands of the City as well as conform to all State of Texas laws and statutes.**
- **Applies to all financial assets of the City which are accounted for in the City's annual audit**
- **First objective is safety. Investments shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. This means diversification in investments and tracking the marketability of all investments**
- **Second objective is liquidity. The City shall maintain sufficient liquidity to provide adequate and timely working funds.**
- **Our final objective is yield. Our portfolio shall be designed with the objective of obtaining a reasonable market return within the parameters imposed by its safety and liquidity objectives.**

# Delegation of Authority



**The City designates the Investment Officers to be the Director of Finance as well as the Accounting Manager.**

- **A monthly (and in some cases, weekly) cash position/forecast is kept to ensure adequate liquidity is maintained**
- **At least three sources or brokers are consulted prior to committing public funds**
- **All investments are signed off on by a designee of the City Manager's Office prior to committing public funds**
- **All decisions are put into writing and kept record of**
- **A publicly available quarterly report is filed throughout the year and presented by the Director of Finance**

# Ethics / Conflicts of Interest



**All investment officers and employees involved shall refrain from personal business activity that could conflict with proper execution of the investment program, or that could impair their ability to make impartial investment decisions.**

- **State governance falls under the Public Funds Investment Act**
- **Officers must disclose to Council and the Texas Ethics Commission if:**
  - **Officer owns 10% or more of the voting stock or shares of the business organization or owns \$5,000 or more of fair market value of the organization**
  - **Funds received by the officer from the business organization exceed 10% of the officer's gross annual income**
  - **Officer has acquired from the business organization during the previous year, investments with a book value of \$2,500 or more for their personal account.**

# Authorized Investments



- **Obligations, including letters of credit, of the US or its agencies, including FHLBs**
- **Direct obligations of the State of Texas or its agencies**
- **Other obligations which are unconditionally guaranteed or insured by the State of Texas or the US or its agencies**
- **Obligations of states, agencies, counties, cities, and other political subdivisions of any state having been rated as to investment quality by a nationally recognized investment rating firm and having received a rating of not less than "A" or its equivalent**
- **Certificates of deposit placed with a financial institution that has its main office or a branch office in Texas (must be FDIC guaranteed)**
- **AAA-rated local government investment pools**
- **Direct repurchase agreements as well as SEC-registered, no-load money market mutual funds**

# Prohibited Investments



- **Collateralized mortgage obligations**
- **Commercial Paper**
- **Banker's acceptances**
- **Reverse repurchase agreements**
- **No-load mutual funds other than SEC-registered**
- **Share certificates of qualifying credit unions**

# Parameters



- **Operating funds shall not have an investment with a stated maturity greater than two years and the weighted average maturity shall not exceed twelve months**
- **Debt Service funds shall not have a stated final maturity date which exceeds the corresponding debt service payment date**
- **Reserve funds maturities shall not exceed the sooner of five years or the call provisions of any relevant bond ordinance**
- **Special Project funds shall be limited to a maximum final maturity date of three years**

# Diversification



- **U.S. Treasuries:** **100%**
- **US Agencies:** **75%**
- **Certificates of Deposit:** **75%**
- **Local Gov. Investment Pools** **75%**
- **Repurchase Agreements** **15%**

# Questions/Comments

## **CITY OF COLLEYVILLE INVESTMENT POLICY**

### **Policy**

It is the policy of the City of Colleyville (the City) to invest public funds in a manner which will provide a reasonable market rate of return commensurate with the City's investment risk constraints while meeting the daily cash flow demands of the entity and conforming to all State of Texas laws and statutes including the Public Funds Investment Act (PFIA), Chapter 2256 of the Government Code and City ordinances.

### **Scope**

This Investment Policy applies to all financial assets of the City. These funds are accounted for in the City's Comprehensive Annual Financial Report and include:

- General Fund
- Special Revenue Funds
- Capital Projects Funds
- Enterprise Funds
- Debt Service Funds, including reserves and sinking funds
- Trust and Agency Funds, to the extent not required by law or existing contract to be kept segregated and managed separately

and any new fund created by the City Council, unless specifically exempted by the City Council or by law. All funds may be combined as pooled funds unless specifically prohibited by State law or statute or City ordinance.

### **Objectives**

The primary objectives, in priority order, of the City's investment activities shall be:

**Safety:** Safety of principal is the foremost objective of the City in managing its portfolio. Investments of the City shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. To attain this objective the City will diversify its investments among a variety of investment types and financial institutions. The City will also take into account

the marketability of the investment if the need arises to liquidate the investment before maturity.

Liquidity: The City will also maintain sufficient liquidity to provide adequate and timely working funds.

Yield: The investment portfolio shall be designed with the objective of obtaining a reasonable market rate of return throughout budgetary and economic cycles within the parameters imposed by its safety and liquidity objectives, investment strategies, and state and local law. The weighted average return on thirteen-week Treasury bills is considered a benchmark for riskless investment transactions, and therefore, is a minimum standard for the portfolio's rate of return.

### **Delegation of Authority**

The City designates the Investment Officers to be the Director of Finance, with overall responsibilities to see that investment objectives are accomplished, and the Accounting Manager, with the specific day-to-day performance of managing the funds of the City.

### **Ethics and Conflict of Interest**

All Investment Officers and employees involved in the investment process shall refrain from personal business activity that could conflict with proper execution of the investment program, or that could impair their ability to make impartial investment decisions. Investment Officers shall disclose to the City Council and Texas Ethics Commission a statement under the following conditions:

- A. If they have a personal business relationship with a business organization offering to engage in an investment transaction with the entity. Under PFIA, a personal business relationship is defined as:
  - 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.
- B. If they are related within the second degree by affinity or consanguinity, as determined by Chapter 573 V.A.T.C.S. to an individual seeking to sell an investment to the City of Colleyville.

Investment Officers shall notify the City Council in writing of any conflicts of interest, as defined by PFIA, no later than the next regularly scheduled Council meeting.

### **Prudence**

Investments shall be made with judgement and care – under circumstances then prevailing – which persons of prudence, discretion, and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived.

Investment Officers acting in accordance with written procedures and exercising due diligence shall be relieved of personal responsibility for an individual security's credit risk or market price changes, provided deviations from expectations are reported in a timely fashion and appropriate action is taken to control adverse developments.

It is the policy of the City that the Investment Officers perform their duties in accordance with the policies and procedures set forth in this policy. The Investment Officers of the City shall be personally indemnified in the event of investment loss provided the Investment Policy is followed.

### **Internal Controls**

The Director of Finance and Accounting Manager shall establish a system of written internal controls which shall be reviewed by an independent auditor in conjunction with the annual financial audit. The controls shall be designed to prevent the loss of public funds due to fraud, error, misrepresentation, unanticipated market changes or imprudent actions.

## **Authorized Investments**

The following is the list of authorized investments permitted for the City:

1. Obligations, including letters of credit, of the United States or its agencies or instrumentalities, including the Federal Home Loan Banks;
2. Direct obligations of the State of Texas or its agencies;
3. Other obligations, the principal and interest of which are unconditionally guaranteed or insured by the State of Texas or the United States or its agencies or instrumentalities;
4. Obligations of states, agencies, counties, cities, and other political subdivisions of any state having been rated as to investment quality by nationally recognized investment rating firm and having received a rating of not less than "A" or its equivalent;
5. Certificates of deposit, and other forms of deposit, placed with a financial institution that has its main office or branch office in Texas that is:
  - a. Guaranteed or insured by the Federal Deposit Insurance Corporation, or its successors;
  - b. Secured by obligations in any manner and amount provided by law for deposits of the City; or
  - c. is placed in compliance with the requirements of PFIA.
6. AAA-rated Texas local government investment pools as authorized by PFIA. Participation in any pool must be authorized by resolution of the City Council. Pools investing in commercial paper are permissible up to 5% of total pool investments.
7. Direct repurchase agreements with primary security dealers or financial institutions doing business in the State of Texas having a defined termination date, and secured by cash or U.S. Government or federal agency securities, provided that the ownership of collateral for the repurchase agreement is transferred to the City, and deposited with a safekeeping agent for the duration of the contract, and a signed master repurchase agreement has been executed with the counterparty.
8. SEC-registered, no-load money market mutual funds whose assets generally consist of United States Government Securities or obligations backed by that security-type, and whose investment objectives include

seeking to maintain a stable net asset value of \$1.0000 per share. Investment in mutual funds shall be limited as per PFIA.

The City is not required to liquidate an investment that was authorized at the time of its purchase.

### **Prohibited Investments**

The following securities, although authorized by PFIA, are not eligible investments for the City:

1. Collateralized mortgage obligations and/or obligations of the following structure
  - a. obligations whose payment represents the coupon payments on the outstanding principal balance of the underlying mortgage-backed security collateral and pays no principal;
  - b. obligations whose payment represents the principal stream of cash flow from the underlying mortgage-backed security collateral and bears no interest;
  - c. collateralized mortgage obligations that have a stated final maturity date of greater than 10 years; and
  - d. collateralized mortgage obligations the interest rate of which is determined by an index that adjusts opposite to the changes in a market index.
2. Commercial paper
3. Banker's acceptances
4. Reverse repurchase agreements (Local Government Investment Pools which the City participates in may engage in reverse repurchase agreements if the term is 90 days or less)
5. No-load mutual funds other than SEC-registered, no-load money market mutual funds as described above.
6. Share certificates of qualifying credit unions

## **Effect of Loss of Required Rating**

An investment that requires a minimum rating does not qualify as an authorized investment during the period the investment does not have a minimum rating. The Investment Officers shall take all prudent measures that are consistent with the City's Investment Policy to liquidate the investment(s) that does not have the minimum rating. In accordance with PFIA, the Investment Officers shall monitor rating changes in current investments on a periodic basis.

## **Investment Strategies**

The investment strategy by type of fund is as follows:

### **(1) Operating Funds**

The investment strategy for operating fund(s) is to assure that anticipated cash flows are matched with adequate investment liquidity. A secondary objective is to create a portfolio, which will experience minimum volatility during economic cycles. These funds shall not have an investment with a stated maturity greater than two years and the weighted average maturity shall not exceed twelve months.

### **(2) Debt Service Funds**

The investment strategy for debt service fund(s) is the assurance of investment liquidity to cover the debt service obligations on the required payment date. Investments purchased shall not have a stated final maturity date which exceeds the corresponding debt service payment date.

### **(3) Reserve Funds**

The investment strategy for reserve fund(s) is the assurance of investment liquidity adequate to cover the debt service obligations not funded by debt service funds on the required payment date. Investment of reserve funds are controlled by their ordinance, resolution or indenture, and Federal and State law. Bond documents must be examined for each issue, for potential differences with this policy concerning investment instruments, maximum maturity or average life restrictions, call dates or sinking fund redemptions, and applicable arbitrage yields and rebate liability. More restrictive provisions contained in the bond documents will supersede provisions of this Policy. Weighted average maturity shall be in compliance with bond requirements, as

stated.

Maturity limitations for single issue reserve funds shall not exceed the sooner of five (5) years, the call provisions of the bond ordinance, or the final maturity of the bond issue.

Reserve funds may be subject to arbitrage rebate rules requiring refunding of excess earnings. All excess earnings received will be segregated to allow a proper determination of interest income to be used in the arbitrage calculation.

#### (4) Special Project or Special Purpose Funds

The investment strategy for special projects or special purpose fund portfolio(s) will have as their primary objective to assure that anticipated cash flows are matched with adequate investment liquidity. The City's final maturity dates of securities held shall not exceed the estimated project completion date. Funds in excess of defined construction payment schedules shall be limited to a maximum final maturity date of three years.

### **Diversification**

The City will attempt to limit the risk of loss through diversification of its portfolio and to achieve the aforementioned investment strategies by diversification of instruments across various maturities.

<b>Diversification of Portfolio by Instrument</b>	<b>Maximum Percent</b>
U.S. Treasury Obligations (Bills, Notes and Bonds – direct purchase),	100%
U.S. Government Agency Securities, and Instrumentalities of Government Sponsored Corporations (direct purchase)	75%
Certificates of Deposit (CD's – direct purchase)	75%
Local Government Investment Pools	75%
Repurchase Agreements (direct purchase)	15%

## **Investment Procedures**

The City shall enter the following agreements (if applicable): safekeeping, repurchase agreements, wire transfer agreements, banking services contracts, and collateral/depository agreements. These contracts shall include the explicit delegation of authority to persons responsible for the transactions involving these agreements. No person except those designated in the contract may engage in any investment transactions.

In order to create a competitive pricing environment for each investment transaction, the City shall solicit quotations from multiple investment providers, authorized broker/dealers or financial institutions, as applicable. Records will be kept of the quotes offered, transactions accepted, and a brief explanation of the decision that was made regarding the investment. Money market mutual fund, money market account and local government investment pool risk/returns shall also be periodically compared to ensure competitive performance.

## **Qualified Broker/Dealers**

Annually, the City Council shall review and approve a list of qualified broker/dealers authorized to engage in investment transactions with the City. All firms shall answer and submit a Broker/Dealer questionnaire to the City for evaluation. All personnel in the firms who will be trading or quoting securities to the City Council must maintain a current Financial Industry Regulatory Authority (FINRA) license and be registered to deal securities in the State of Texas. Broker/dealers eligible to transact investment business with the City shall be presented a written copy of this Investment Policy.

## **Certification of Business Organizations**

The registered principal of any investment pool or discretionary investment manager seeking to transact investment business with the City shall execute a written instrument substantially to the effect that the registered principal has:

- received and reviewed this Investment Policy, and
- acknowledged that the organization has implemented reasonable procedures and controls in an effort to preclude imprudent investment activities with the City except to the extent that the authorization is dependent on an analysis of the makeup of the City's entire portfolio or requires

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.

The City shall not enter into an investment transaction with a pool or discretionary investment manager prior to receiving the written instrument described above.

## **Safekeeping**

All marketable securities purchased by the City shall be held in a third party safekeeping institution. All securities will be settled on a delivery versus payment basis whereby the third party safekeeping institution will verify the correct security was delivered by the seller prior to releasing payment for the security. The third party safekeeping institution shall issue a safekeeping receipt to the City listing the specific instrument, rate/yield, maturity, CUSIP, and other pertinent information. The securities will be held in an account in the City's name as evidenced by the safekeeping receipts.

Securities pledged as collateral on deposits which exceed the FDIC coverage shall be held by a third party custodial institution designated by the City and held in an account in the City's name. A collateral agreement shall be executed between the City and the third party custodian of the collateral.

## **Collateralization**

Financial institutions serving as City depositories will be required to sign a depository agreement with the City. 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:

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

The written agreement will specify the acceptable collateral, require independent custodian of the collateral, only allow substitution of collateral of equal or greater value than the collateral being substituted, and require City approval before release of collateral.

A clearly marked evidence of pledge must be supplied to the City and retained by the Investment Officers. A monthly collateral report provided by the custodian shall be reviewed by the Investment Officers to assure that the market value of the pledged securities is adequate.

For financial institution deposits, the market value of securities pledged as collateral for deposits must at all times be equal to or greater than 105% of the par value of the deposit plus accrued interest less the amount insured by the Federal Deposit Insurance Corporation (FDIC), or its successors. The depository shall be liable for monitoring and maintaining the collateral and collateral margins at all times. The Public Funds Collateral Act defines the eligible pledge securities - subject to the City's sole right to accept or reject any proposed security as collateral.

Letters of credit pledged as collateral shall at all times be equal to the total value of the deposits plus accrued interest less the applicable level of FDIC insurance.

If the value of the securities pledged falls below the required collateral level, the financial institution must pledge additional securities no later than the end of the next succeeding business day.

### **Selection of Primary Depository**

A Primary Depository shall be selected through the City's banking services procurement process, which shall include a formal request for application. In selecting a Primary Depository, the services available, service costs, and credit-worthiness of institutions shall be considered, and the Investment Officers, shall conduct a comprehensive review of prospective depositories' credit characteristics and financial history.

### **Arbitrage**

The Tax Reform Act of 1986 places limitations on the City's yield from investing certain tax-exempt bond proceeds, debt service funds and reserve funds. The rebate provisions require that the City compute earnings on investments from certain issues of bonds on a periodic basis to determine if rebate is required.

To determine the City's arbitrage position, the City is required to calculate the actual interest income earned on the investment of the funds and compare it to the income that would have been earned if the funds had been invested at a rate equal to the yield on the applicable bonds sold by the City. The rebate provisions state that periodically (not less than once every five years and not later than sixty days after maturity of the bonds), the City is required to pay the United States Treasury a rebate of any excess earnings. These restrictions require extreme precision in the monitoring and record keeping of investments, particularly in computing yields to ensure compliance. Failure to comply can dictate that the bonds become taxable, retroactively from the date of issuance.

Investment of bond fund proceeds which fall under the arbitrage provisions of the Tax Reform Act of 1986, will be made with safety of principal and liquidity in mind, but will attempt to earn a competitive rate of return utilizing investments permitted by this Investment Policy.

## **Reporting Requirements**

The Investment Officers shall issue a written report quarterly to the Audit Committee and City Council concerning the City's investment transactions for the preceding quarter and describing in detail the investment position of the City as of the end of the quarter. The report shall list for each investment held during the quarter: the purchase price, the par value, the maturity date, the market value at the beginning of the quarter, the market value at the end of the quarter, and fully accrued interest for the period. The report shall be signed by all Investment Officers for the City and state its compliance with PFIA and the adopted Investment Policy strategy.

Monthly market pricing information is to be obtained through the use of appropriate external third party software, third party safekeeping service providers, or an independent pricing source.

"Weighted average yield to maturity" shall be the standard on which investment performance is calculated.

The quarterly investment reports must be reviewed annually by the independent auditor, as a part of the City's annual audit, and the result of the review shall be reported to the City Council by that auditor.

### **Training Requirements**

The City shall provide investment training as required by PFIA to ensure the quality and capability of investment management.

In accordance with PFIA, the Investment Officers shall accumulate 10 hours of investment training within 12 months of assuming duties and 8 hours 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.

This training may be obtained from the following sources: North Central Texas Council of Governments, Government Treasurers' Organization of Texas, Government Finance Officers Association of Texas, Texas Municipal League, or the University of North Texas Center for Professional Development. The training must include education in investment controls, security risks, strategy risks, market risks, and any other topics as required by PFIA.

### **Annual Review**

Annually, the City Council shall formally review the Investment Policy and investment strategy contained with the Policy, and record in writing that it has reviewed the Policy and adopted any changes to either the Policy or strategy.

## **GLOSSARY**

**AGENCIES** – Federal agency securities and/or Government-sponsored entities.

**BENCHMARK** – A comparative base for measuring the performance or risk tolerance of the investment portfolio. A benchmark should represent a close correlation to the level of risk and the average duration of the portfolio's investments.

**BROKER** – A broker brings buyers and sellers together for a commission.

**CERTIFICATE OF DEPOSIT** – A time deposit with a specific maturity evidenced by a certificate.

**COLLATERAL** – Securities, evidence of deposit, or other property which a borrower pledges to secure repayment of a loan. Also refers to securities pledged by a bank to secure deposits of public monies.

**DEALER** – A dealer, as opposed to a broker, acts as a principal in all transactions, buying and selling for his own account.

**DELIVERY VERSUS PAYMENT** – Delivery versus payment is the delivery of a security and there is an exchange of money after the delivery of the security.

**DISCOUNT SECURITIES** – Non-interest bearing money market instruments that are being issued at a discount and redeemed at maturity for full face value, e.g. Treasury Bills.

**DIVERSIFICATION** – Dividing instruments among securities offering independent returns.

**FEDERAL CREDIT AGENCIES** – Agencies of the Federal government set up to supply credit to various classes of institutions and individuals e.g. savings and loans, small business firms, students, farmers, farm cooperatives, and exporters.

**FEDERAL DEPOSIT INSURANCE CORPORATION (FDIC)** – A federal agency that insures bank deposits, currently up to \$250,000 per deposit.

**FEDERAL HOME LOAN BANKS (FHLB)** – Government sponsored regional wholesale banks which lend funds and provide correspondent banking services to member commercial banks, thrift institutions, credit unions and insurance companies. The mission of the FHLB is to liquify the housing related assets of its members who must purchase stock in their district bank.

