

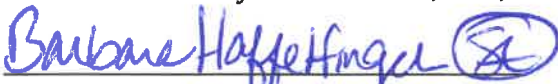
**NOTICE OF A MEETING**  
**OF THE CITY COUNCIL OF THE CITY OF HEMPSTEAD**

Notice is hereby given that a Regular Meeting of the City Council of the City of Hempstead will be held on **Monday, the 4<sup>th</sup> day of January, A.D., 2021 at 6:00 P.M.** in the City Hall at 1125 Austin Street, Hempstead, Texas, at which time the following subjects will be discussed, to-wit:

1. Call to order and invocation.
2. Pledge of Allegiance.
3. Public Comments.
4. Consideration and action on a Resolution of the City Council of the City of Hempstead, Texas, Adopting the 2020-2021 Investment Policy for the City of Hempstead.
5. Consideration and action on awarding Bid for Fire Department 1995 Ford F350 Truck.
6. Adjourn City Council Meeting.

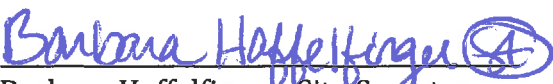
The City Council of the City of Hempstead reserves the right to adjourn into executive session at any time during the course of this meeting to discuss any of the matters listed below authorized by Texas Government Code, Sections 551.071 (Consultation with Attorney), 551.072 (Deliberations about Real Property), 551.073 (Deliberations about Gifts and Donations), 551.074 (Personnel Matters), 551.076 (Deliberations about Security Devices), 551.087 (Economic Development), and 551.086 (Certain Public Power Utilities: Competitive Matters ). Council may act in Open Session on any item listed for Executive Session.

Dated this the 31<sup>st</sup> day of December, A.D., 2020.

By:   
Barbara Haffelfinger, City Secretary

I, the undersigned authority, do hereby certify that the above Notice of a Regular and Special Meeting of the governing body of the City of Hempstead is a true and correct copy of said Notice, and that a true and correct copy of said Notice was posted on the City Hall bulletin board and entrances to City Hall, in the City Hall of said City of Hempstead, Texas, a place convenient and readily accessible to the general public at all times, and that said Notice was posted on December 31, 2020 at 10:00 A.M. and remained so posted continuously for at least 72 hours preceding the scheduled time of said meeting.

Dated this the 31<sup>st</sup> day of December, A.D., 2020.

By:   
Barbara Haffelfinger, City Secretary

**SUPPLEMENTAL NOTICE OF MEETING BY TELEPHONE CONFERENCE**

In accordance with order of the Office of the Governor issued March 16, 2020, the City of Hempstead will conduct the meeting scheduled at **6:00 P.M. on Monday, the 4<sup>th</sup> day of**

**January at Hempstead City Hall, 1125 Austin Street, Hempstead, Texas** by telephone conference in order to advance the public health goal of limiting face-to-face meetings (also called “social distancing”) to slow the spread of the Coronavirus (COVID-19). Limited public access will be allowed, in order to maintain social distancing practices.

This supplemental written notice, the meeting agenda, and the agenda packet, are posted online at [www.hempsteadcitytx.com](http://www.hempsteadcitytx.com).

The public toll-free dial-in number to participate in the telephonic meeting is **1-346-248-7799; Access Code 989-478-2100**

The public will be permitted to offer public comments telephonically as provided by the agenda and as permitted by the presiding officer during the meeting.

A recording of the telephonic meeting will be made, and will be available to the public in accordance with the Opening Meetings Act upon written request.



# City of Hempstead

1125 Austin Street • Hempstead, Texas 77445 • Tel: 979-826-2486 • Fax: 979-826-6703

## RESOLUTION NO. 21-\_\_\_\_\_

**A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF HEMPSTEAD, TEXAS, ADOPTING THE 2020-2021 INVESTMENT POLICY FOR THE CITY OF HEMPSTEAD.**

**NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF HEMPSTEAD, TEXAS:**

**Section 1.** The City Council of the City of Hempstead hereby adopts the 2020-2021 Investment Policy for the City of Hempstead attached hereto as Exhibit “A” and incorporated herein for all purposes.