**FEDERAL NATIONAL MORTGAGE ASSOCIATION (FNMA)** – FNMA, like GNMA was

chartered under the Federal National Mortgage Association Act in 1938. It is a federal corporation and the largest single provider of residential mortgage funds in the United States. FNMA's securities are highly liquid and widely accepted. FNMA assumes and guarantees that all security holders will receive timely payment of principal and interest.

GOVERNMENT NATIONAL MORTGAGE ASSOCIATION (GNMA) – Securities influencing the volume of bank credit guaranteed by GNMA and issued by mortgage bankers, commercial banks, savings and loan associations. Security holder is backed by the full faith and credit of the US Government.

LIQUIDITY – An asset that can be converted quickly and easily to cash.

LOCAL GOVERNMENT INVESTMENT POOL – An investment by local governments in which their money is pooled as a method for managing local funds.

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

MASTER REPURCHASE AGREEMENT – A written contract that establishes each party's rights in the transactions. A master agreement will specify, among other things, the right of the buyer-lender to liquidate the underlying securities in the event of default by the seller-borrower.

MATURITY – The date upon which the principal or stated value of an investment becomes due and payable.

MUTUAL FUND – An investment company that pools money and can invest in a variety of securities, including fixed-income securities and money market instruments. Mutual funds are regulated by the Investment Company Act of 1940 and must abide by Securities and Exchange disclosure guidelines.

PORTFOLIO – Collection of securities held by an investor.

PRIMARY DEALER – A group of government securities dealers who submit daily reports of market activity and positions and monthly financial statements to the Federal Reserve Bank of New York and are subject to informal oversight.

PRUDENT PERSON RULE – An investment standard outlining fiduciary responsibilities of public funds investors relating to investment practices.

RATE OF RETURN – The yield obtainable on a security based on its purchase price or its current market price.

REPURCHASE AGREEMENT – An agreement of one party to sell securities at a specified price to a second party and a simultaneous agreement of the first party to

repurchase the securities at a specified price or at a specified later date.

**REVERSE REPURCHASE AGREEMENT** – An agreement of one party to sell securities at a specified price to a second party and a simultaneous agreement by the first party to resell the securities at a specified price to the second party on demand or at a specified date.

**SAFEKEEPING** – Holding of assets (e.g. securities) by a financial institution.

**TREASURY BILLS** – A non-interest bearing discount security issued by the US Treasury to finance the national debt. Most bills are issued to mature in three months, six months, or one year. The yields on these bills are monitored closely for interest rate trends.

**TREASURY BONDS** – Long term US government debt securities with maturities of ten to thirty years.

**TREASURY NOTES** – Intermediate term US government debt securities with maturities of one to ten years.

**YIELD** – The current rate of return on an investment security generally expressed as a percentage of the securities current price.

GOVERNMENT CODE

TITLE 10. GENERAL GOVERNMENT

SUBTITLE F. STATE AND LOCAL CONTRACTS AND FUND MANAGEMENT

CHAPTER 2256. PUBLIC FUNDS INVESTMENT

SUBCHAPTER A. AUTHORIZED INVESTMENTS FOR GOVERNMENTAL ENTITIES

Sec. 2256.001. SHORT TITLE. This chapter may be cited as the Public Funds Investment Act.

Amended by Acts 1995, 74th Leg., ch. 402, Sec. 1, eff. Sept. 1, 1995.

Sec. 2256.002. DEFINITIONS. In this chapter:

(1) "Bond proceeds" means the proceeds from the sale of bonds, notes, and other obligations issued by an entity, and reserves and funds maintained by an entity for debt service purposes.

(2) "Book value" means the original acquisition cost of an investment plus or minus the accrued amortization or accretion.

(3) "Funds" means public funds in the custody of a state agency or local government that:

(A) are not required by law to be deposited in the state treasury; and

(B) the investing entity has authority to invest.

(4) "Institution of higher education" has the meaning assigned by Section 61.003, Education Code.

(5) "Investing entity" and "entity" mean an entity subject to this chapter and described by Section 2256.003.

(6) "Investment pool" means an entity created under this code to invest public funds jointly on behalf of the entities that participate in the pool and whose investment objectives in order of priority are:

(A) preservation and safety of principal;

(B) liquidity; and

(C) yield.

(7) "Local government" means a municipality, a county, a school district, a district or authority created under Section 52(b)(1) or (2), Article III, or Section 59, Article XVI, Texas Constitution, a fresh water supply district, a hospital district, and any political subdivision, authority, public corporation, body politic, or instrumentality of the

State of Texas, and any nonprofit corporation acting on behalf of any of those entities.

(8) "Market value" means the current face or par value of an investment multiplied by the net selling price of the security as quoted by a recognized market pricing source quoted on the valuation date.

(9) "Pooled fund group" means an internally created fund of an investing entity in which one or more institutional accounts of the investing entity are invested.

(10) "Qualified representative" means a person who holds a position with a business organization, who is authorized to act on behalf of the business organization, and who is one of the following:

(A) for a business organization doing business that is regulated by or registered with a securities commission, a person who is registered under the rules of the National Association of Securities Dealers;

(B) for a state or federal bank, a savings bank, or a state or federal credit union, a member of the loan committee for the bank or branch of the bank or a person authorized by corporate resolution to act on behalf of and bind the banking institution;

(C) for an investment pool, the 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; or

(D) for an investment management firm registered under the Investment Advisers Act of 1940 (15 U.S.C. Section 80b-1 et seq.) or, if not subject to registration under that Act, registered with the State Securities Board, a person who is an officer or principal of the investment management firm.

(11) "School district" means a public school district.

(12) "Separately invested asset" means an account or fund of a state agency or local government that is not invested in a pooled fund group.

(13) "State agency" means an office, department, commission, board, or other agency that is part of any branch of state government, an institution of higher education, and any nonprofit corporation acting on behalf of any of those entities.

Amended by Acts 1995, 74th Leg., ch. 402, Sec. 1, eff. Sept. 1, 1995; Acts 1997, 75th Leg., ch. 1421, Sec. 1, eff. Sept. 1, 1997; Acts 1999, 76th Leg., ch. 1454, Sec. 1, eff. Sept. 1, 1999.

Sec. 2256.003. AUTHORITY TO INVEST FUNDS; ENTITIES SUBJECT TO THIS CHAPTER. (a) Each governing body of the following entities may purchase, sell, and invest its funds and funds under its control in investments authorized under this subchapter in compliance with investment policies approved by the governing body and according to the standard of care prescribed by Section 2256.006:

- (1) a local government;
- (2) a state agency;
- (3) a nonprofit corporation acting on behalf of a local government or a state agency; or
- (4) an investment pool acting on behalf of two or more local governments, state agencies, or a combination of those entities.

(b) In the exercise of its powers under Subsection (a), the governing body of an investing entity may contract with an investment management firm registered under the Investment Advisers Act of 1940 (15 U.S.C. Section 80b-1 et seq.) or with the State Securities Board to provide for the investment and management of its public funds or other funds under its control. A contract made under authority of this subsection may not be for a term longer than two years. A renewal or extension of the contract must be made by the governing body of the investing entity by order, ordinance, or resolution.

(c) This chapter does not prohibit an investing entity or investment officer from using the entity's employees or the services of a contractor of the entity to aid the investment officer in the execution of the officer's duties under this chapter.

Amended by Acts 1995, 74th Leg., ch. 402, Sec. 1, eff. Sept. 1, 1995; Acts 1999, 76th Leg., ch. 1454, Sec. 2, eff. Sept. 1, 1999.

Sec. 2256.004. APPLICABILITY. (a) This subchapter does not apply to:

- (1) a public retirement system as defined by Section 802.001;
- (2) state funds invested as authorized by Section 404.024;
- (3) an institution of higher education having total endowments of at least \$150 million in book value on September 1, 2017;
- (4) funds invested by the Veterans' Land Board as authorized by Chapter 161, 162, or 164, Natural Resources Code;
- (5) registry funds deposited with the county or district clerk under Chapter 117, Local Government Code; or

(6) a deferred compensation plan that qualifies under either Section 401(k) or 457 of the Internal Revenue Code of 1986 (26 U.S.C. Section 1 et seq.), as amended.

(b) This subchapter does not apply to an investment donated to an investing entity for a particular purpose or under terms of use specified by the donor.

Amended by Acts 1995, 74th Leg., ch. 402, Sec. 1, eff. Sept. 1, 1995; Acts 1997, 75th Leg., ch. 505, Sec. 24, eff. Sept. 1, 1997; Acts 1997, 75th Leg., ch. 1421, Sec. 2, eff. Sept. 1, 1997; Acts 1999, 76th Leg., ch. 62, Sec. 8.21, eff. Sept. 1, 1999; Acts 1999, 76th Leg., ch. 1454, Sec. 3, eff. Sept. 1, 1999.

Amended by:

Acts 2017, 85th Leg., R.S., Ch. 773 (H.B. 1003), Sec. 1, eff. June 14, 2017.

Sec. 2256.005. INVESTMENT POLICIES; INVESTMENT STRATEGIES; INVESTMENT OFFICER. (a) The governing body of an investing entity shall adopt by rule, order, ordinance, or resolution, as appropriate, a written investment policy regarding the investment of its funds and funds under its control.

(b) The investment policies must:

- (1) be written;
- (2) primarily emphasize safety of principal and liquidity;
- (3) address investment diversification, yield, and maturity and the quality and capability of investment management; and
- (4) include:

(A) a list of the types of authorized investments in which the investing entity's funds may be invested;

(B) the maximum allowable stated maturity of any individual investment owned by the entity;

(C) for pooled fund groups, the maximum dollar-weighted average maturity allowed based on the stated maturity date for the portfolio;

(D) methods to monitor the market price of investments acquired with public funds;

(E) a requirement for settlement of all transactions, except investment pool funds and mutual funds, on a delivery versus payment basis; and

(F) procedures to monitor rating changes in investments acquired with public funds and the liquidation of such investments consistent with the provisions of Section [2256.021](#).

(c) The investment policies may provide that bids for certificates of deposit be solicited:

- (1) orally;
- (2) in writing;
- (3) electronically; or
- (4) in any combination of those methods.

(d) As an integral part of an investment policy, the governing body shall adopt a separate written investment strategy for each of the funds or group of funds under its control. Each investment strategy must describe the investment objectives for the particular fund using the following priorities in order of importance:

- (1) understanding of the suitability of the investment to the financial requirements of the entity;
- (2) preservation and safety of principal;
- (3) liquidity;
- (4) marketability of the investment if the need arises to liquidate the investment before maturity;
- (5) diversification of the investment portfolio; and
- (6) yield.

(e) The governing body of an investing entity shall review its investment policy and investment strategies not less than annually. The governing body shall adopt a written instrument by rule, order, ordinance, or resolution stating that it has reviewed the investment policy and investment strategies and that the written instrument so adopted shall record any changes made to either the investment policy or investment strategies.

(f) Each investing entity shall designate, by rule, order, ordinance, or resolution, as appropriate, one or more officers or employees of the state agency, local government, or investment pool as investment officer to be responsible for the investment of its funds consistent with the investment policy adopted by the entity. If the governing body of an investing entity has contracted with another investing entity to invest its funds, the investment officer of the other investing entity is considered to be the investment officer of the first investing entity for purposes of this chapter. Authority granted to a person to invest an entity's funds is effective until rescinded by the investing entity, until the expiration of the officer's term or the termination of the person's employment by the

investing entity, or if an investment management firm, until the expiration of the contract with the investing entity. In the administration of the duties of an investment officer, 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, but the governing body of the investing entity retains ultimate responsibility as fiduciaries of the assets of the entity. Unless authorized by law, a person may not deposit, withdraw, transfer, or manage in any other manner the funds of the investing entity.

(g) Subsection (f) does not apply to a state agency, local government, or investment pool for which an officer of the entity is assigned by law the function of investing its funds.

Text of subsec. (h) as amended by Acts 1997, 75th Leg., ch. 685, Sec. 1

(h) An officer or employee of a commission created under Chapter 391, Local Government Code, is ineligible to be an investment officer for the commission under Subsection (f) if the officer or employee is an investment officer designated under Subsection (f) for another local government.

Text of subsec. (h) as amended by Acts 1997, 75th Leg., ch. 1421, Sec. 3

(h) An officer or employee of a commission created under Chapter 391, Local Government Code, is ineligible to be designated as an investment officer under Subsection (f) for any investing entity other than for that commission.

(i) An investment officer of an entity who has a personal business relationship with a business organization offering to engage in an investment transaction with the entity shall file a statement disclosing that personal business interest. An investment officer who is related within the second degree by affinity or consanguinity, as determined under Chapter 573, to an individual seeking to sell an investment to the investment officer's entity shall file a statement disclosing that relationship. A statement required under this subsection must be filed with the Texas Ethics Commission and the governing body of the entity. For purposes of this subsection, 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.

(j) The governing body of an investing entity may specify in its investment policy that any investment authorized by this chapter is not suitable.

(k) A written copy of the investment policy shall be presented to any business organization offering to engage in an investment transaction with an investing entity. For purposes of this subsection and Subsection (l), "business organization" means an investment pool or investment management firm under contract with an investing entity to invest or manage the entity's investment portfolio that has accepted authority granted by the entity under the contract to exercise investment discretion in regard to the investing entity's funds. Nothing in this subsection relieves the investing entity of the responsibility for monitoring the investments made by the investing entity to determine that they are in compliance with the investment policy. The qualified representative of the business organization offering to engage in an investment transaction with an investing entity shall execute a written instrument in a form acceptable to the investing entity and the business organization substantially to the effect that the business organization has:

(1) received and reviewed the investment policy of the entity;  
and

(2) acknowledged that the business organization has implemented reasonable procedures and controls in an effort to preclude investment transactions conducted between the entity and the organization that are not authorized by the entity's investment policy, except to the extent that this authorization:

(A) is dependent on an analysis of the makeup of the entity's entire portfolio;

(B) requires an interpretation of subjective investment standards; or

(C) relates to investment transactions of the entity that are not made through accounts or other contractual arrangements over which the business organization has accepted discretionary investment authority.

(l) The investment officer of an entity may not acquire or otherwise obtain any authorized investment described in the investment policy of the investing entity from a business organization that has not delivered to the entity the instrument required by Subsection (k).

(m) An investing entity other than a state agency, in conjunction with its annual financial audit, shall perform a compliance audit of management controls on investments and adherence to the entity's established investment policies.

(n) Except as provided by Subsection (o), at least once every two years a state agency shall arrange for a compliance audit of management controls on investments and adherence to the agency's established investment policies. The compliance audit shall be performed by the agency's internal auditor or by a private auditor employed in the manner provided by Section 321.020. Not later than January 1 of each even-numbered year a state agency shall report the results of the most recent audit performed under this subsection to the state auditor. Subject to a risk assessment and to the legislative audit committee's approval of including a review by the state auditor in the audit plan under Section 321.013, the state auditor may review information provided under this section. If review by the state auditor is approved by the legislative audit committee, the state auditor may, based on its review, require a state agency to also report to the state auditor other information the state auditor determines necessary to assess compliance with laws and policies applicable to state agency investments. A report under this subsection shall be prepared in a manner the state auditor prescribes.

(o) The audit requirements of Subsection (n) do not apply to assets of a state agency that are invested by the comptroller under Section 404.024.

Amended by Acts 1995, 74th Leg., ch. 402, Sec. 1, eff. Sept. 1, 1995; Acts 1997, 75th Leg., ch. 685, Sec. 1, eff. Sept. 1, 1997; Acts 1997, 75th Leg., ch. 1421, Sec. 3, eff. Sept. 1, 1997; Acts 1999, 76th Leg., ch. 1454, Sec. 4, eff. Sept. 1, 1999; Acts 2003, 78th Leg., ch. 785, Sec. 41, eff. Sept. 1, 2003.

Amended by:

Acts 2011, 82nd Leg., R.S., Ch. 1004 (H.B. 2226), Sec. 1, eff. June 17, 2011.

Acts 2017, 85th Leg., R.S., Ch. 149 (H.B. 1701), Sec. 1, eff. September 1, 2017.

Sec. 2256.006. STANDARD OF CARE. (a) 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. Investment of funds shall be governed by the following investment objectives, in order of priority:

- (1) preservation and safety of principal;
- (2) liquidity; and
- (3) yield.

(b) In determining whether an 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, or funds under the entity's control, over which the officer had responsibility rather than a consideration as to the prudence of a single investment; and
- (2) whether the investment decision was consistent with the written investment policy of the entity.

Amended by Acts 1995, 74th Leg., ch. 402, Sec. 1, eff. Sept. 1, 1995.

Sec. 2256.007. INVESTMENT TRAINING; STATE AGENCY BOARD MEMBERS AND OFFICERS. (a) Each member of the governing board of a state agency and its investment officer shall attend at least one training session relating to the person's responsibilities under this chapter within six months after taking office or assuming duties.

(b) The Texas Higher Education Coordinating Board shall provide the training under this section.

(c) Training under this section must include education in investment controls, security risks, strategy risks, market risks, diversification of investment portfolio, and compliance with this chapter.

(d) An investment officer shall attend a training session not less than once each state fiscal biennium and may receive training from any independent source approved by the governing body of the state agency. The investment officer shall prepare a report on this subchapter and deliver the report to the governing body of the state agency not later than the 180th day after the last day of each regular session of the legislature.

Amended by Acts 1995, 74th Leg., ch. 402, Sec. 1, eff. Sept. 1, 1995; Acts 1997, 75th Leg., ch. 73, Sec. 1, eff. May 9, 1997; Acts 1997, 75th Leg.,

ch. 1421, Sec. 4, eff. Sept. 1, 1997; Acts 1999, 76th Leg., ch. 1454, Sec. 5, eff. Sept. 1, 1999.

Amended by:

Acts 2011, 82nd Leg., R.S., Ch. 1004 (H.B. [2226](#)), Sec. 2, eff. June 17, 2011.

Sec. 2256.008. INVESTMENT TRAINING; LOCAL GOVERNMENTS.

(a) Except as provided by Subsections (a-1), (b), (b-1), (e), and (f), the treasurer, the chief financial officer if the treasurer is not the chief financial officer, and the investment officer of a local government shall:

(1) attend at least one training session from an independent source approved by the governing body of the local government or a designated investment committee advising the investment officer as provided for in the investment policy of the local government and containing at least 10 hours of instruction relating to the treasurer's or officer's responsibilities under this subchapter within 12 months after taking office or assuming duties; and

(2) attend an investment training session not less than once in a two-year period that begins on the first day of that local government's fiscal year and consists of the two consecutive fiscal years after that date, and receive not less than 10 hours of instruction relating to investment responsibilities under this subchapter from an independent source approved by the governing body of the local government or a designated investment committee advising the investment officer as provided for in the investment policy of the local government.

(a-1) Except as provided by Subsection (g), the treasurer, or the chief financial officer if the treasurer is not the chief financial officer, and the investment officer of a school district or a municipality, in addition to the requirements of Subsection (a)(1), shall attend an investment training session not less than once in a two-year period that begins on the first day of the school district's or municipality's fiscal year and consists of the two consecutive fiscal years after that date, and receive not less than eight hours of instruction relating to investment responsibilities under this subchapter from an independent source approved by the governing body of the school district or municipality, or by a designated investment committee advising the investment officer as provided for in the investment policy of the school district or municipality.

(b) An investing entity created under authority of Section [52](#)(b), Article III, or Section [59](#), Article XVI, Texas Constitution, that has

contracted with an investment management firm under Section 2256.003(b) and has fewer than five full-time employees or an investing entity that has contracted with another investing entity to invest the entity's funds may satisfy the training requirement provided by Subsection (a)(2) by having an officer of the governing body attend four hours of appropriate instruction in a two-year period that begins on the first day of that local government's fiscal year and consists of the two consecutive fiscal years after that date. The treasurer or chief financial officer of an investing entity created under authority of Section 52(b), Article III, or Section 59, Article XVI, Texas Constitution, and that has fewer than five full-time employees is not required to attend training required by this section unless the person is also the investment officer of the entity.