**Section 2.** That it is hereby officially found and determined that the meeting at which this Resolution is passed is open to the public as required by law, and that public notice of the time, place and purpose of said meeting was given as required by law.

**PASSED AND APPROVED** this the 4<sup>th</sup> day of January, A.D., 2021.

**APPROVED:**

\_\_\_\_\_  
**Michael S. Wolfe, Sr., Mayor**

**ATTEST:**

\_\_\_\_\_  
**Barbara Haffelfinger, City Secretary**

**CITY OF HEMPSTEAD, TEXAS  
INVESTMENT POLICY**

**I. POLICY**

The City of Hempstead (the "City") recognizes that effective case management is good fiscal management. Investment earnings are a source of revenue for the City. Therefore, it is the City's policy to consider safety and risk of investment, allow for anticipated cash flow requirements, and invest all available funds in conformance with these legal and administrative guidelines, while seeking to optimize investment earnings.

Investments shall be made with the primary objectives of:

- Safety and preservation of principal
- Maintenance of liquidity
- Responsiveness to public trust
- Diversification of investments
- Optimization of investment earnings

**II. PURPOSE**

The purpose of this Investment Policy (the "Policy") is to comply with Chapter 2256 of the Government Code ("Public Funds Investment Act" referred to as the "PFIA"), which requires the City to adopt a written investment policy regarding the investment of its funds and funds under its control. This Investment Policy addresses the methods, procedures and practices that must be exercised to ensure effective and judicious fiscal management of the City's funds.

**III. SCOPE**

This Policy shall govern the investment of all financial assets of the City as accounted for in the City's Financial Statements, including but not limited to, general operating, debt service, debt reserve, and capital project funds.

When possible the City will consolidate cash balances to maximize investment earnings. Investment income will be allocated, if necessary, to the various funds based on their respective participation and in accordance with generally accepted accounting principles.

This Policy shall apply to all transactions involving the financial assets and related activity of the City. However, this Policy does not apply to the assets administered for the benefit of the City by outside agencies under deferred compensation programs.

#### **IV. INVESTMENT OBJECTIVES**

The City shall manage and invest its cash with five primary objectives, listed in order of priority: safety, liquidity, public trust, diversification, and yield, expressed as optimization of investment earnings. The safety of the principal invested always remains the primary objective. All investments shall be designed and managed in a manner responsive to the public trust and consistent with State and local law.

The City shall maintain a comprehensive cash management program, which includes collection of accounts receivables, vendor payments in accordance with invoice terms, and prudent investment of available cash. Cash management is defined as the process of managing monies in order to insure maximum cash availability and maximum earnings on short-term investment of idle cash.

##### **Safety**

Safety of principal is the foremost objective of the investment program. Investments shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. The objective will be to mitigate credit and interest rate risk.

- Credit Risk - the City will minimize credit risk, the risk of loss due to the failure of the issuer or backer of the investment by:
  - Limiting investments to the safest types of investments
  - Pre-qualifying the financial institutions, pools, and broker/dealers with which the City will do business
  - Diversifying the investment portfolio so that potential losses on individual issuers will be minimized.
  
- Interest Rate Risk - the City will minimize the risk that the investment earnings and the market value of investments in the portfolio will fall due to changes in general interest rates, by:
  - Structuring investments to meet cash requirements.
  - Investing operating funds primarily in certificates of deposit, shorter-term securities, money market mutual funds, or local government investment pools functioning as money market mutual funds.
  - Diversifying maturities and staggering purchase dates to minimize the impact of market movements over time.

##### **Liquidity**

The investment portfolio shall remain sufficiently liquid to meet all operating requirements that may be reasonably anticipated. This is accomplished by structuring the portfolio so that investments mature concurrent with cash needs. Because all possible cash demands cannot be anticipated, a portion of the portfolio will be invested in bank deposits, money market mutual funds or local government investment pools functioning as money market mutual funds that offer same-day liquidity.