(b-1) A housing authority created under Chapter 392, Local Government Code, may satisfy the training requirement provided by Subsection (a)(2) by requiring the following person to attend, in each two-year period that begins on the first day of that housing authority's fiscal year and consists of the two consecutive fiscal years after that date, at least five hours of appropriate instruction:

- (1) the treasurer, or the chief financial officer if the treasurer is not the chief financial officer, or the investment officer; or
- (2) if the authority does not have an officer described by Subdivision (1), another officer of the authority.

(c) Training under this section must include education in investment controls, security risks, strategy risks, market risks, diversification of investment portfolio, and compliance with this chapter.

(d) Not later than December 31 each year, each individual, association, business, organization, governmental entity, or other person that provides training under this section shall report to the comptroller a list of the governmental entities for which the person provided required training under this section during that calendar year. An individual's reporting requirements under this subsection are satisfied by a report of the individual's employer or the sponsoring or organizing entity of a training program or seminar.

(e) This section does not apply to a district governed by Chapter 36 or 49, Water Code.

(f) Subsection (a)(2) does not apply to an officer of a municipality or housing authority if the municipality or housing authority:

- (1) does not invest municipal or housing authority funds, as applicable; or
- (2) only deposits those funds in:

- (A) interest-bearing deposit accounts; or
- (B) certificates of deposit as authorized by Section

2256.010.

(g) Subsection (a-1) does not apply to the treasurer, chief financial officer, or investment officer of a school district if:

(1) the district:

(A) does not invest district funds; or

(B) only deposits those funds in:

(i) interest-bearing deposit accounts; or

(ii) certificates of deposit as authorized by Section

2256.010; and

(2) the treasurer, chief financial officer, or investment officer annually submits to the agency a sworn affidavit identifying the applicable criteria under Subdivision (1) that apply to the district.

Amended by Acts 1995, 74th Leg., ch. 402, Sec. 1, eff. Sept. 1, 1995; Acts 1997, 75th Leg., ch. 1421, Sec. 5, eff. Sept. 1, 1997; Acts 1999, 76th Leg., ch. 1454, Sec. 6, eff. Sept. 1, 1999; Acts 2001, 77th Leg., ch. 69, Sec. 4, eff. May 14, 2001.

Amended by:

Acts 2011, 82nd Leg., R.S., Ch. 1004 (H.B. 2226), Sec. 3, eff. June 17, 2011.

Acts 2015, 84th Leg., R.S., Ch. 222 (H.B. 1148), Sec. 1, eff. September 1, 2015.

Acts 2015, 84th Leg., R.S., Ch. 1248 (H.B. 870), Sec. 1, eff. September 1, 2015.

Acts 2017, 85th Leg., R.S., Ch. 324 (S.B. 1488), Sec. 8.015, eff. September 1, 2017.

Acts 2017, 85th Leg., R.S., Ch. 1000 (H.B. 1238), Sec. 1, eff. September 1, 2017.

Acts 2017, 85th Leg., R.S., Ch. 1000 (H.B. 1238), Sec. 2, eff. September 1, 2017.

Acts 2019, 86th Leg., R.S., Ch. 477 (H.B. 293), Sec. 1, eff. June 7, 2019.

Sec. 2256.009. AUTHORIZED INVESTMENTS: OBLIGATIONS OF, OR GUARANTEED BY GOVERNMENTAL ENTITIES. (a) Except as provided by Subsection (b), the following are authorized investments under this subchapter:

(1) obligations, including letters of credit, of the United States or its agencies and instrumentalities, including the Federal Home

Loan Banks;

(2) direct obligations of this state or its agencies and instrumentalities;

(3) collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States;

(4) other obligations, the principal and interest of which are unconditionally guaranteed or insured by, or backed by the full faith and credit of, this state or the United States or their respective agencies and instrumentalities, including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation or by the explicit full faith and credit of the United States;

(5) obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than A or its equivalent;

(6) bonds issued, assumed, or guaranteed by the State of Israel;

(7) interest-bearing banking deposits that are guaranteed or insured by:

(A) the Federal Deposit Insurance Corporation or its successor; or

(B) the National Credit Union Share Insurance Fund or its successor; and

(8) interest-bearing banking deposits other than those described by Subdivision (7) if:

(A) the funds invested in the banking deposits are invested through:

(i) a broker with a main office or branch office in this state that the investing entity selects from a list the governing body or designated investment committee of the entity adopts as required by Section [2256.025](#); or

(ii) a depository institution with a main office or branch office in this state that the investing entity selects;

(B) the broker or depository institution selected as described by Paragraph (A) arranges for the deposit of the funds in the banking deposits in one or more federally insured depository institutions, regardless of where located, for the investing entity's account;

(C) the full amount of the principal and accrued interest of the banking deposits is insured by the United States or an instrumentality

of the United States; and

(D) the investing entity appoints as the entity's custodian of the banking deposits issued for the entity's account:

(i) the depository institution selected as described by Paragraph (A);

(ii) an entity described by Section [2257.041\(d\)](#); or

(iii) a clearing broker dealer registered with the Securities and Exchange Commission and operating under Securities and Exchange Commission Rule 15c3-3 (17 C.F.R. Section 240.15c3-3).

(b) The following are not authorized investments under this section:

(1) obligations whose payment represents the coupon payments on the outstanding principal balance of the underlying mortgage-backed security collateral and pays no principal;

(2) obligations whose payment represents the principal stream of cash flow from the underlying mortgage-backed security collateral and bears no interest;

(3) collateralized mortgage obligations that have a stated final maturity date of greater than 10 years; and

(4) collateralized mortgage obligations the interest rate of which is determined by an index that adjusts opposite to the changes in a market index.

Amended by Acts 1995, 74th Leg., ch. 402, Sec. 1, eff. Sept. 1, 1995; Acts 1999, 76th Leg., ch. 1454, Sec. 7, eff. Sept. 1, 1999; Acts 2001, 77th Leg., ch. 558, Sec. 1, eff. Sept. 1, 2001.

Amended by:

Acts 2011, 82nd Leg., R.S., Ch. 1004 (H.B. [2226](#)), Sec. 4, eff. June 17, 2011.

Acts 2017, 85th Leg., R.S., Ch. 773 (H.B. [1003](#)), Sec. 2, eff. June 14, 2017.

Acts 2017, 85th Leg., R.S., Ch. 863 (H.B. [2647](#)), Sec. 1, eff. June 15, 2017.

Acts 2017, 85th Leg., R.S., Ch. 874 (H.B. [2928](#)), Sec. 1, eff. September 1, 2017.

Sec. 2256.010. AUTHORIZED INVESTMENTS: CERTIFICATES OF DEPOSIT AND SHARE CERTIFICATES. (a) A certificate of deposit or share certificate is an authorized investment under this subchapter if the certificate is issued by a depository institution that has its main office or a branch office in this state and is:

(1) guaranteed or insured by the Federal Deposit Insurance Corporation or its successor or the National Credit Union Share Insurance Fund or its successor;

(2) secured by obligations that are described by Section 2256.009(a), including mortgage backed securities directly issued by a federal agency or instrumentality that have a market value of not less than the principal amount of the certificates, but excluding those mortgage backed securities of the nature described by Section 2256.009(b); or

(3) secured in accordance with Chapter 2257 or in any other manner and amount provided by law for deposits of the investing entity.

(b) In addition to the authority to invest funds in certificates of deposit under Subsection (a), an investment in certificates of deposit made in accordance with the following conditions is an authorized investment under this subchapter:

(1) the funds are invested by an investing entity through:

(A) a broker that has its main office or a branch office in this state and is selected from a list adopted by the investing entity as required by Section 2256.025; or

(B) a depository institution that has its main office or a branch office in this state and that is selected by the investing entity;

(2) the broker or the depository institution selected by the investing entity under Subdivision (1) arranges for the deposit of the funds in certificates of deposit in one or more federally insured depository institutions, wherever located, for the account of the investing entity;

(3) the full amount of the principal and accrued interest of each of the certificates of deposit is insured by the United States or an instrumentality of the United States; and

(4) the investing entity appoints the depository institution selected by the investing entity under Subdivision (1), an entity described by Section 2257.041(d), or a clearing broker-dealer registered with the Securities and Exchange Commission and operating pursuant to Securities and Exchange Commission Rule 15c3-3 (17 C.F.R. Section 240.15c3-3) as custodian for the investing entity with respect to the certificates of deposit issued for the account of the investing entity.

Amended by Acts 1995, 74th Leg., ch. 32, Sec. 1, eff. April 28, 1995; Acts 1995, 74th Leg., ch. 402, Sec. 1, eff. Sept. 1, 1995; Acts 1997, 75th Leg., ch. 1421, Sec. 6, eff. Sept. 1, 1997.

Amended by:

Acts 2005, 79th Leg., Ch. 128 (H.B. 256), Sec. 1, eff. September 1, 2005.

Acts 2011, 82nd Leg., R.S., Ch. 1004 (H.B. 2226), Sec. 5, eff. June 17, 2011.

Acts 2017, 85th Leg., R.S., Ch. 874 (H.B. 2928), Sec. 2, eff. September 1, 2017.

Sec. 2256.011. AUTHORIZED INVESTMENTS: REPURCHASE AGREEMENTS. (a) A fully collateralized repurchase agreement is an authorized investment under this subchapter if the repurchase agreement:

- (1) has a defined termination date;
- (2) is secured by a combination of cash and obligations described by Section 2256.009(a)(1) or 2256.013 or, if applicable, Section 2256.0204;
- (3) 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
- (4) is placed through a primary government securities dealer, as defined by the Federal Reserve, or a financial institution doing business in this state.

(b) In this section, "repurchase agreement" means a simultaneous agreement to buy, hold for a specified time, and sell back at a future date obligations described by Section 2256.009(a)(1) or 2256.013 or, if applicable, Section 2256.0204, at a market value at the time the funds are disbursed of not less than the principal amount of the funds disbursed. The term includes a direct security repurchase agreement and a reverse security repurchase agreement.

(c) Notwithstanding any other law, the term of any reverse security repurchase agreement may not exceed 90 days after the date the reverse security repurchase agreement is delivered.

(d) Money received by an entity under the terms of a reverse security repurchase agreement shall be used to acquire additional authorized investments, but the term of the authorized investments acquired must mature not later than the expiration date stated in the reverse security repurchase agreement.

(e) Section 1371.059(c) applies to the execution of a repurchase agreement by an investing entity.

Amended by Acts 1995, 74th Leg., ch. 402, Sec. 1, eff. Sept. 1, 1995.

Amended by:

Acts 2011, 82nd Leg., R.S., Ch. 1004 (H.B. 2226), Sec. 6, eff. June 17, 2011.

Acts 2017, 85th Leg., R.S., Ch. 773 (H.B. 1003), Sec. 3, eff. June 14, 2017.

Acts 2019, 86th Leg., R.S., Ch. 1133 (H.B. 2706), Sec. 1, eff. September 1, 2019.

Sec. 2256.0115. AUTHORIZED INVESTMENTS: SECURITIES LENDING PROGRAM.

(a) A securities lending program is an authorized investment under this subchapter if it meets the conditions provided by this section.

(b) To qualify as an authorized investment under this subchapter:

(1) the value of securities loaned under the program must be not less than 100 percent collateralized, including accrued income;

(2) a loan made under the program must allow for termination at any time;

(3) a loan made under the program must be secured by:

(A) pledged securities described by Section 2256.009;

(B) pledged irrevocable letters of credit issued by a bank

that is:

(i) organized and existing under the laws of the United States or any other state; and

(ii) continuously rated by at least one nationally recognized investment rating firm at not less than A or its equivalent; or

(C) cash invested in accordance with Section:

(i) 2256.009;

(ii) 2256.013;

(iii) 2256.014; or

(iv) 2256.016;

(4) the terms of a loan made under the program must require that the securities being held as collateral be:

(A) pledged to the investing entity;

(B) held in the investing entity's name; and

(C) deposited at the time the investment is made with the entity or with a third party selected by or approved by the investing entity;

(5) a loan made under the program must be placed through:

(A) a primary government securities dealer, as defined by 5 C.F.R. Section 6801.102(f), as that regulation existed on September 1, 2003; or

(B) a financial institution doing business in this state;  
and

(6) an agreement to lend securities that is executed under this section must have a term of one year or less.

Added by Acts 2003, 78th Leg., ch. 1227, Sec. 1, eff. Sept. 1, 2003.

Sec. 2256.012. AUTHORIZED INVESTMENTS: BANKER'S ACCEPTANCES. A bankers' acceptance is an authorized investment under this subchapter if the bankers' acceptance:

(1) has a stated maturity of 270 days or fewer from the date of its issuance;

(2) will be, in accordance with its terms, liquidated in full at maturity;

(3) is eligible for collateral for borrowing from a Federal Reserve Bank; and

(4) 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 an equivalent rating by at least one nationally recognized credit rating agency.

Amended by Acts 1995, 74th Leg., ch. 402, Sec. 1, eff. Sept. 1, 1995.

Sec. 2256.013. AUTHORIZED INVESTMENTS: COMMERCIAL PAPER. Commercial paper is an authorized investment under this subchapter if the commercial paper:

(1) has a stated maturity of 365 days or fewer from the date of its issuance; and

(2) is rated not less than A-1 or P-1 or an equivalent rating by at least:

(A) two nationally recognized credit rating agencies; or

(B) 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.

Amended by Acts 1995, 74th Leg., ch. 402, Sec. 1, eff. Sept. 1, 1995.

Amended by:

Acts 2019, 86th Leg., R.S., Ch. 1133 (H.B. [2706](#)), Sec. 2, eff. September 1, 2019.

Sec. 2256.014. AUTHORIZED INVESTMENTS: MUTUAL FUNDS.

(a) A no-load money market mutual fund is an authorized investment under this subchapter if the mutual fund:

(1) is registered with and regulated by the Securities and Exchange Commission;

(2) provides the investing entity with a prospectus and other information required by the Securities Exchange Act of 1934 (15 U.S.C. Section 78a et seq.) or the Investment Company Act of 1940 (15 U.S.C. Section 80a-1 et seq.); and

(3) complies with federal Securities and Exchange Commission Rule 2a-7 (17 C.F.R. Section 270.2a-7), promulgated under the Investment Company Act of 1940 (15 U.S.C. Section 80a-1 et seq.).

(b) In addition to a no-load money market mutual fund permitted as an authorized investment in Subsection (a), a no-load mutual fund is an authorized investment under this subchapter if the mutual fund:

(1) is registered with the Securities and Exchange Commission;

(2) has an average weighted maturity of less than two years; and

(3) either:

(A) has a duration of one year or more and is invested exclusively in obligations approved by this subchapter; or

(B) has a duration of less than one year and the investment portfolio is limited to investment grade securities, excluding asset-backed securities.

(c) An entity is not authorized by this section to:

(1) invest in the aggregate more than 15 percent of its monthly average fund balance, excluding bond proceeds and reserves and other funds held for debt service, in mutual funds described in Subsection (b);

(2) invest any portion of bond proceeds, reserves and funds held for debt service, in mutual funds described in Subsection (b); or

(3) invest its funds or funds under its control, including bond proceeds and reserves and other funds held for debt service, in any one mutual fund described in Subsection (a) or (b) in an amount that exceeds 10 percent of the total assets of the mutual fund.

Amended by Acts 1995, 74th Leg., ch. 402, Sec. 1, eff. Sept. 1, 1995; Acts 1997, 75th Leg., ch. 1421, Sec. 7, eff. Sept. 1, 1997; Acts 1999, 76th Leg., ch. 1454, Sec. 8, eff. Sept. 1, 1999.

Amended by:

Acts 2017, 85th Leg., R.S., Ch. 773 (H.B. [1003](#)), Sec. 4, eff. June 14, 2017.

Sec. 2256.015. AUTHORIZED INVESTMENTS: GUARANTEED INVESTMENT CONTRACTS. (a) A guaranteed investment contract is an authorized investment for bond proceeds under this subchapter if the guaranteed investment contract:

(1) has a defined termination date;

(2) is secured by obligations described by Section 2256.009(a) (1), excluding those obligations described by Section 2256.009(b), in an amount at least equal to the amount of bond proceeds invested under the contract; and

(3) is pledged to the entity and deposited with the entity or with a third party selected and approved by the entity.

(b) Bond proceeds, other than bond proceeds representing reserves and funds maintained for debt service purposes, may not be invested under this subchapter in a guaranteed investment contract with a term of longer than five years from the date of issuance of the bonds.

(c) To be eligible as an authorized investment:

(1) the governing body of the entity must specifically authorize guaranteed investment contracts as an eligible investment in the order, ordinance, or resolution authorizing the issuance of bonds;

(2) the entity must receive bids from at least three separate providers with no material financial interest in the bonds from which proceeds were received;

(3) the entity must purchase the highest yielding guaranteed investment contract for which a qualifying bid is received;

(4) the price of the guaranteed investment contract must take into account the reasonably expected drawdown schedule for the bond proceeds to be invested; and

(5) the provider must certify the administrative costs reasonably expected to be paid to third parties in connection with the guaranteed investment contract.

(d) Section 1371.059(c) applies to the execution of a guaranteed investment contract by an investing entity.

Amended by Acts 1995, 74th Leg., ch. 402, Sec. 1, eff. Sept. 1, 1995; Acts 1997, 75th Leg., ch. 1421, Sec. 8, eff. Sept. 1, 1997; Acts 1999, 76th Leg., ch. 1454, Sec. 9, 10, eff. Sept. 1, 1999.

Amended by:

Acts 2017, 85th Leg., R.S., Ch. 773 (H.B. 1003), Sec. 5, eff. June 14, 2017.

Sec. 2256.016. AUTHORIZED INVESTMENTS: INVESTMENT POOLS. (a) An entity may invest its funds and funds under its control through an eligible investment pool if the governing body of the entity by rule, order, ordinance, or resolution, as appropriate, authorizes investment in the particular pool. An investment pool shall invest the funds it receives from entities in authorized investments permitted by this subchapter. An investment pool may invest its funds in money market mutual funds to the extent permitted by and consistent with this subchapter and the investment policies and objectives adopted by the investment pool.

(b) To be eligible to receive funds from and invest funds on behalf of an entity under this chapter, an investment pool must furnish to the investment officer or other authorized representative of the entity an offering circular or other similar disclosure instrument that contains, at a minimum, the following information:

- (1) the types of investments in which money is allowed to be invested;
- (2) the maximum average dollar-weighted maturity allowed, based on the stated maturity date, of the pool;
- (3) the maximum stated maturity date any investment security within the portfolio has;
- (4) the objectives of the pool;
- (5) the size of the pool;
- (6) the names of the members of the advisory board of the pool and the dates their terms expire;
- (7) the custodian bank that will safekeep the pool's assets;
- (8) whether the intent of the pool is to maintain a net asset value of one dollar and the risk of market price fluctuation;
- (9) whether the only source of payment is the assets of the pool at market value or whether there is a secondary source of payment, such as insurance or guarantees, and a description of the secondary source of payment;
- (10) the name and address of the independent auditor of the pool;
- (11) the requirements to be satisfied for an entity to deposit funds in and withdraw funds from the pool and any deadlines or other operating policies required for the entity to invest funds in and withdraw funds from the pool;
- (12) the performance history of the pool, including yield, average dollar-weighted maturities, and expense ratios; and
- (13) the pool's policy regarding holding deposits in cash.

(c) To maintain eligibility to receive funds from and invest funds on behalf of an entity under this chapter, an investment pool must furnish to the investment officer or other authorized representative of the entity:

- (1) investment transaction confirmations; and
- (2) a monthly report that contains, at a minimum, the following information:
  - (A) the types and percentage breakdown of securities in which the pool is invested;
  - (B) the current average dollar-weighted maturity, based on the stated maturity date, of the pool;
  - (C) the current percentage of the pool's portfolio in investments that have stated maturities of more than one year;
  - (D) the book value versus the market value of the pool's portfolio, using amortized cost valuation;
  - (E) the size of the pool;
  - (F) the number of participants in the pool;
  - (G) the custodian bank that is safekeeping the assets of the pool;
  - (H) a listing of daily transaction activity of the entity participating in the pool;
  - (I) the yield and expense ratio of the pool, including a statement regarding how yield is calculated;
  - (J) the portfolio managers of the pool; and
  - (K) any changes or addenda to the offering circular.

(d) An entity by contract may delegate to an investment pool the authority to hold legal title as custodian of investments purchased with its local funds.

(e) In this section, for purposes of an investment pool for which a \$1.00 net asset value is maintained, "yield" shall be calculated in accordance with regulations governing the registration of open-end management investment companies under the Investment Company Act of 1940, as promulgated from time to time by the federal Securities and Exchange Commission.

(f) To be eligible to receive funds from and invest funds on behalf of an entity under this chapter:

- (1) a public funds investment pool that uses amortized cost or fair value accounting must mark its portfolio to market daily; and
- (2) if the investment pool uses amortized cost:
  - (A) the investment pool must, to the extent reasonably possible, stabilize at a \$1.00 net asset value, when rounded and expressed

to two decimal places;

(B) the governing body of the investment pool must, if the ratio of the market value of the portfolio divided by the book value of the portfolio is less than 0.995 or greater than 1.005, take action as the body determines necessary to eliminate or reduce to the extent reasonably practicable any dilution or unfair result to existing participants, including a sale of portfolio holdings to attempt to maintain the ratio between 0.995 and 1.005; and

(C) the investment pool must, in addition to the requirements of its investment policy and any other forms of reporting, report yield to its investors in accordance with regulations of the federal Securities and Exchange Commission applicable to reporting by money market funds.

(g) To be eligible to receive funds from and invest funds on behalf of an entity under this chapter, a public funds investment pool must have an advisory board composed:

(1) equally of participants in the pool and other persons who do not have a business relationship with the pool and are qualified to advise the pool, for a public funds investment pool created under Chapter 791 and managed by a state agency; or

(2) of participants in the pool and other persons who do not have a business relationship with the pool and are qualified to advise the pool, for other investment pools.

(h) To maintain eligibility to receive funds from and invest funds on behalf of an entity under this chapter, an investment pool must be continuously rated no lower than AAA or AAA-m or at an equivalent rating by at least one nationally recognized rating service.

(i) If the investment pool operates an Internet website, the information in a disclosure instrument or report described in Subsections (b), (c)(2), and (f) must be posted on the website.

(j) To maintain eligibility to receive funds from and invest funds on behalf of an entity under this chapter, an investment pool must make available to the entity an annual audited financial statement of the investment pool in which the entity has funds invested.

(k) 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.

Amended by Acts 1995, 74th Leg., ch. 402, Sec. 1, eff. Sept. 1, 1995; Acts 1997, 75th Leg., ch. 1421, Sec. 9, eff. Sept. 1, 1997.

Amended by:

Acts 2011, 82nd Leg., R.S., Ch. 1004 (H.B. 2226), Sec. 7, eff. June 17, 2011.

Acts 2017, 85th Leg., R.S., Ch. 773 (H.B. 1003), Sec. 6, eff. June 14, 2017.

Acts 2019, 86th Leg., R.S., Ch. 1133 (H.B. 2706), Sec. 3, eff. September 1, 2019.

Sec. 2256.017. EXISTING INVESTMENTS. Except as provided by Chapter 2270, an entity is not required to liquidate investments that were authorized investments at the time of purchase.

Added by Acts 1995, 74th Leg., ch. 76, Sec. 5.46(a), eff. Sept. 1, 1995; Acts 1995, 74th Leg., ch. 402, Sec. 1, eff. Sept. 1, 1995. Amended by Acts 1997, 75th Leg., ch. 1421, Sec. 10, eff. Sept. 1, 1997.

Amended by:

Acts 2017, 85th Leg., R.S., Ch. 96 (S.B. 253), Sec. 2, eff. May 23, 2017.

Sec. 2256.019. RATING OF CERTAIN INVESTMENT POOLS. A public funds investment pool must be continuously rated no lower than AAA or AAA-m or at an equivalent rating by at least one nationally recognized rating service.

Added by Acts 1995, 74th Leg., ch. 402, Sec. 1, eff. Sept. 1, 1995.

Amended by Acts 1997, 75th Leg., ch. 1421, Sec. 11, eff. Sept. 1, 1997.

Amended by:

Acts 2011, 82nd Leg., R.S., Ch. 1004 (H.B. 2226), Sec. 8, eff. June 17, 2011.

Sec. 2256.020. AUTHORIZED INVESTMENTS: INSTITUTIONS OF HIGHER EDUCATION. In addition to the authorized investments permitted by this subchapter, an institution of higher education may purchase, sell, and invest its funds and funds under its control in the following:

(1) cash management and fixed income funds sponsored by organizations exempt from federal income taxation under Section 501(f), Internal Revenue Code of 1986 (26 U.S.C. Section 501(f));

(2) negotiable certificates of deposit issued by a bank that has a certificate of deposit rating of at least 1 or the equivalent by a nationally recognized credit rating agency or that is associated with a

holding company having a commercial paper rating of at least A-1, P-1, or the equivalent by a nationally recognized credit rating agency; and

(3) corporate bonds, debentures, or similar debt obligations rated by a nationally recognized investment rating firm in one of the two highest long-term rating categories, without regard to gradations within those categories.

Added by Acts 1995, 74th Leg., ch. 402, Sec. 1, eff. Sept. 1, 1995.

Sec. 2256.0201. AUTHORIZED INVESTMENTS; MUNICIPAL UTILITY. (a) A municipality that owns a municipal electric utility that is engaged in the distribution and sale of electric energy or natural gas to the public may enter into a hedging contract and related security and insurance agreements in relation to fuel oil, natural gas, coal, nuclear fuel, and electric energy to protect against loss due to price fluctuations. A hedging transaction must comply with the regulations of the Commodity Futures Trading Commission and the Securities and Exchange Commission. If there is a conflict between the municipal charter of the municipality and this chapter, this chapter prevails.

(b) A payment by a municipally owned electric or gas utility under a hedging contract or related agreement in relation to fuel supplies or fuel reserves is a fuel expense, and the utility may credit any amounts it receives under the contract or agreement against fuel expenses.

(c) The governing body of a municipally owned electric or gas utility or the body vested with power to manage and operate the municipally owned electric or gas utility may set policy regarding hedging transactions.

(d) In this section, "hedging" means the buying and selling of fuel oil, natural gas, coal, nuclear fuel, and electric energy futures or options or similar contracts on those commodities and related transportation costs as a protection against loss due to price fluctuation.

Added by Acts 1999, 76th Leg., ch. 405, Sec. 48, eff. Sept. 1, 1999.

Amended by:

Acts 2007, 80th Leg., R.S., Ch. 7 (S.B. 495), Sec. 1, eff. April 13, 2007.

Sec. 2256.0202. AUTHORIZED INVESTMENTS: MUNICIPAL FUNDS FROM MANAGEMENT AND DEVELOPMENT OF MINERAL RIGHTS. (a) In addition to other investments authorized under this subchapter, a municipality may invest funds received by the municipality from a lease or contract for the management and development of land owned by the municipality and leased for

oil, gas, or other mineral development in any investment authorized to be made by a trustee under Subtitle B, Title 9, Property Code (Texas Trust Code).

(b) Funds invested by a municipality under this section shall be segregated and accounted for separately from other funds of the municipality.

Added by Acts 2009, 81st Leg., R.S., Ch. 1371 (S.B. 894), Sec. 1, eff. September 1, 2009.

Sec. 2256.0203. AUTHORIZED INVESTMENTS: PORTS AND NAVIGATION DISTRICTS. (a) In this section, "district" means a navigation district organized under Section 52, Article III, or Section 59, Article XVI, Texas Constitution.

(b) In addition to the authorized investments permitted by this subchapter, a port or district may purchase, sell, and invest its funds and funds under its control in negotiable certificates of deposit issued by a bank that has a certificate of deposit rating of at least 1 or the equivalent by a nationally recognized credit rating agency or that is associated with a holding company having a commercial paper rating of at least A-1, P-1, or the equivalent by a nationally recognized credit rating agency.

Added by Acts 2011, 82nd Leg., R.S., Ch. 804 (H.B. 2346), Sec. 1, eff. September 1, 2011.

Sec. 2256.0204. AUTHORIZED INVESTMENTS: INDEPENDENT SCHOOL DISTRICTS. (a) In this section, "corporate bond" means a senior secured debt obligation issued by a domestic business entity and rated not lower than "AA-" or the equivalent by a nationally recognized investment rating firm. The term does not include a debt obligation that:

- (1) on conversion, would result in the holder becoming a stockholder or shareholder in the entity, or any affiliate or subsidiary of the entity, that issued the debt obligation; or
- (2) is an unsecured debt obligation.

(b) This section applies only to an independent school district that qualifies as an issuer as defined by Section 1371.001.

(c) In addition to authorized investments permitted by this subchapter, an independent school district subject to this section may purchase, sell, and invest its funds and funds under its control in corporate bonds that, at the time of purchase, are rated by a nationally

recognized investment rating firm "AA-" or the equivalent and have a stated final maturity that is not later than the third anniversary of the date the corporate bonds were purchased.

(d) An independent school district subject to this section is not authorized by this section to:

(1) invest in the aggregate more than 15 percent of its monthly average fund balance, excluding bond proceeds, reserves, and other funds held for the payment of debt service, in corporate bonds; or

(2) invest more than 25 percent of the funds invested in corporate bonds in any one domestic business entity, including subsidiaries and affiliates of the entity.

(e) An independent school district subject to this section may purchase, sell, and invest its funds and funds under its control in corporate bonds if the governing body of the district:

(1) amends its investment policy to authorize corporate bonds as an eligible investment;

(2) adopts procedures to provide for:

(A) monitoring rating changes in corporate bonds acquired with public funds; and

(B) liquidating the investment in corporate bonds; and

(3) identifies the funds eligible to be invested in corporate bonds.

(f) The investment officer of an independent school district, acting on behalf of the district, shall sell corporate bonds in which the district has invested its funds not later than the seventh day after the date a nationally recognized investment rating firm:

(1) issues a release that places the corporate bonds or the domestic business entity that issued the corporate bonds on negative credit watch or the equivalent, if the corporate bonds are rated "AA-" or the equivalent at the time the release is issued; or

(2) changes the rating on the corporate bonds to a rating lower than "AA-" or the equivalent.

(g) Repealed by Acts 2019, 86th Leg., R.S., Ch. 1133 (H.B. 2706), Sec. 5, eff. September 1, 2019.

Added by Acts 2011, 82nd Leg., R.S., Ch. 1347 (S.B. 1543), Sec. 1, eff. June 17, 2011.

Amended by:

Acts 2019, 86th Leg., R.S., Ch. 1133 (H.B. 2706), Sec. 5, eff. September 1, 2019.

Sec. 2256.0205. AUTHORIZED INVESTMENTS; DECOMMISSIONING TRUST. (a)

In this section:

(1) "Decommissioning trust" means a trust created to provide the Nuclear Regulatory Commission assurance that funds will be available for decommissioning purposes as required under 10 C.F.R. Part 50 or other similar regulation.

(2) "Funds" includes any money held in a decommissioning trust regardless of whether the money is considered to be public funds under this subchapter.

(b) In addition to other investments authorized under this subchapter, a municipality that owns a municipal electric utility that is engaged in the distribution and sale of electric energy or natural gas to the public may invest funds held in a decommissioning trust in any investment authorized by Subtitle B, Title 9, Property Code.

Added by Acts 2005, 79th Leg., Ch. 121 (S.B. 1464), Sec. 1, eff. September 1, 2005.

Sec. 2256.0206. AUTHORIZED INVESTMENTS: HEDGING TRANSACTIONS. (a)

In this section:

(1) "Eligible entity" means a political subdivision that has:

(A) a principal amount of at least \$250 million in:

(i) outstanding long-term indebtedness;

(ii) long-term indebtedness proposed to be issued; or

(iii) a combination of outstanding long-term

indebtedness and long-term indebtedness proposed to be issued; and

(B) outstanding long-term indebtedness that is rated in one of the four highest rating categories for long-term debt instruments by a nationally recognized rating agency for municipal securities, without regard to the effect of any credit agreement or other form of credit enhancement entered into in connection with the obligation.

(2) "Eligible project" has the meaning assigned by Section 1371.001.

(3) "Hedging" means acting to protect against economic loss due to price fluctuation of a commodity or related investment by entering into an offsetting position or using a financial agreement or producer price agreement in a correlated security, index, or other commodity.

(b) This section prevails to the extent of any conflict between this section and:

(1) another law; or

(2) an eligible entity's municipal charter, if applicable.

(c) The governing body of an eligible entity shall establish the entity's policy regarding hedging transactions.

(d) An eligible entity may enter into hedging transactions, including hedging contracts, and related security, credit, and insurance agreements in connection with commodities used by an eligible entity in the entity's general operations, with the acquisition or construction of a capital project, or with an eligible project. A hedging transaction must comply with the regulations of the federal Commodity Futures Trading Commission and the federal Securities and Exchange Commission.

(e) An eligible entity may pledge as security for and to the payment of a hedging contract or a security, credit, or insurance agreement any general or special revenues or funds the entity is authorized by law to pledge to the payment of any other obligation.

(f) Section 1371.059(c) applies to the execution by an eligible entity of a hedging contract and any related security, credit, or insurance agreement.

(g) An eligible entity may credit any amount the entity receives under a hedging contract against expenses associated with a commodity purchase.

(h) An eligible entity's cost of or payment under a hedging contract or agreement may be considered:

(1) an operation and maintenance expense of the eligible entity;

(2) an acquisition expense of the eligible entity;

(3) a project cost of an eligible project; or

(4) a construction expense of the eligible entity.

Added by Acts 2017, 85th Leg., R.S., Ch. 773 (H.B. 1003), Sec. 7, eff. June 14, 2017.

Sec. 2256.0207. AUTHORIZED INVESTMENTS: PUBLIC JUNIOR COLLEGE DISTRICT FUNDS FROM MANAGEMENT AND DEVELOPMENT OF MINERAL RIGHTS. (a) In addition to other investments authorized under this subchapter, the governing board of a public junior college district may invest funds received by the district from a lease or contract for the management and development of land owned by the district and leased for oil, gas, or other mineral development in any investment authorized to be made by a trustee under Subtitle B, Title 9, Property Code (Texas Trust Code).

(b) Funds invested by the governing board of a public junior college district under this section shall be segregated and accounted for separately from other funds of the district.

Added by Acts 2017, 85th Leg., R.S., Ch. 344 (H.B. 1472), Sec. 1, eff. September 1, 2017.

Redesignated from Government Code, Section 2256.0206 by Acts 2019, 86th Leg., R.S., Ch. 467 (H.B. 4170), Sec. 21.001(34), eff. September 1, 2019.

Sec. 2256.0208. LOCAL GOVERNMENT INVESTMENT OF BOND PROCEEDS AND PLEDGED REVENUE. (a) In this section, "pledged revenue" means money pledged to the payment of or as security for:

- (1) bonds or other indebtedness issued by a local government;
- (2) obligations under a lease, installment sale, or other agreement of a local government; or
- (3) certificates of participation in a debt or obligation described by Subdivision (1) or (2).

(b) The investment officer of a local government may invest bond proceeds or pledged revenue only to the extent permitted by this chapter, in accordance with:

- (1) statutory provisions governing the debt issuance or the agreement, as applicable; and
- (2) the local government's investment policy regarding the debt issuance or the agreement, as applicable.

Added by Acts 2019, 86th Leg., R.S., Ch. 1133 (H.B. 2706), Sec. 4, eff. September 1, 2019.

Sec. 2256.021. EFFECT OF LOSS OF REQUIRED RATING. 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. An entity shall take all prudent measures that are consistent with its investment policy to liquidate an investment that does not have the minimum rating.

Added by Acts 1995, 74th Leg., ch. 402, Sec. 1, eff. Sept. 1, 1995.

Sec. 2256.022. EXPANSION OF INVESTMENT AUTHORITY. Expansion of investment authority granted by this chapter shall require a risk assessment by the state auditor or performed at the direction of the state

auditor, subject to the legislative audit committee's approval of including the review in the audit plan under Section [321.013](#).

Added by Acts 1995, 74th Leg., ch. 402, Sec. 1, eff. Sept. 1, 1995.

Amended by Acts 2003, 78th Leg., ch. 785, Sec. 42, eff. Sept. 1, 2003.

Sec. 2256.023. INTERNAL MANAGEMENT REPORTS. (a) Not less than quarterly, the investment officer shall prepare and submit to the governing body of the entity a written report of investment transactions for all funds covered by this chapter for the preceding reporting period.

(b) The report must:

(1) describe in detail the investment position of the entity on the date of the report;

(2) be prepared jointly by all investment officers of the entity;

(3) be signed by each investment officer of the entity;

(4) contain a summary statement of each pooled fund group that states the:

(A) beginning market value for the reporting period;

(B) ending market value for the period; and

(C) fully accrued interest for the reporting period;

(5) state the book value and market value of each separately invested asset at the end of the reporting period by the type of asset and fund type invested;

(6) state the maturity date of each separately invested asset that has a maturity date;

(7) state the account or fund or pooled group fund in the state agency or local government for which each individual investment was acquired; and

(8) state the compliance of the investment portfolio of the state agency or local government as it relates to:

(A) the investment strategy expressed in the agency's or local government's investment policy; and

(B) relevant provisions of this chapter.

(c) The report shall be presented not less than quarterly to the governing body and the chief executive officer of the entity within a reasonable time after the end of the period.

(d) If an entity invests in other than money market mutual funds, investment pools or accounts offered by its depository bank in the form of certificates of deposit, or money market accounts or similar accounts, the reports prepared by the investment officers under this section shall be

formally reviewed at least annually by an independent auditor, and the result of the review shall be reported to the governing body by that auditor.

Added by Acts 1995, 74th Leg., ch. 402, Sec. 1, eff. Sept. 1, 1995.

Amended by Acts 1997, 75th Leg., ch. 1421, Sec. 12, eff. Sept. 1, 1997.

Amended by:

Acts 2011, 82nd Leg., R.S., Ch. 1004 (H.B. 2226), Sec. 9, eff. June 17, 2011.

Sec. 2256.024. SUBCHAPTER CUMULATIVE. (a) The authority granted by this subchapter is in addition to that granted by other law. Except as provided by Subsection (b) and Section 2256.017, this subchapter does not:

(1) prohibit an investment specifically authorized by other law;  
or

(2) authorize an investment specifically prohibited by other law.

(b) Except with respect to those investing entities described in Subsection (c), a security described in Section 2256.009(b) is not an authorized investment for a state agency, a local government, or another investing entity, notwithstanding any other provision of this chapter or other law to the contrary.

(c) Mortgage pass-through certificates and individual mortgage loans that may constitute an investment described in Section 2256.009(b) are authorized investments with respect to the housing bond programs operated by:

(1) the Texas Department of Housing and Community Affairs or a nonprofit corporation created to act on its behalf;

(2) an entity created under Chapter 392, Local Government Code;  
or

(3) an entity created under Chapter 394, Local Government Code.

Added by Acts 1995, 74th Leg., ch. 402, Sec. 1, eff. Sept. 1, 1995.

Amended by:

Acts 2017, 85th Leg., R.S., Ch. 96 (S.B. 253), Sec. 3, eff. May 23, 2017.

Sec. 2256.025. SELECTION OF AUTHORIZED BROKERS. The governing body of an entity subject to this subchapter or the designated investment committee of the entity shall, at least annually, review, revise, and adopt a list of qualified brokers that are authorized to engage in investment transactions with the entity.

Added by Acts 1997, 75th Leg., ch. 1421, Sec. 13, eff. Sept. 1, 1997.

Sec. 2256.026. STATUTORY COMPLIANCE. All investments made by entities must comply with this subchapter and all federal, state, and local statutes, rules, or regulations.

Added by Acts 1997, 75th Leg., ch. 1421, Sec. 13, eff. Sept. 1, 1997.

#### SUBCHAPTER B. MISCELLANEOUS PROVISIONS

Sec. 2256.051. ELECTRONIC FUNDS TRANSFER. Any local government may use electronic means to transfer or invest all funds collected or controlled by the local government.

Amended by Acts 1995, 74th Leg., ch. 402, Sec. 1, eff. Sept. 1, 1995.

Sec. 2256.052. PRIVATE AUDITOR. Notwithstanding any other law, a state agency shall employ a private auditor if authorized by the legislative audit committee either on the committee's initiative or on request of the governing body of the agency.