### **Public Trust**

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

### **Diversification**

The investment portfolio shall be diversified to avoid unreasonable risks and over concentration of risks. This is accomplished by structuring the portfolio so that a variety of investments are utilized.

### **Yield (Optimization of Investment Earnings)**

The investment portfolio shall be designed with the objective of attaining a market rate of return throughout budgetary and economic cycles, taking into account the investment risk constraints and liquidity needs. Return on investment is of secondary importance compared to the safety and liquidity objectives described above. "Weighted Average Yield to Maturity" shall be the performance measurement standard for the portfolio.

## **V. RESPONSIBILITY AND CONTROL**

### **Delegation of Authority**

The City designates the Mayor and the City Secretary as the Investment Officers. No person may engage in an investment transaction or the management of City funds except as provided under the terms of this Policy. The investment authority granted to the Investment Officers is effective until rescinded by the City's Council.

### **Quality and Capability of Investment Management**

The City shall provide periodic training in investments for the designated Investment Officers and other investment personnel through courses and seminars offered by professional organizations, associations, and other independent sources in order to insure the quality and capability of investment management in compliance with the Public Funds Investment Act.

### **Training Requirement**

The designated Investment Officers shall attend an investment training session no less often than once every two years and shall receive not less than 10 hours of instruction relating to investment responsibilities. A newly appointed Investment Officer must attend a training session of at least 10 hours of instruction within six months of the date the Officer took office or assumed the Officer's duties.

The approved independent sources of training are: Government Finance Officers Association, Government Finance Officers Association of Texas, Government Treasurers Organization of Texas, University of North Texas, and the Texas Municipal League.

### **Internal Controls**

The City's Mayor is responsible for establishing and maintaining an internal control structure designed to ensure that the financial assets of the City are protected from loss, theft, or misuse. The internal control structure shall be designed to provide reasonable assurance that these objectives are met. The concept of reasonable assurance recognizes that (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management.

Accordingly, the City shall establish a process for annual independent review by an external auditor in conjunction with the annual audit to assure compliance with policies and procedures. The internal controls shall address the following points:

- Control of collusion.
- Separation of transactions authority from accounting and record keeping.
- Custodial safekeeping.
- Avoidance of physical delivery securities.
- Clear delegation of authority to subordinate staff members.
- Written confirmation for telephone (voice) transactions for investments and wire transfers.

### **Prudence**

The standard of prudence to be applied by the Investment Officers shall be the "prudent person" rule. This states that "Investments shall be made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived." In determining whether Investment Officers have exercised prudence with respect to an investment decision, the determination shall be made taking into consideration:

- The investment of all funds, or funds under the City's control, over which the Investment Officers had responsibility rather than a consideration as to the prudence of a single investment.
- Whether the investment decision was consistent with the written approved Investment Policy of the City.

### **Indemnification**

The Investment Officers, acting in accordance with the Investment Policy and otherwise with respect to the City's written procedures and exercising due diligence, shall not be held personally responsible for a specific investment's credit risk or market price changes,

provided that these deviations are reported immediately and the appropriate action is taken to control adverse developments.

### **Ethics and Conflicts of Interest**

Investment Officers shall refrain from personal business activity that would conflict with the proper execution and management of the investment program, or that would impair their ability to make impartial decisions. Investment Officers shall disclose all interests in financial institutions with which they conduct City business. They shall further disclose any personal/financial investment positions that could be related to the performance of the investment portfolio. Investment Officers shall refrain from undertaking personal investment transactions with the same individual with which business is conducted on behalf of the City.

An Investment Officer who has a personal business relationship with an organization seeking to sell an investment to the City shall file a statement disclosing that personal business interest. An Investment Officer who is related within the second degree by affinity or consanguinity to an individual seeking to sell an investment to the City shall file a statement disclosing that relationship. A statement required under this subsection must be filed with the Texas Ethics Commission and the City's Council.