Amended by Acts 1995, 74th Leg., ch. 402, Sec. 1, eff. Sept. 1, 1995.

Sec. 2256.053. PAYMENT FOR SECURITIES PURCHASED BY STATE. The comptroller or the disbursing officer of an agency that has the power to invest assets directly may pay for authorized securities purchased from or through a member in good standing of the National Association of Securities Dealers or from or through a national or state bank on receiving an invoice from the seller of the securities showing that the securities have been purchased by the board or agency and that the amount to be paid for the securities is just, due, and unpaid. A purchase of securities may not be made at a price that exceeds the existing market value of the securities.

Amended by Acts 1995, 74th Leg., ch. 402, Sec. 1, eff. Sept. 1, 1995; Acts 1997, 75th Leg., ch. 1423, Sec. 8.67, eff. Sept. 1, 1997.

Sec. 2256.054. DELIVERY OF SECURITIES PURCHASED BY STATE. A security purchased under this chapter may be delivered to the comptroller, a bank, or the board or agency investing its funds. The delivery shall be made

under normal and recognized practices in the securities and banking industries, including the book entry procedure of the Federal Reserve Bank.

Amended by Acts 1995, 74th Leg., ch. 402, Sec. 1, eff. Sept. 1, 1995; Acts 1997, 75th Leg., ch. 1423, Sec. 8.68, eff. Sept. 1, 1997.

Sec. 2256.055. DEPOSIT OF SECURITIES PURCHASED BY STATE. At the direction of the comptroller or the agency, a security purchased under this chapter may be deposited in trust with a bank or federal reserve bank or branch designated by the comptroller, whether in or outside the state. The deposit shall be held in the entity's name as evidenced by a trust receipt of the bank with which the securities are deposited.

Amended by Acts 1995, 74th Leg., ch. 402, Sec. 1, eff. Sept. 1, 1995; Acts 1997, 75th Leg., ch. 1423, Sec. 8.69, eff. Sept. 1, 1997.



# City of Colleyville Audit Committee Agenda Briefing

City Hall  
100 Main Street  
Colleyville, Texas 76034  
www.colleyville.com

**Agenda Number** 3b

**Agenda Date** 1/17/2023

**Number**

**Type** Report

**Department** Finance

**Title**

Quarterly Investment Reports for the quarter ended September 30, 2022 and December 31, 2022

**Explanation**

Cash and cash equivalents (local government investment pools) totaled \$49,527,440 at the end of December 2022. Colleyville’s complete portfolio was valued at \$68,753,432, and allocated as follows:

<b>Instrument</b>	<b>Current as of 12/31/2022</b>	<b>Last Quarter as of 09/30/2022</b>
Cash	\$ 27,079,390	\$ 12,830,935
LOGIC (CP Permissible)	\$ 491,080	\$ 1,381,151
Other Governmental Pools	\$ 21,956,970	\$ 28,830,024
CD’s	\$ 8,260,268	\$ 9,780,832
CDARS	\$ -	\$ -
Agencies	\$ 10,965,725	\$ 10,465,187
<b>Total Cash and Investments</b>	<b>\$ 68,753,432</b>	<b>\$ 63,288,130</b>

<b>Instrument</b>	<b>Yield this quarter</b>
LOGIC (CP Permissible)	3.790 %
Other Governmental Pools	3.454 %
CD’s	2.139 %
CDARS	0.00 %
Agencies	3.388 %
<b>Total Consolidated Yield</b>	<b>3.180 %</b>

Benchmark Yield: 4.11%

Interest earnings for the quarter were \$344,978 compared to \$225,697 in the previous quarter. This is reflective of a more optimistic market, anticipated Federal Reserve action, and a few maturities due in the last quarter. Staff will continue to examine cash flow needs and place our resources in instruments with an emphasis on keeping these funds safe while earning the strongest yield possible.

**Attachments**

1. Investment Report for September 2022 and December 2022 Presentation
2. Investment Report - September 2022
3. Investment Report - December 2022



# **Quarterly Investment Report**

## **4<sup>th</sup> Q, FY2022**

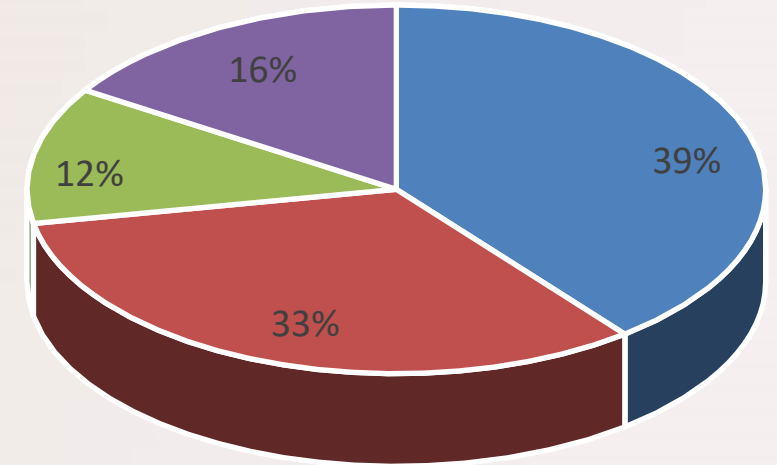
## **1<sup>st</sup> Q, FY2023**

January 17, 2023

# Cash Position Overview



Total	30-Sep	31-Dec	Change
Operating	\$ 32,990,611	\$ 29,668,610	\$ (3,322,001)
Capital	\$ 23,167,117	\$ 31,976,131	\$ 8,809,014
Special Revenue	\$ 6,259,218	\$ 6,113,520	\$ (145,698)
Debt	\$ 871,184	\$ 995,170	\$ 123,986
<b>Total</b>	<b>\$ 63,288,130</b>	<b>\$ 68,753,432</b>	<b>\$ 5,465,302</b>



■ Cash/Sweep ■ Pools ■ CD/CDARS ■ Agencies

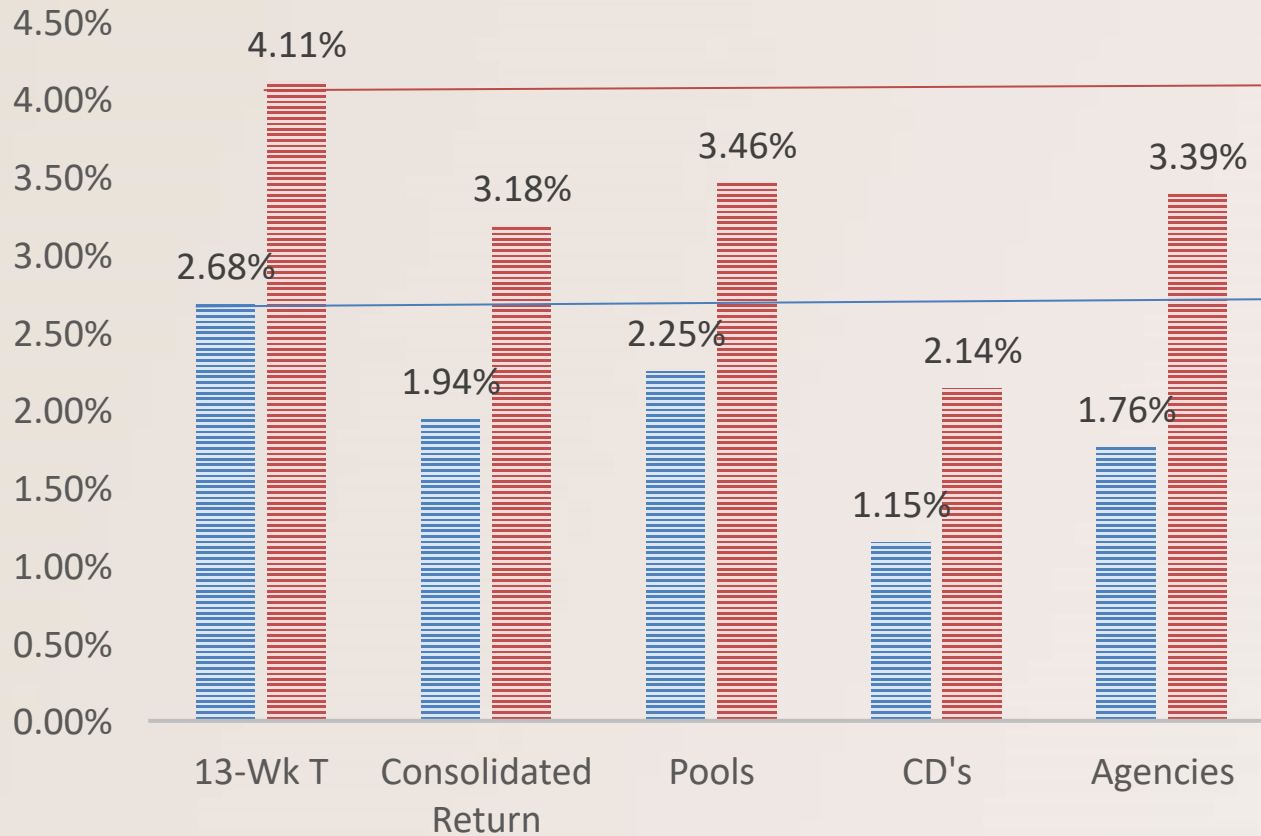
Where is Colleyville's cash?		9/30/2022	12/31/2022	Change	Weighted Maturity
Cash/ Equivalents	Cash	\$ 12,830,935	\$ 27,079,390	\$ 14,248,455	Liquid
	Sweep Account	\$ -	\$ -	\$ -	Liquid
	LOGIC (CP Permiss.)	\$ 1,381,151	\$ 491,080	\$ (890,072)	Liquid
	Other Gov't Pools	\$ 28,830,024	\$ 21,956,970	\$ (6,873,054)	Liquid
	<b>Subtotal</b>	<b>\$ 43,042,110</b>	<b>\$ 49,527,440</b>	<b>\$ 6,485,329</b>	
Bonds/CDs/Agencies	CD's	\$ 9,780,832	\$ 8,260,268	\$ (1,520,565)	298 days
	CDARS	\$ -	\$ -	\$ -	0 days
	Agencies	\$ 10,465,187	\$ 10,965,725	\$ 500,538	398 days
	<b>Subtotal</b>	<b>\$ 20,246,019</b>	<b>\$ 19,225,992</b>	<b>\$ (1,020,027)</b>	<b>355 days</b>
<b>Total Resources</b>		<b>\$ 63,288,130</b>	<b>\$ 68,753,432</b>	<b>\$ 5,465,302</b>	

# Return Summary



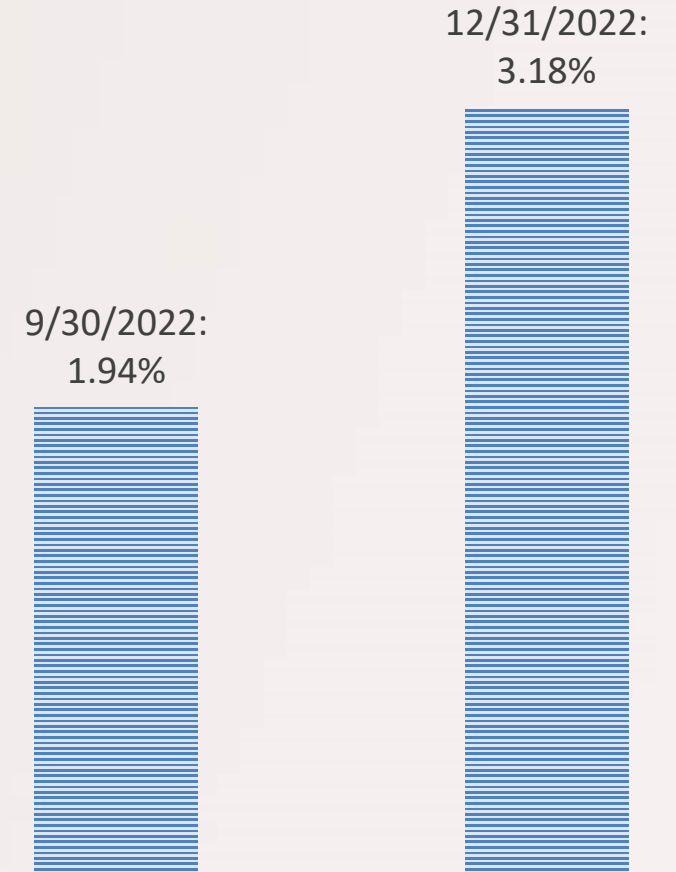
## RETURN COMPARISON

9/30/2022 12/31/2022



## Rate of Return

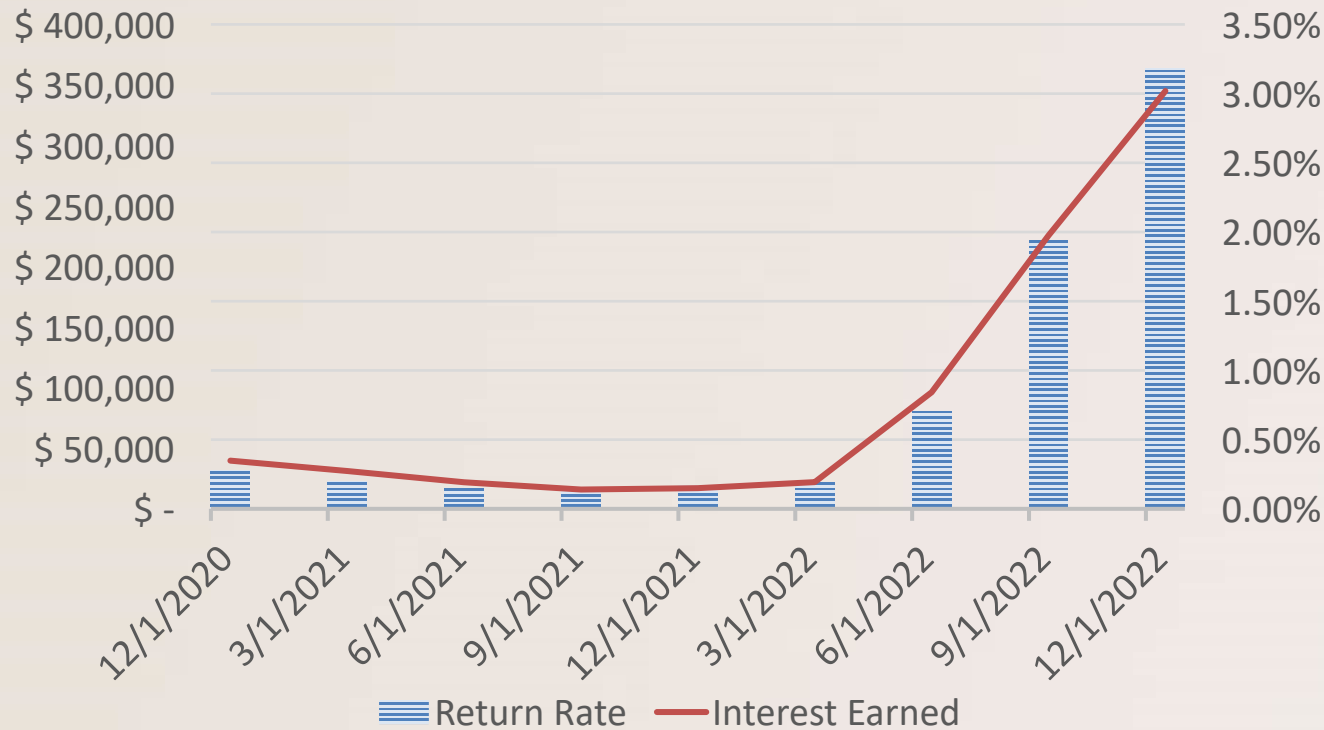
3.50%  
3.00%  
2.50%  
2.00%  
1.50%  
1.00%  
0.50%  
0.00%



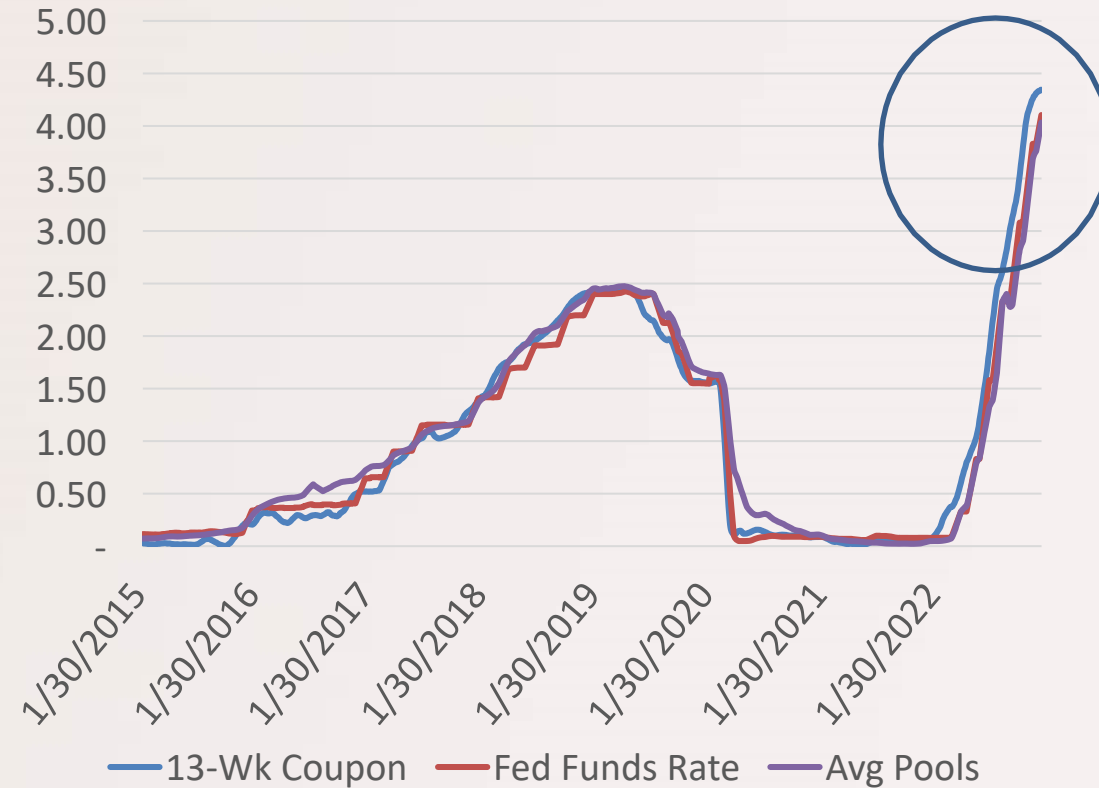
# Return Summary



## HISTORICAL RETURN



## Influence of Federal Funds Rate on Fixed Income Market



# Mark-to-Market



## Public Funds Investment Act Requirement

**Mark-to-Market: A snapshot of what our investments would sell at compared to what we purchased them for.**

- **Purpose is to show our overall portfolio value**
- **We hold our investments until maturity (“buy and hold” strategy)**
- **Gains and losses shown in this analysis are unrealized**
- **Higher fixed income yields in market than most of our portfolio makes them difficult to sell as secondary securities**

Valuation Period	Value at Purchase	Revised Value	Total Gain (loss) on Purchase Price
9/30/2022	\$ 20,226,953	\$ 19,943,146	(\$ 283,807)
12/31/2022	\$ 19,225,992	\$ 18,953,072	(\$ 272,920)

# Questions and Comments

# City of Colleyville, TX

Quarterly Investment Report

9/30/2022



<b>Where is Colleyville's cash?</b>		<b>6/30/2022</b>	<b>9/30/2022</b>	<b>Change</b>	<b>Weighted Maturity</b>
Cash/ Equivalents	Cash	\$ 8,436,323	\$ 12,830,935	\$ 4,394,612	Liquid
	Sweep Account	\$ -	\$ -	\$ -	Liquid
	LOGIC (CP Permiss.)	\$ 2,502,593	\$ 1,381,151	\$ (1,121,441)	Liquid
	Other Gov't Pools	\$ 37,875,564	\$ 28,830,024	\$ (9,045,540)	Liquid
	<b>Subtotal</b>	<b>\$ 48,814,480</b>	<b>\$ 43,042,110</b>	<b>\$ (5,772,369)</b>	
Bonds/CDs/Ag encies	CD's	\$ 10,266,721	\$ 9,780,832	\$ (485,888)	200 days
	CDARS	\$ -	\$ -	\$ -	0 days
	Agencies	\$ 8,465,187	\$ 10,465,187	\$ 2,000,000	328 days
	<b>Subtotal</b>	<b>\$ 18,731,908</b>	<b>\$ 20,246,019</b>	<b>\$ 1,514,112</b>	<b>267 days</b>
<b>Total Resources</b>		<b>\$ 67,546,388</b>	<b>\$ 63,288,130</b>	<b>\$ (4,258,258)</b>	

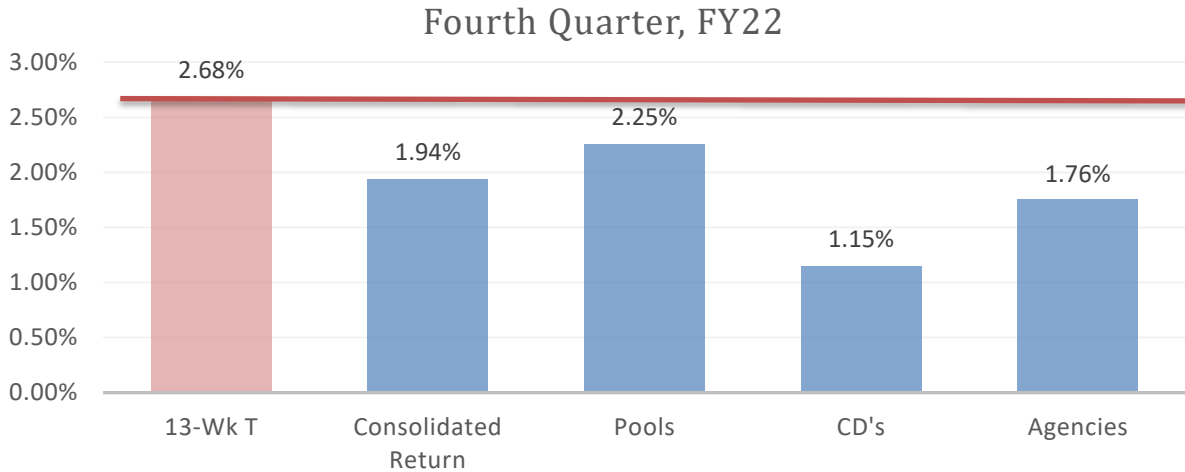
**Investments on the move...**

The fourth quarter of FY22 showed a substantial cash reduction from June, with the majority of the City's revenues having been received in the second quarter. This period (as well as the entire year) has also seen a continued a transition in the market, as the Federal Reserve's moves to increase the interbank borrowing rate galvanizing market interest. The City's benchmark target of the 13-week treasury bill has risen rapidly through the year, ascending 150 basis points in the last quarter alone. Unfortunately, our investment pools continue to lag significantly behind, lowering Colleyville's overall consolidated return. However, yields on agency debt and certificates of deposit have risen exponentially, and staff will continue to capitalize on those higher yields by reinvesting cash when available. After approximately \$738,000 in CD's matured this quarter, staff purchased \$2.5 million in CD's and agency notes with a total consolidated return of 3.735%.

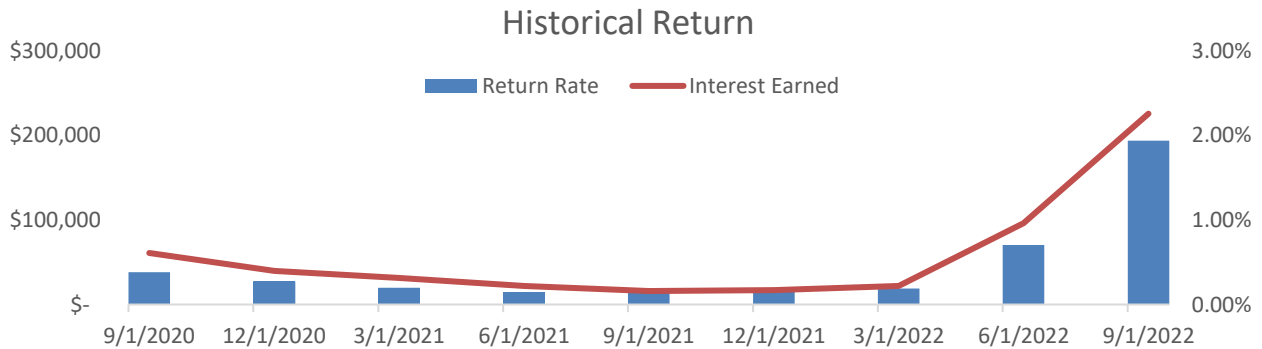
<b>Diversity Snapshot vs. Policy Requirements</b>				Criteria Met?
	<b>Policy Max</b>	<b>6/30/2022</b>	<b>9/30/2022</b>	
U.S. Treasuries	100%	0%	0%	✔
U.S. Agencies	75%	13%	17%	✔
CD's	75%	15%	15%	✔
Local Gov't Pools	75%	60%	48%	✔
CDARs	75%	0%	0%	✔
Tri-Pty Repurchase	75%	0%	0%	✔
SEC Registered, No-Load Mutual Funds	10%	0%	0%	✔
Cash/Sweep	N/A	12%	20%	

### How do our returns compare?

Benchmark = 13-Week Treasury



The City's total consolidated return was 1.94% as of September 30, 2022, representing a stark increase from a consolidated return of 0.7% last quarter. As noted on the previous page, this will be the second quarter our return lags behind the 13-week treasury rate due to the rapid increase in yield on treasuries paired with a slower rise in governmental pools rates. Since January, the Federal Reserve Bank has committed to increasing its interbank borrowing rate to counter inflationary pressures, which in turn has increased fixed income yields. As of the date of this report, it is not uncommon to see shorter-term securities (1.5 - 3 years) pushing 500 basis points. However, Colleyville is currently at a lower point in its annual cash cycle, meaning the City needs to maintain its liquidity for ongoing operations and capital costs. As older and weaker investments mature, staff will continue to take advantage of higher market rates.



Before the recent downturn Colleyville's investment returns had been climbing steadily since 2016, primary due to to more active investment practices. Although we are coming out of a down-cycle in terms of returns, until this year we've still been able to stay ahead of our 13-week treasury benchmark. We will continue to see the City's returns increase in subsequent reports. Most importantly, Colleyville's funds are safe. Our highest value is placed on maintaining a low risk in order to ensure the safety and liquidity of the funds entrusted to us.

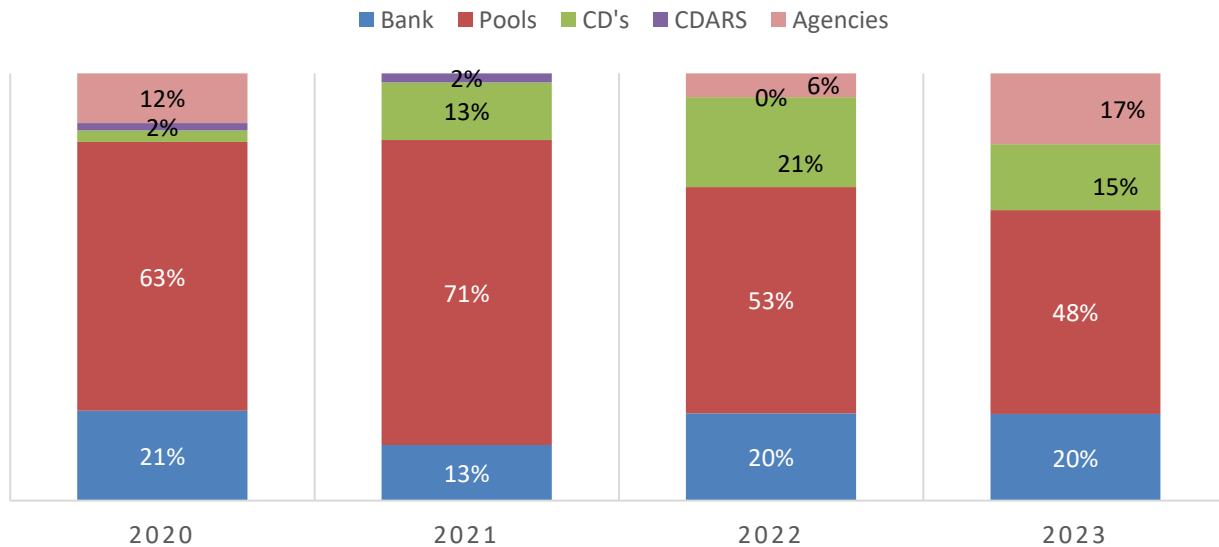
### What have we earned the past three months? For the past year?

Current Total		Quarterly Average	
6/30/2022	<b>\$225,697; 1.94%</b>	9/30/2021	<b>\$90,270; 0.75%</b>
Thru			
9/30/2022			

Compared to the average quarterly return for the past 12 months, the most recent quarter is showing a significant increase in the rate of return, led by recent maturities and \$5.5m in reinvestments placed in the past two months. As noted, fixed-income rates have begun to climb amidst the actions from the Federal Reserve. As noted previously, staff has been able to capitalize on these higher yields, although the City's liquidity needs to remain relatively high at this time. Federal agency debt has been particularly attractive as of late. As always, we will need to balance investments with our robust 5-year capital improvement plan, which necessitates higher liquidity than in previous years. Staff will always monitor the market and manage Colleyville's portfolio with emphasis on diversity and cash-flow needs.

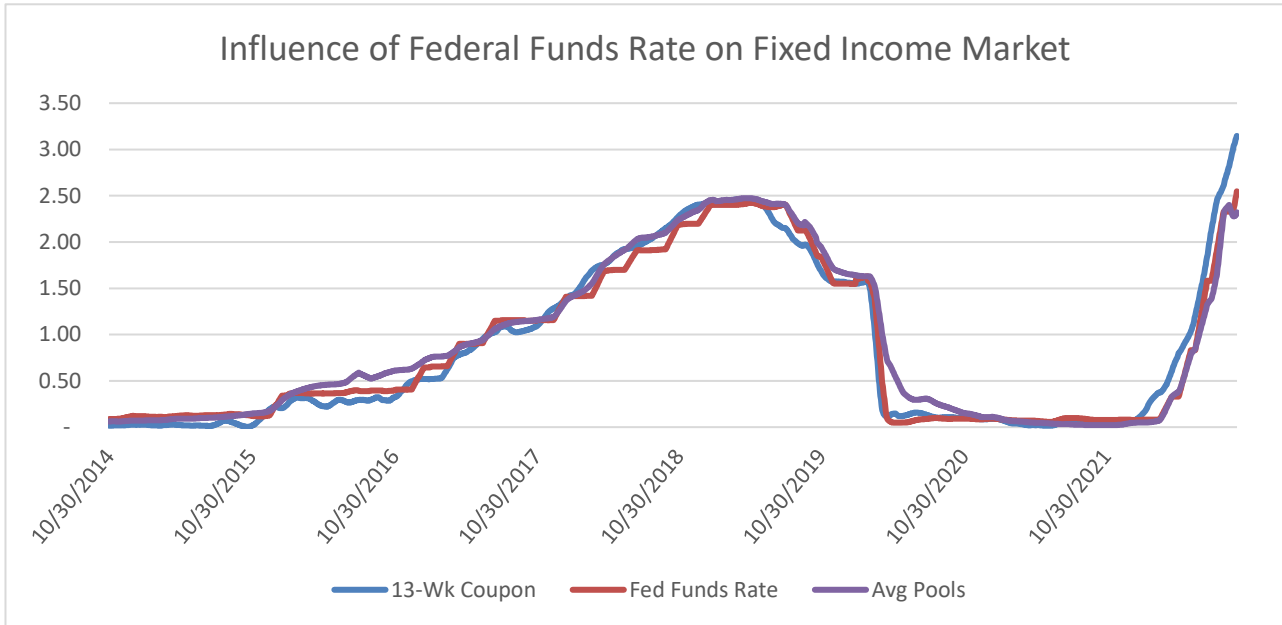
### How has our portfolio changed over time?

#### PORTFOLIO COMPOSITION



As the graph above shows, the City's portfolio makeup has remained fairly static over the years. However, our change in depository banks led staff to shy away from the sweep account instrument that had been heavily used with Wells Fargo. As a result, cash has been moved from our bank and into other instruments more frequently. Money stored in government pools tended to earn a decent return compared to market while also being considered "liquid", as the City can withdraw its funds within 24 hours in most cases. However, as pool rates have been slow to rise, returns on certificates of deposit and agency debt have hit the market with heavy increases. In response to this shift, the chart above shows our portfolio moving further from pools and CD's and more toward agency debt. All recent investments that have been placed have well outpaced our 13-week treasury benchmark and mature within 1-2 years.

### What influences our rate of return?



Per State law, Colleyville is only permitted to invest in certain fixed income securities, whose performance ties closely with the Federal Funds rate. As the chart above shows, the rates of our 13-week treasury benchmark as well as our pools tend to move in lock-step with the Federal Reserve's rate actions. This rate was cut five times since the beginning of the pandemic but inflation and recessionary fears have prompted the Federal Reserve to drastically increase it to between 3.0% and 3.25%. With two Federal Reserve Board Meetings slated for this year and inflationary pressures mounting, further rate hikes are likely, although they aren't anticipated to be in the same magnitude as we saw in early 2022. Regardless, it is possible for the interbank borrowing rate to reach a height not seen since 2008. This investment report is in compliance with the Public Funds Investment Act as well as the City of Colleyville's investment policy and procedures.

For any questions or comments on this report, please contact  
 Kyle Lester, CGFO  
 City of Colleyville, TX  
 Finance Director 817-503-1014  
[klester@colleyville.com](mailto:klester@colleyville.com)

Also included:  
 Maturities/Purchases  
 Investment Listing  
 Mark-to-Market

Signed:

## APPENDIX

**What has matured in the last 12 months?**

<b>Investment</b>	<b>Purch Price</b>	<b>Purchase Date</b>	<b>Maturity Date</b>	<b>Length</b>	<b>Yield to Maturity</b>
Brokered CD (FDIC #58665)	\$ 249,000	2/28/2020	9/7/2021	1.53	1.55%
CDARS (Worthington Bank)	\$ 1,604,198	9/9/2020	9/9/2021	1.00	0.50%
Brokered CD (NCUA #68712)	\$ 249,000	3/10/2020	9/20/2021	1.53	1.00%
Brokered CD (FDIC #57803)	\$ 247,000	2/12/2020	1/31/2022	1.97	1.70%
Brokered CD (FDIC #27389)	\$ 249,000	2/11/2020	2/22/2022	2.03	1.70%
Brokered CD (FDIC #23623)	\$ 250,000	8/24/2020	2/24/2022	1.50	0.20%
Frost Bank CD	\$ 1,500,000	2/25/2021	2/25/2022	1.00	0.16%
Brokered CD (FDIC #57565)	\$ 249,000	3/6/2020	3/11/2022	2.01	1.00%
Brokered CD (FDIC #34742)	\$ 249,000	2/28/2020	3/21/2022	2.06	1.40%
Brokered CD (FDIC #33555)	\$ 248,000	3/6/2020	3/21/2022	2.04	1.00%
Brokered CD (FDIC #19581)	\$ 250,000	3/6/2020	3/21/2022	2.04	0.90%
Brokered CD (FDIC #35546)	\$ 249,000	2/28/2020	3/28/2022	2.08	1.55%
Brokered CD (FDIC #35546)	\$ 249,000	2/28/2020	3/28/2022	2.08	1.55%
Brokered CD (FDIC #58978)	\$ 248,000	3/6/2020	3/28/2022	2.06	1.05%
Brokered CD (FDIC #32992)	\$ 244,201	9/30/2020	4/4/2022	1.51	0.19%
Brokered CD (FDIC #26876)	\$ 249,000	4/8/2021	4/7/2022	1.00	0.10%
Brokered CD (FDIC #845)	\$ 249,187	11/20/2020	6/27/2022	1.60	0.20%
Brokered CD (NCUA #60269)	\$ 249,000	8/10/2020	8/18/2022	2.02	0.30%
Brokered CD (FDIC #33686)	\$ 249,000	8/26/2020	8/26/2022	2.00	0.25%
Brokered CD (FDIC #17739)	\$ 240,204	9/30/2020	8/29/2022	1.91	0.20%
<b>Total Matured</b>	<b>\$ 7,570,790</b>				<b>0.66%</b>

**APPENDIX**

**What have we purchased within the last 12 months?**

<b>Investment</b>	<b>Purch Price</b>	<b>Purchase Date</b>	<b>Maturity Date</b>	<b>Yield to Maturity</b>	<b>Total Return</b>
Brokered CD (FDIC #33124)	\$ 250,000	7/28/2021	7/28/2023	0.25%	\$ 1,250
Spirit of Texas Jumbo CD	\$ 1,509,779	9/9/2021	9/9/2022	0.40%	\$ 6,039
Brokered CD (FDIC #34404)	\$ 249,000	9/29/2021	9/29/2023	0.30%	\$ 1,494
Brokered CD (NCUA #227)	\$ 249,000	9/29/2021	3/29/2024	0.40%	\$ 2,489
FHLB Note (3130AQ3X9)	\$ 2,000,250	12/22/2021	12/22/2023	0.75%	\$ 30,004
Frost Bank CD	\$ 1,502,400	2/25/2022	2/25/2024	1.51%	\$ 45,372
Brokered CD (FDIC #27471)	\$ 250,000	3/2/2022	3/4/2024	1.60%	\$ 8,033
Brokered CD (FDIC #32574)	\$ 250,000	3/9/2022	3/6/2024	1.50%	\$ 7,479
Brokered CD (FDIC #628)	\$ 249,000	3/31/2022	3/31/2023	1.00%	\$ 2,490
FHLB Note (3130ARLC3)	\$ 1,000,000	4/25/2022	4/25/2024	2.63%	\$ 52,572
FHLB Note (3130ARP54)	\$ 450,000	4/29/2022	4/29/2024	2.70%	\$ 24,333
FHLB Note (3131ARVT5)	\$ 1,000,000	5/17/2022	5/17/2024	3.00%	\$ 60,082
FHLB Note (3130ARV65)	\$ 515,000	5/20/2022	5/17/2024	3.00%	\$ 30,815
FHLB Note (3130ATE37)	\$ 1,500,000	9/29/2022	9/29/2023	4.15%	\$ 62,250
FHLB Note (3130ASHY8)	\$ 500,000	7/14/2022	7/14/2023	3.25%	\$ 16,250
Brokered CD (FDIC #66364)	\$ 250,000	7/13/2022	7/13/2023	3.00%	\$ 7,500
Brokered CD (FDIC #68722)	\$ 250,000	6/29/2022	6/29/2023	2.95%	\$ 7,375
<b>Total Purchased</b>	<b>\$ 11,974,429</b>			<b>1.95%</b>	<b>\$ 365,828</b>
<b>Weighted Average Maturity</b>			<b>604 days</b>		