## **VI. SUITABLE AND AUTHORIZED INVESTMENTS**

### **Portfolio Management**

The City currently has a "buy and hold" portfolio strategy. Maturity dates are matched with cash flow requirements and investments are purchased with the intent to be held until maturity. However, investments may be liquidated prior to maturity for the following reasons:

- An investment with declining credit may be liquidated early to minimize loss of principal.
- Cash flow needs of the City require that the investment be liquidated.

### **Investments**

City funds may be invested in the instruments described below, all of which are authorized by the Public Funds Investment Act. Investment of City funds in any instrument or security not authorized for investment under the Investment Policy is prohibited. The City will not be required to liquidate an investment that becomes unauthorized subsequent to its purchase.

#### **I. Authorized**

1. Obligations of the United States of America, its agencies and instrumentalities.



2. Certificates of deposit and other evidences of deposit at a financial institution that, a) has its main office or a branch office in Texas and is guaranteed or insured by the Federal Deposit Insurance Corporation or its successor, b) is secured by obligations in a manner and amount provided by law for deposits of the City, or c) is executed through a depository institution that has its main office or a branch office in Texas that participates in the Certificate of Deposit Account Registry Service (CDARS) and meets the requirements of the Public Funds Investment Act.
3. Money Market Mutual Funds that are 1) registered and regulated by the Securities and Exchange Commission, 2) invest only in "government" securities or repurchase agreements, 3) rated AAAm, or its equivalent, by at least one nationally recognized rating service, and 4) seek to maintain a net asset value of \$1.00 per share.
4. State and local government investment pools organized under the Interlocal Cooperation Act that 1) meet the requirements of the Public Funds Investment Act, 2) invest only in "government" securities or repurchase agreements, 3) are rated no lower than AAAm or an equivalent rating by at least one nationally recognized rating service, and 4) are authorized by resolution or ordinance by the Board of Directors. A public funds investment pool created to function as a money market mutual fund must mark its portfolio to market daily and seek to maintain a \$1.00 net asset value. Any investment pool that does not meet the requirements of one that is created to function as a money market mutual fund must maintain a maximum average dollar weighted maturity that does not exceed 365 days, or 366 days in the case of a leap year, and must provide a fixed interest rate and fixed maturity term for each pool position.

All prudent measures will be taken to liquidate an investment that is downgraded to less than the required minimum rating.

## **II. Not Authorized**

Investments including interest-only or principal-only strips of obligations with underlying mortgage-backed security collateral, or collateralized mortgage obligations with an inverse floating interest rate coupons or a maturity date of over 10 years are strictly prohibited.

With respect to authorized investments, this Policy is more restrictive than the Public Funds Investment Act.

## VII. INVESTMENT PARAMETERS

### Maximum Maturities

The longer the maturity of investments, the greater their price volatility. Therefore, it is the City's policy to concentrate its investment portfolio in shorter-term securities.

The City will not directly invest in investments maturing more than two (2) years from the date of purchase.

### Diversification

The City recognizes that investment risks can result from issuer defaults, market price changes, or various technical complications leading to temporary illiquidity. Risk is controlled through portfolio diversification that shall be achieved by the following general guidelines:

- Diversifying investments to avoid over concentration,
- Prohibiting investment with higher credit risks,
- Varying maturities, and
- Continuously investing a portion of the portfolio in alternatives that offer same-day liquidity.

## VIII. INVESTMENT STRATEGIES

### Investment Strategies by Fund Type

**General Operating Funds:** These funds shall have as their primary objectives: safety, investment liquidity, and maturity sufficient to meet anticipated cash flow requirements.

1. **Suitability:** Any investment eligible in the Investment Policy is suitable.
2. **Safety:** All investments shall be of high quality securities with no perceived default risk. Market price fluctuations will occur. Managing the weighted average days to maturity for the General Operating Fund's portfolio to less than 365 days and restricting the maximum allowable maturity to two years will minimize the price volatility of the overall portfolio.
3. **Liquidity:** The General Operating Fund requires the greatest short-term liquidity. Short-term investment pools and money market mutual funds will provide daily liquidity and may be utilized as a competitive yield alternative to fixed maturity investments.
4. **Marketability:** Instruments with active and efficient secondary markets are necessary in the event of an unanticipated cash flow requirement. The City must

maintain a reasonable balance of highly liquid assets relative to less liquid assets to ensure adequate liquidity and diversification mix.