## APPENDIX

## Full Investment Listing

Investment	Purch Price	Purchase Date	Maturity Date	Yield to Maturity	Total Return
FFCB Note (3133EMCU4)	\$ 2,000,000	10/13/2020	10/13/2022	0.190%	\$ 7,600
Brokered CD (FDIC #148)	\$ 245,008	10/14/2020	10/14/2022	0.150%	\$ 735
Brokered CD (NCUA #17587)	\$ 247,000	10/29/2020	10/28/2022	0.25%	\$ 1,233
Brokered CD (FDIC #16022)	\$ 247,000	11/9/2020	11/9/2022	0.20%	\$ 988
Brokered CD (FDIC #34953)	\$ 249,000	11/16/2020	11/16/2022	0.20%	\$ 996
Brokered CD (FDIC #35141)	\$ 249,000	11/20/2020	11/21/2022	0.20%	\$ 997
FFCB Note (3133EMHE5)	\$ 1,500,000	12/11/2020	11/30/2022	0.170%	\$ 5,023
Brokered CD (FDIC #33954)	\$ 256,586	12/22/2020	10/12/2022	0.20%	\$ 927
Brokered CD (FDIC #4297)	\$ 256,481	12/22/2020	10/12/2022	0.20%	\$ 926
Brokered CD (FDIC #8120)	\$ 247,000	12/23/2020	12/23/2022	0.20%	\$ 988
Brokered CD (FDIC #58979)	\$ 246,000	2/19/2021	2/21/2023	0.150%	\$ 740
Brokered CD (NCUA #619)	\$ 246,000	2/21/2021	2/13/2023	0.150%	\$ 730
Brokered CD (FDIC #19008)	\$ 249,000	3/30/2021	3/30/2023	0.200%	\$ 996
Brokered CD (FDIC #57742)	\$ 249,000	3/30/2021	3/30/2023	0.200%	\$ 996
Brokered CD (FDIC #57873)	\$ 249,000	3/31/2021	3/31/2023	0.150%	\$ 747
Spirit of Texas Bank (LOC 17001)	\$ 1,032,529	4/29/2021	10/29/2022	0.30%	\$ 4,651
Brokered CD (#12858)	\$ 248,000	6/29/2021	6/29/2023	0.15%	\$ 744
Brokered CD (#33539)	\$ 249,000	6/30/2021	6/30/2023	0.25%	\$ 1,245
Brokered CD (FDIC #33124)	\$ 250,000	7/28/2021	7/28/2023	0.25%	\$ 1,250
Spirit of Texas Jumbo CD	\$ 1,515,829	9/9/2022	9/2/2023	3.45%	\$ 51,293
Brokered CD (NCUA #227)	\$ 249,000	9/29/2021	3/29/2024	0.40%	\$ 2,489
Brokered CD (FDIC #34404)	\$ 249,000	9/29/2021	9/29/2023	0.30%	\$ 1,494
FHLB Note (3130AQ3X9)	\$ 2,000,187	12/22/2021	12/22/2023	0.75%	\$ 30,003
Frost Bank Jumbo CD	\$ 1,502,400	2/25/2022	2/25/2024	1.510%	\$ 45,372
Brokered CD (FDIC #27471)	\$ 250,000	3/2/2022	3/4/2024	1.60%	\$ 8,033
Brokered CD (FDIC #32574)	\$ 250,000	3/9/2022	3/6/2024	1.50%	\$ 7,479
Brokered CD (FDIC #628)	\$ 249,000	3/31/2022	3/31/2023	1.00%	\$ 2,490
FHLB Note (3130ARLC3)	\$ 1,000,000	4/25/2022	4/25/2024	2.63%	\$ 52,572
FHLB Note (3130ARP54)	\$ 450,000	4/29/2022	4/29/2024	2.70%	\$ 24,333
FHLB Note (3131ARVT5)	\$ 1,000,000	5/17/2022	5/17/2024	3.00%	\$ 60,082
FHLB Note (3130ARV65)	\$ 515,000	5/20/2022	5/17/2024	3.00%	\$ 30,815
Brokered CD (FDIC #68722)	\$ 250,000	6/29/2022	6/29/2023	2.95%	\$ 7,375
Brokered CD (FDIC #66364)	\$ 250,000	7/13/2022	7/13/2023	3.00%	\$ 7,500
FHLB Note (3130ASHY8)	\$ 500,000	7/14/2022	7/14/2023	3.25%	\$ 16,250
FHLB Note (3130ATE37)	\$ 1,500,000	9/29/2022	9/29/2023	4.15%	\$ 62,250
<b>Total</b>	<b>\$ 20,246,019</b>			<b>1.46%</b>	<b>\$ 442,343</b>
<b>Weighted Average Maturity</b>				<b>292 days</b>	

## APPENDIX

Mark-to-Market Investment	Initial Value	6/30/2022	9/30/2022	Unrealized
		Market Value	Market Value	Gain/(Loss) since Purchase
FFCB Note (3133EMCU4)	\$ 2,000,000	\$ 1,988,880	\$ 1,997,860	\$ (2,140)
Brokered CD (FDIC #148)	\$ 245,008	\$ 243,780	\$ 244,735	\$ (273)
Brokered CD (NCUA #17587)	\$ 247,000	\$ 245,674	\$ 246,489	\$ (511)
Brokered CD (FDIC #16022)	\$ 247,000	\$ 245,439	\$ 246,242	\$ (758)
Brokered CD (FDIC #34953)	\$ 249,000	\$ 247,354	\$ 248,109	\$ (891)
Brokered CD (FDIC #35141)	\$ 249,000	\$ 247,250	\$ 247,987	\$ (1,013)
FFCB Note (3133EMHE5)	\$ 1,500,000	\$ 1,486,035	\$ 1,491,270	\$ (8,730)
Brokered CD (FDIC #33954)	\$ 247,000	\$ 247,351	\$ 246,951	\$ (49)
Brokered CD (FDIC #4297)	\$ 247,000	\$ 247,351	\$ 246,951	\$ (49)
Brokered CD (FDIC #8120)	\$ 247,000	\$ 244,787	\$ 245,269	\$ (1,731)
Brokered CD (FDIC #58979)	\$ 246,000	\$ 242,642	\$ 242,635	\$ (3,365)
Brokered CD (NCUA #619)	\$ 246,000	\$ 242,807	\$ 242,883	\$ (3,117)
Brokered CD (FDIC #19008)	\$ 249,000	\$ 244,872	\$ 244,456	\$ (4,544)
Brokered CD (FDIC #57742)	\$ 249,000	\$ 244,896	\$ 244,468	\$ (4,532)
Brokered CD (FDIC #57873)	\$ 249,000	\$ 244,767	\$ 244,359	\$ (4,641)
Spirit of Texas Bank (LOC 17001)	\$ 1,032,529	\$ 1,032,529	\$ 1,032,529	\$ -
Brokered CD (#12858)	\$ 248,000	\$ 241,383	\$ 241,128	\$ (6,872)
Brokered CD (#33539)	\$ 249,000	\$ 242,588	\$ 242,225	\$ (6,775)
Brokered CD (FDIC #33124)	\$ 250,000	\$ 243,024	\$ 242,385	\$ (7,615)
Spirit of Texas Jumbo CD	\$ 1,515,829	\$ 1,515,829	\$ 1,515,829	\$ -
Brokered CD (NCUA #227)	\$ 249,000	\$ 237,212	\$ 235,208	\$ (13,792)
Brokered CD (FDIC #34404)	\$ 249,000	\$ 240,815	\$ 239,608	\$ (9,392)
FHLB Note (3130AQ3X9)	\$ 2,000,187	\$ 1,940,498	\$ 1,909,057	\$ (91,130)
Frost Bank Jumbo CD	\$ 1,502,400	\$ 1,502,400	\$ 1,502,400	\$ -
Brokered CD (FDIC #27471)	\$ 250,000	\$ 243,653	\$ 241,017	\$ (8,983)
Brokered CD (FDIC #32574)	\$ 250,000	\$ 243,193	\$ 240,601	\$ (9,399)
Brokered CD (FDIC #628)	\$ 249,000	\$ 246,346	\$ 245,419	\$ (3,581)
FHLB Note (3130ARLC3)	\$ 1,000,000	\$ 993,100	\$ 970,310	\$ (29,690)
FHLB Note (3130ARP54)	\$ 450,000	\$ 447,255	\$ 437,076	\$ (12,924)
FHLB Note (3131ARVT5)	\$ 1,000,000	\$ 995,560	\$ 974,360	\$ (25,640)
FHLB Note (3130ARV65)	\$ 515,000	\$ 513,347	\$ 501,945	\$ (13,055)
Brokered CD (FDIC #68722)	\$ 250,000	\$ 250,000	\$ 248,188	\$ (1,813)
Brokered CD (FDIC #66364)	\$ 250,000	N/A	\$ 248,130	\$ (1,870)
FHLB Note (3130ASHY8)	\$ 500,000	N/A	\$ 494,922	\$ (5,078)
FHLB Note (3130ATE37)	\$ 1,500,000	N/A	\$ 1,500,150	\$ 150
<b>Total</b>	<b>\$ 20,226,953</b>	<b>\$ 17,792,615</b>	<b>\$ 19,943,146</b>	<b>\$ (283,807)</b>

**APPENDIX**

Note about mark-to-market: This analysis takes a snapshot look at each of the securities Colleyville holds and values them based on what the market would pay for them today. An unrealized gain in market value would indicate the security's value has gone up since the last mark-to-market, and an unrealized loss would indicate the value has gone down. However, the City of Colleyville's strategy is to buy securities and hold them to maturity to receive the agreed-upon interest payments (known as "buy and hold"). Therefore, any change in market value will not be realized by the City. The primary purpose of this analysis, as required by the Public Funds Investment Act, is to demonstrate the current market value of the City's portfolio should we need to liquidate it in the case of an emergency. This scenario is extremely unlikely, given the prudence Colleyville's leaders have shown in their financial decisions. It is important to remember this when looking at our quarterly mark-to-market analysis.

Predictably, the fixed income market's recent turn upward would lead most of the City's securities, purchased at lower yields, to be uncompetitive and therefore not particularly marketable as secondary securities. This means the City would likely realize a loss in the event any security needs to be liquidated. However, as stated above, this is not a likely scenario.

# City of Colleyville, TX

Quarterly Investment Report

12/31/2022



<b>Where is Colleyville's cash?</b>		<b>9/30/2022</b>	<b>12/31/2022</b>	<b>Change</b>	<b>Weighted Maturity</b>
Cash/ Equivalents	Cash	\$ 12,830,935	\$ 27,079,390	\$ 14,248,455	Liquid
	Sweep Account	\$ -	\$ -	\$ -	Liquid
	LOGIC (CP Permiss.)	\$ 1,381,151	\$ 491,080	\$ (890,072)	Liquid
	Other Gov't Pools	\$ 28,830,024	\$ 21,956,970	\$ (6,873,054)	Liquid
	<b>Subtotal</b>	<b>\$ 43,042,110</b>	<b>\$ 49,527,440</b>	<b>\$ 6,485,329</b>	
Bonds/CDs/Ag encies	CD's	\$ 9,780,832	\$ 8,260,268	\$ (1,520,565)	298 days
	CDARS	\$ -	\$ -	\$ -	0 days
	Agencies	\$ 10,465,187	\$ 10,965,725	\$ 500,538	398 days
	<b>Subtotal</b>	<b>\$ 20,246,019</b>	<b>\$ 19,225,992</b>	<b>\$ (1,020,027)</b>	<b>355 days</b>
<b>Total Resources</b>		<b>\$ 63,288,130</b>	<b>\$ 68,753,432</b>	<b>\$ 5,465,302</b>	

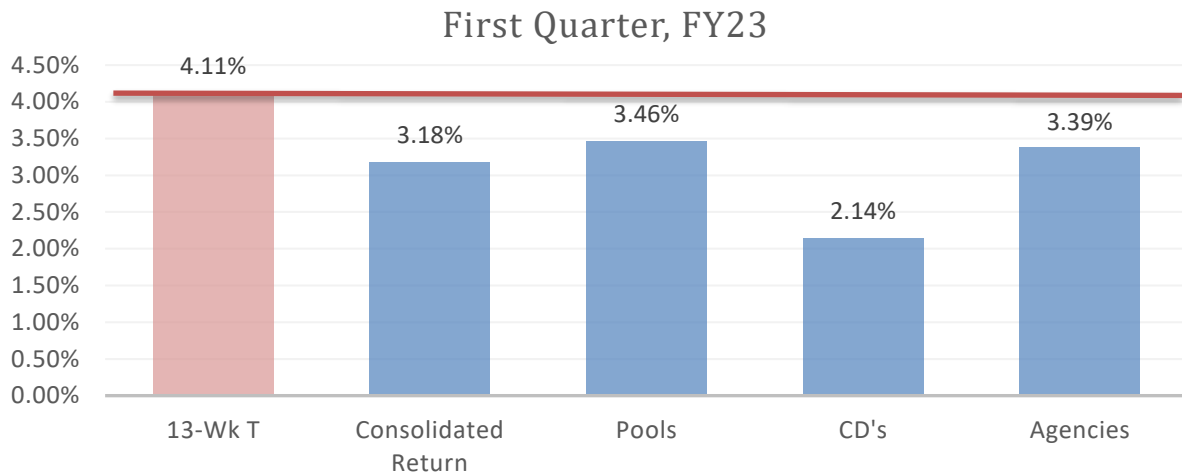
**Investments on the move...**

The first quarter of FY23 showed a moderate increase in total resources from September. More importantly, the City’s liquidity increased substantially for two reasons: first, staff needed to ensure sufficient cash was available for the purchase of the Colleyville Covenant Church Property for \$8.5m in the event that receipt of bond proceeds were held up past the date of purchase. This resulted in close to \$10m being withdrawn from the investment pools for this purpose. Second, a portion of the City's property taxes hit our accounts in December, further inflating the cash position. Because staff strives to keep between \$9m-\$12m in the bank at all times, these resources will be invested at varying intervals in the coming months as allowed. Additionally, after several CD's and agency notes matured this quarter, staff purchased \$5.5 million in CD's and agency notes with a total consolidated return of 4.8%.

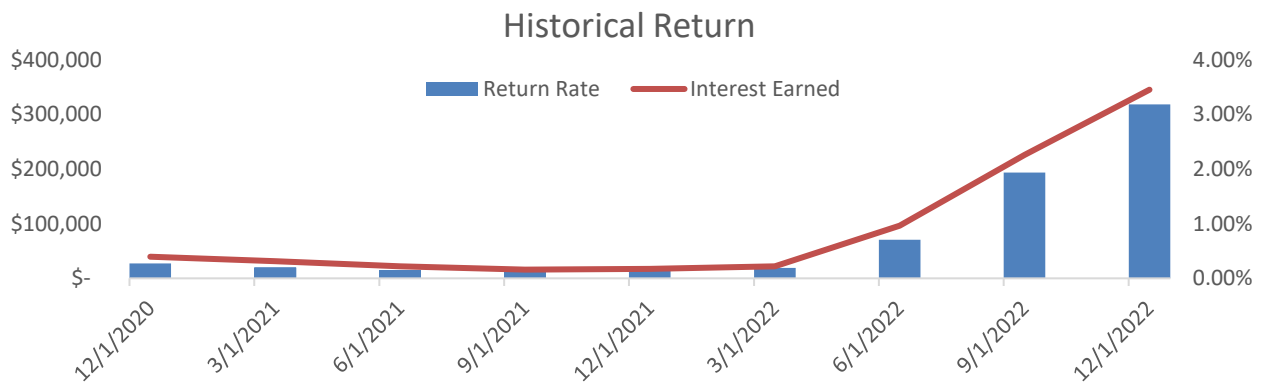
<b>Diversity Snapshot vs. Policy Requirements</b>				Criteria Met?
	<b>Policy Max</b>	<b>9/30/2022</b>	<b>12/31/2022</b>	
U.S. Treasuries	100%	0%	0%	✓
U.S. Agencies	75%	17%	16%	✓
CD's	75%	15%	12%	✓
Local Gov't Pools	75%	48%	33%	✓
CDARs	75%	0%	0%	✓
Tri-Pty Repurchase	75%	0%	0%	✓
SEC Registered, No-Load Mutual Funds	10%	0%	0%	✓
Cash/Sweep	N/A	20%	39%	

### How do our returns compare?

Benchmark = 13-Week Treasury



The City's total consolidated return was 3.18% as of December 31, 2022, representing a stark increase from a consolidated return of 1.94% last quarter. With the Federal Reserve's 430 basis point increase in its interbank borrowing rate this last year, this will be the third quarter our return lags behind the 13-week treasury rate, as pool rates are still catching up. As of the date of this report, it is not uncommon to see shorter-term securities (1.5 - 3 years) pushing 500 basis points. As older and weaker investments mature, staff will continue to take advantage of higher market rates. Most recently, staff has been able to capitalize on \$5.5m in CD's and agency notes at a total consolidated return of 4.8%, with an average weighted maturity of only 1.3 years. Funds dedicated to capital improvement projects such as Glade and the Towers will need to remain readily available while excess operating cash can be invested in shorter-term instruments with favorably returns.



Before the recent downturn Colleyville's investment returns had been climbing steadily since 2016, primary due to to more active investment practices. Although we are coming out of a down-cycle in terms of returns, until this year we've still been able to stay ahead of our 13-week treasury benchmark. We will continue to see the City's returns increase in subsequent reports. Most importantly, Colleyville's funds are safe. Our highest value is placed on maintaining a low risk in order to ensure the safety and liquidity of the funds entrusted to us.

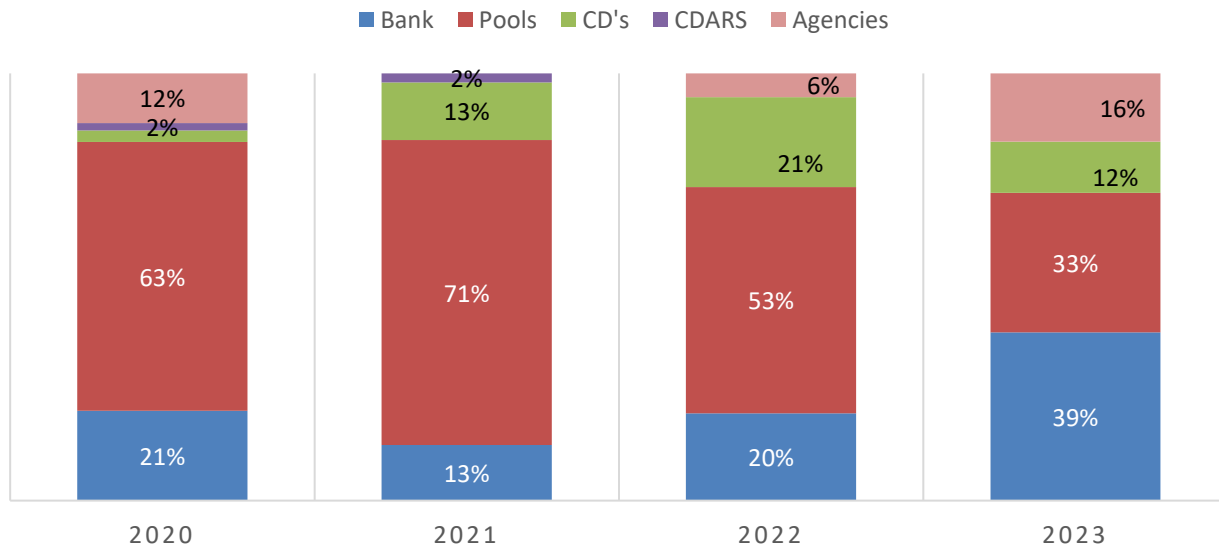
### What have we earned the past three months? For the past year?

Current Total		Quarterly Average	
9/30/2022	<b>\$344,978; 3.18%</b>	12/31/2021	<b>\$172,246; 1.50%</b>
Thru		Thru	
12/31/2022		12/31/2022	

Compared to the average quarterly return for the past 12 months, the most recent quarter is showing a significant increase in the rate of return, led by recent maturities and \$5.5m in reinvestments placed in the past two months. As noted, fixed-income rates have begun to climb amidst the actions from the Federal Reserve. As noted previously, staff has been able to capitalize on these higher yields, although the City's liquidity needs to remain relatively high at this time. Federal agency debt has been particularly attractive as of late. As always, we will need to balance investments with our robust 5-year capital improvement plan, which necessitates higher liquidity than in previous years. Staff will always monitor the market and manage Colleyville's portfolio with emphasis on diversity and cash-flow needs.

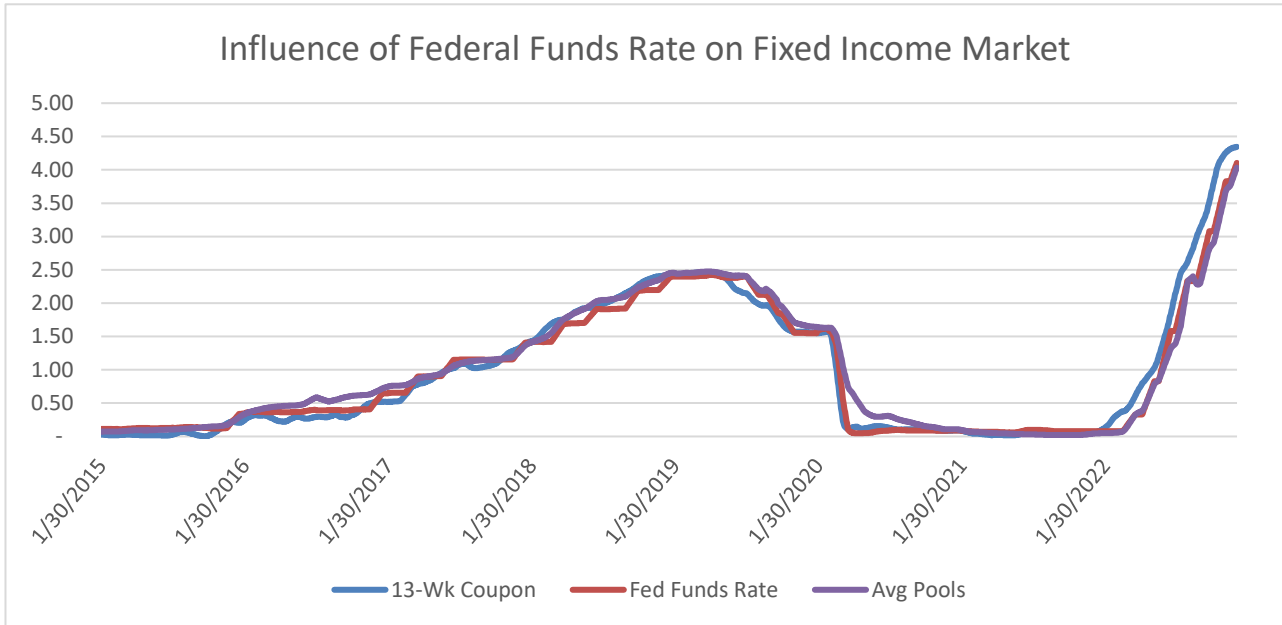
### How has our portfolio changed over time?

#### PORTFOLIO COMPOSITION



As the graph above shows, the City's portfolio makeup has changed substantially over the years. For one, our change in depository banks led staff to shy away from the sweep account instrument that had been heavily used with Wells Fargo. As a result, cash has been moved from our bank and into other instruments more frequently. Certificates of Deposit were particularly attractive during the pandemic years, with agencies slowly resurging within the last six months. While money stored in government pools isn't earning as high as our treasury benchmark as of late, it does have the benefit of a decent return market while also being considered "liquid", as the City can withdraw its funds within 24 hours in most cases. Regardless, all recent investments that have been placed have well outpaced our 13-week treasury benchmark and mature within 1-2 years.

### What influences our rate of return?



Per State law, Colleyville is only permitted to invest in certain fixed income securities, whose performance ties closely with the Federal Funds rate. As the chart above shows, the rates of our 13-week treasury benchmark as well as our pools tend to move in lock-step with the Federal Reserve's rate actions. This rate was cut five times since the beginning of the pandemic but inflation and recessionary fears have prompted the Federal Reserve to drastically increase it to between 3.0% and 3.25%. With inflationary pressures mounting, further rate hikes are possible, although they aren't anticipated to be in the same magnitude as we saw in 2022. Regardless, it is possible for the interbank borrowing rate to reach a height not seen since 2008.

This investment report is in compliance with the Public Funds Investment Act as well as the City of Colleyville's investment policy and procedures.

For any questions or comments on this report, please contact  
 Kyle Lester, CGFO  
 City of Colleyville, TX  
 Finance Director 817-503-1014  
[klester@colleyville.com](mailto:klester@colleyville.com)

Also included:  
 Maturities/Purchases  
 Investment Listing  
 Mark-to-Market

Signed:

## APPENDIX

**What has matured in the last 12 months?**

<b>Investment</b>	<b>Purch Price</b>	<b>Purchase Date</b>	<b>Maturity Date</b>	<b>Length</b>	<b>Yield to Maturity</b>
Brokered CD (FDIC #57803)	\$ 247,000	2/12/2020	1/31/2022	1.97	1.70%
Brokered CD (FDIC #27389)	\$ 249,000	2/11/2020	2/22/2022	2.03	1.70%
Brokered CD (FDIC #23623)	\$ 250,000	8/24/2020	2/24/2022	1.50	0.20%
Frost Bank CD	\$ 1,500,000	2/25/2021	2/25/2022	1.00	0.16%
Brokered CD (FDIC #57565)	\$ 249,000	3/6/2020	3/11/2022	2.01	1.00%
Brokered CD (FDIC #34742)	\$ 249,000	2/28/2020	3/21/2022	2.06	1.40%
Brokered CD (FDIC #33555)	\$ 248,000	3/6/2020	3/21/2022	2.04	1.00%
Brokered CD (FDIC #19581)	\$ 250,000	3/6/2020	3/21/2022	2.04	0.90%
Brokered CD (FDIC #35546)	\$ 249,000	2/28/2020	3/28/2022	2.08	1.55%
Brokered CD (FDIC #35546)	\$ 249,000	2/28/2020	3/28/2022	2.08	1.55%
Brokered CD (FDIC #58978)	\$ 248,000	3/6/2020	3/28/2022	2.06	1.05%
Brokered CD (FDIC #32992)	\$ 244,201	9/30/2020	4/4/2022	1.51	0.19%
Brokered CD (FDIC #26876)	\$ 249,000	4/8/2021	4/7/2022	1.00	0.10%
Brokered CD (FDIC #845)	\$ 249,187	11/20/2020	6/27/2022	1.60	0.20%
Brokered CD (NCUA #60269)	\$ 249,000	8/10/2020	8/18/2022	2.02	0.30%
Brokered CD (FDIC #33686)	\$ 249,000	8/26/2020	8/26/2022	2.00	0.25%
Brokered CD (FDIC #17739)	\$ 240,204	9/30/2020	8/29/2022	1.91	0.20%
Brokered CD (FDIC #33954)	\$ 256,586	12/22/2020	10/12/2022	1.81	0.20%
Brokered CD (FDIC #4297)	\$ 256,481	12/22/2020	10/12/2022	1.81	0.20%
Brokered CD (NCUA #17587)	\$ 247,000	10/29/2020	10/28/2022	2.00	0.25%
Brokered CD (FDIC #16022)	\$ 247,000	11/9/2020	11/9/2022	2.00	0.20%
Brokered CD (FDIC #34953)	\$ 249,000	11/16/2020	11/16/2022	2.00	0.20%
Brokered CD (FDIC #35141)	\$ 249,000	11/20/2020	11/21/2022	2.00	0.20%
Brokered CD (FDIC #8120)	\$ 247,000	12/23/2020	12/23/2022	2.00	0.20%
<b>Total Matured</b>	<b>\$ 7,220,658</b>				<b>0.54%</b>

## APPENDIX

**What have we purchased within the last 12 months?**

<b>Investment</b>	<b>Purch Price</b>	<b>Purchase Date</b>	<b>Maturity Date</b>	<b>Yield to Maturity</b>	<b>Total Return</b>
FHLB Note (3130AQ3X9)	\$ 2,000,250	12/22/2021	12/22/2023	0.75%	\$ 30,004
Frost Bank CD	\$ 1,502,400	2/25/2022	2/25/2024	1.51%	\$ 45,372
Brokered CD (FDIC #27471)	\$ 250,000	3/2/2022	3/4/2024	1.60%	\$ 8,033
Brokered CD (FDIC #32574)	\$ 250,000	3/9/2022	3/6/2024	1.50%	\$ 7,479
Brokered CD (FDIC #628)	\$ 249,000	3/31/2022	3/31/2023	1.00%	\$ 2,490
FHLB Note (3130ARLC3)	\$ 1,000,000	4/25/2022	4/25/2024	2.63%	\$ 52,572
FHLB Note (3130ARP54)	\$ 450,000	4/29/2022	4/29/2024	2.70%	\$ 24,333
FHLB Note (3130ARVT5)	\$ 1,000,000	5/17/2022	5/17/2024	3.00%	\$ 60,082
FHLB Note (3130ARV65)	\$ 515,000	5/20/2022	5/17/2024	3.00%	\$ 30,815
Brokered CD (FDIC #68722)	\$ 250,000	6/29/2022	6/29/2023	2.95%	\$ 7,375
Brokered CD (FDIC #66364)	\$ 250,000	7/13/2022	7/13/2023	3.00%	\$ 7,500
FHLB Note (3130ASHY8)	\$ 500,000	7/14/2022	7/14/2023	3.25%	\$ 16,250
FHLB Note (3130ATE37)	\$ 1,500,000	9/29/2022	9/29/2023	4.15%	\$ 62,250
FHLB Note (3130ATKC0)	\$ 1,000,000	10/3/2022	1/26/2024	4.63%	\$ 60,822
FHLB Note (3130ATK63)	\$ 1,000,000	10/3/2022	7/25/2024	4.88%	\$ 88,284
Brokered CD (FDIC #32992)	\$ 249,000	10/14/2022	10/14/2024	4.40%	\$ 21,942
Brokered CD (FDIC #29546)	\$ 249,000	10/21/2022	10/21/2024	4.40%	\$ 21,942
FFCB Note (3133ENV98)	\$ 500,000	11/4/2022	7/26/2023	4.67%	\$ 16,889
Brokered CD (FDIC #57512)	\$ 250,000	11/14/2022	5/15/2023	4.40%	\$ 5,485
FHLMC Note (3134GX7F5)	\$ 500,000	11/28/2022	5/23/2024	5.15%	\$ 38,237
Brokered CD (NCUA #4584)	\$ 250,000	12/16/2022	12/18/2023	5.10%	\$ 12,820
Brokered CD (FDIC #61800)	\$ 248,000	12/19/2022	10/19/2023	4.85%	\$ 10,018
Brokered CD (NCUA #1040)	\$ 250,000	12/22/2022	12/23/2024	5.20%	\$ 26,071
FNMA Note (3135GADK4)	\$ 1,000,600	12/28/2022	12/27/2023	5.00%	\$ 49,893
<b>Total Purchased</b>	<b>\$ 15,213,250</b>			<b>3.22%</b>	<b>\$ 706,959</b>
<b>Weighted Average Maturity</b>			<b>576 days</b>		

## APPENDIX

## Full Investment Listing

Investment	Purch Price	Purchase Date	Maturity Date	Yield to Maturity	Total Return
Brokered CD (FDIC #58979)	\$ 246,000	2/19/2021	2/21/2023	0.150%	\$ 740
Brokered CD (NCUA #619)	\$ 246,000	2/21/2021	2/13/2023	0.150%	\$ 730
Brokered CD (FDIC #19008)	\$ 249,000	3/30/2021	3/30/2023	0.200%	\$ 996
Brokered CD (FDIC #57742)	\$ 249,000	3/30/2021	3/30/2023	0.200%	\$ 996
Brokered CD (FDIC #57873)	\$ 249,000	3/31/2021	3/31/2023	0.150%	\$ 747
Brokered CD (#12858)	\$ 248,000	6/29/2021	6/29/2023	0.15%	\$ 744
Brokered CD (#33539)	\$ 249,000	6/30/2021	6/30/2023	0.25%	\$ 1,245
Brokered CD (FDIC #33124)	\$ 250,000	7/28/2021	7/28/2023	0.25%	\$ 1,250
Spirit of Texas Jumbo CD	\$ 1,528,868	9/9/2022	9/9/2023	3.45%	\$ 52,746
Brokered CD (NCUA #227)	\$ 249,000	9/29/2021	3/29/2024	0.40%	\$ 2,489
Brokered CD (FDIC #34404)	\$ 249,000	9/29/2021	9/29/2023	0.30%	\$ 1,494
FHLB Note (3130AQ3X9)	\$ 2,000,125	12/22/2021	12/22/2023	0.75%	\$ 30,002
Frost Bank Jumbo CD	\$ 1,502,400	2/25/2022	2/25/2024	1.510%	\$ 45,372
Brokered CD (FDIC #27471)	\$ 250,000	3/2/2022	3/4/2024	1.60%	\$ 8,033
Brokered CD (FDIC #32574)	\$ 250,000	3/9/2022	3/6/2024	1.50%	\$ 7,479
Brokered CD (FDIC #628)	\$ 249,000	3/31/2022	3/31/2023	1.00%	\$ 2,490
FHLB Note (3130ARLC3)	\$ 1,000,000	4/25/2022	4/25/2024	2.63%	\$ 52,572
FHLB Note (3130ARP54)	\$ 450,000	4/29/2022	4/29/2024	2.70%	\$ 24,333
FHLB Note (3130ARVT5)	\$ 1,000,000	5/17/2022	5/17/2024	3.00%	\$ 60,082
FHLB Note (3130ARV65)	\$ 515,000	5/20/2022	5/17/2024	3.00%	\$ 30,815
Brokered CD (FDIC #68722)	\$ 250,000	6/29/2022	6/29/2023	2.95%	\$ 7,375
Brokered CD (FDIC #66364)	\$ 250,000	7/13/2022	7/13/2023	3.00%	\$ 7,500
FHLB Note (3130ASHY8)	\$ 500,000	7/14/2022	7/14/2023	3.25%	\$ 16,250
FHLB Note (3130ATE37)	\$ 1,500,000	9/29/2022	9/29/2023	4.15%	\$ 62,250
FHLB Note (3130ATKC0)	\$ 1,000,000	10/3/2022	1/26/2024	4.63%	\$ 60,822
FHLB Note (3130ATK63)	\$ 1,000,000	10/3/2022	7/25/2024	4.88%	\$ 88,284
Brokered CD (FDIC #32992)	\$ 249,000	10/14/2022	10/14/2024	4.40%	\$ 21,942
Brokered CD (FDIC #29546)	\$ 249,000	10/21/2022	10/21/2024	4.40%	\$ 21,942
FFCB Note (3133ENV98)	\$ 500,000	11/4/2022	7/26/2023	4.67%	\$ 16,889
Brokered CD (FDIC #57512)	\$ 250,000	11/14/2022	5/15/2023	4.40%	\$ 5,485
FHLMC Note (3134GX7F5)	\$ 500,000	11/28/2022	5/23/2024	5.15%	\$ 38,237
Brokered CD (NCUA #4584)	\$ 250,000	12/16/2022	12/18/2023	5.10%	\$ 12,820
Brokered CD (FDIC #61800)	\$ 248,000	12/19/2022	10/19/2023	4.85%	\$ 10,018
Brokered CD (NCUA #1040)	\$ 250,000	12/22/2022	12/23/2024	5.20%	\$ 26,071
FNMA Note (3135GADK4)	\$ 1,000,600	12/28/2022	12/27/2023	5.00%	\$ 49,893
<b>Total</b>	<b>\$ 19,225,992</b>			<b>2.85%</b>	<b>\$ 771,134</b>
<b>Weighted Average Maturity</b>				<b>355 days</b>	

## APPENDIX

Mark-to-Market Investment	Initial Value	9/30/2022	11/30/2022	Unrealized
		Market Value	Market Value	Gain/(Loss) since Purchase
Brokered CD (FDIC #58979)	\$ 246,000	\$ 242,635	\$ 244,603	\$ (1,397)
Brokered CD (NCUA #619)	\$ 246,000	\$ 242,883	\$ 244,839	\$ (1,161)
Brokered CD (FDIC #19008)	\$ 249,000	\$ 244,456	\$ 246,595	\$ (2,405)
Brokered CD (FDIC #57742)	\$ 249,000	\$ 244,468	\$ 246,612	\$ (2,388)
Brokered CD (FDIC #57873)	\$ 249,000	\$ 244,359	\$ 246,530	\$ (2,470)
Brokered CD (#12858)	\$ 248,000	\$ 241,128	\$ 242,968	\$ (5,032)
Brokered CD (#33539)	\$ 249,000	\$ 242,225	\$ 244,022	\$ (4,978)
Brokered CD (FDIC #33124)	\$ 250,000	\$ 242,385	\$ 242,919	\$ (7,081)
Spirit of Texas Jumbo CD	\$ 1,528,868	\$ 1,515,829	\$ 1,528,868	\$ -
Brokered CD (NCUA #227)	\$ 249,000	\$ 235,208	\$ 236,241	\$ (12,759)
Brokered CD (FDIC #34404)	\$ 249,000	\$ 239,608	\$ 241,191	\$ (7,809)
FHLB Note (3130AQ3X9)	\$ 2,000,125	\$ 1,909,057	\$ 1,911,160	\$ (88,965)
Frost Bank Jumbo CD	\$ 1,502,400	\$ 1,502,400	\$ 1,502,400	\$ -
Brokered CD (FDIC #27471)	\$ 250,000	\$ 241,017	\$ 240,212	\$ (9,788)
Brokered CD (FDIC #32574)	\$ 250,000	\$ 240,601	\$ 239,822	\$ (10,178)
Brokered CD (FDIC #628)	\$ 249,000	\$ 245,419	\$ 247,060	\$ (1,940)
FHLB Note (3130ARLC3)	\$ 1,000,000	\$ 970,310	\$ 968,310	\$ (31,690)
FHLB Note (3130ARP54)	\$ 450,000	\$ 437,076	\$ 436,109	\$ (13,892)
FHLB Note (3130ARVT5)	\$ 1,000,000	\$ 974,360	\$ 972,520	\$ (27,480)
FHLB Note (3130ARV65)	\$ 515,000	\$ 501,945	\$ 501,960	\$ (13,040)
Brokered CD (FDIC #68722)	\$ 250,000	\$ 248,188	\$ 248,368	\$ (1,633)
Brokered CD (FDIC #66364)	\$ 250,000	\$ 248,130	\$ 248,250	\$ (1,750)
FHLB Note (3130ASHY8)	\$ 500,000	\$ 494,922	\$ 494,401	\$ (5,599)
FHLB Note (3130ATE37)	\$ 1,500,000	\$ 1,500,150	\$ 1,495,725	\$ (4,275)
FHLB Note (3130ATKC0)	\$ 1,000,000	N/A	\$ 993,760	\$ (6,240)
FHLB Note (3130ATK63)	\$ 1,000,000	N/A	\$ 993,750	\$ (6,250)
Brokered CD (FDIC #32992)	\$ 249,000	N/A	\$ 248,116	\$ (884)
Brokered CD (FDIC #29546)	\$ 249,000	N/A	\$ 248,116	\$ (884)
FFCB Note (3133ENV98)	\$ 500,000	N/A	\$ 499,505	\$ (495)
Brokered CD (FDIC #57512)	\$ 250,000	N/A	\$ 249,925	\$ (75)
FHLMC Note (3134GX7F5)	\$ 500,000	N/A	\$ 499,070	\$ (930)
Brokered CD (NCUA #4584)	\$ 250,000	N/A	\$ 250,000	\$ -
Brokered CD (FDIC #61800)	\$ 248,000	N/A	\$ 248,546	\$ 546
Brokered CD (NCUA #1040)	\$ 250,000	N/A	\$ 250,000	\$ -
FNMA Note (3135GADK4)	\$ 1,000,600	N/A	\$ 1,000,600	\$ -
<b>Total</b>	<b>\$ 19,225,992</b>	<b>\$ 13,448,757</b>	<b>\$ 18,953,072</b>	<b>\$ (272,920)</b>

**APPENDIX**

Note about mark-to-market: This analysis takes a snapshot look at each of the securities Colleyville holds and values them based on what the market would pay for them today. An unrealized gain in market value would indicate the security's value has gone up since the last mark-to-market, and an unrealized loss would indicate the value has gone down. However, the City of Colleyville's strategy is to buy securities and hold them to maturity to receive the agreed-upon interest payments (known as "buy and hold"). Therefore, any change in market value will not be realized by the City. The primary purpose of this analysis, as required by the Public Funds Investment Act, is to demonstrate the current market value of the City's portfolio should we need to liquidate it in the case of an emergency. This scenario is extremely unlikely, given the prudence Colleyville's leaders have shown in their financial decisions. It is important to remember this when looking at our quarterly mark-to-market analysis.

Predictably, the fixed income market's recent turn upward would lead most of the City's securities, purchased at lower yields, to be uncompetitive and therefore not particularly marketable as secondary securities. This means the City would likely realize a loss in the event any security needs to be liquidated. However, as stated above, this is not a likely scenario.