5. **Diversification:** Investment maturities should be staggered throughout the cash flow cycle. Diversifying the appropriate maturity structure out through two years will reduce market cycle risk.
6. **Yield:** Attaining a competitive market yield for comparable instrument-types and portfolio restrictions is the desired objective. The yield of an equally weighted, rolling three-month Treasury-Bill portfolio will be the minimum yield objective.

**Debt Service Funds:** Investment strategies for debt service shall have as their objective sufficient investment liquidity to timely meet debt service payment obligations in accordance with provisions in the bond documents.

1. **Suitability:** Any investment eligible in the Investment Policy is suitable.
2. **Safety:** All investments shall be of high quality instruments with no perceived default risk. Market price fluctuations will occur. However, by managing Debt Service Funds to not exceed the debt service payment schedule, the market risk of the overall portfolio will be minimized.
3. **Liquidity:** Debt Service Funds have predictable payment schedules with reduced liquidity requirements. Investment maturities should not exceed the anticipated cash flow requirements. Investment pools and money market mutual funds may provide a competitive yield alternative for short term fixed maturity investments.
4. **Marketability:** Instruments with active and efficient secondary markets are not necessary as the event of an unanticipated cash flow requirement is not probable.
5. **Diversification:** Market conditions influence the attractiveness of fully extending maturity to the next "unfunded" payment date. At no time shall the debt service schedule be exceeded in an attempt to bolster yield.
6. **Yield:** Attaining a competitive market yield for comparable instrument-types and portfolio restrictions is the desired objective. The yield of an equally weighted, rolling three-month Treasury-Bill portfolio will be the minimum yield objective.

**Debt Service Reserves:** Investment strategies of debt service funds shall have as their primary objective the generation of a dependable revenue stream from high quality investments in accordance with provisions in the bond documents.

1. **Suitability:** Any investment eligible in the Investment Policy is suitable.
2. **Safety:** All investments shall be of high quality instruments with no perceived default risk. Market price fluctuations will occur. However, managing Debt

Service Reserve Fund maturities to not exceed the call provisions of the borrowing reduces the investment's market risk if the debt is redeemed and the Reserve Fund liquidated. No stated final investment maturity shall exceed the final maturity of the borrowing.

3. **Liquidity:** Debt Service Reserve Funds have no anticipated expenditures. The Funds are deposited to provide annual debt service payment protection to the debt holders. Market conditions and arbitrage regulation compliance determine the advantage of investment diversification and liquidity.
4. **Marketability:** Instruments with less active and efficient secondary markets are acceptable.
5. **Diversification:** Market conditions and the arbitrage regulations influence the attractiveness of staggering the maturity of fixed rate investments for Debt Service Reserve Funds. At no time shall the final debt service payment date of the bond issue be exceeded in an attempt to bolster yield.
6. **Yield:** Achieving a positive spread to the applicable borrowing cost is the desired objective. Debt Service Reserve Fund portfolio management shall operate within the limits of the Investment Policy's risk constraints.

**Capital Projects Funds:** Investment strategies for capital project funds shall have as their primary objective sufficient investment liquidity to timely meet capital project obligations. If the City has funds from bond proceeds, they shall be invested in accordance with provisions of the bond documents.

1. **Suitability:** Any investment eligible in the Investment Policy is suitable.
2. **Safety:** All investment shall be of high quality instruments with no perceived default risk. Market price fluctuations will occur. However, by managing Capital Project Funds to not exceed the anticipated expenditure schedule, the market risk of the overall portfolio will be minimized.
3. **Liquidity:** Capital Project Funds programs have reasonably predictable draw schedules reducing liquidity requirements. Investment pools and money market mutual funds will provide readily available funds or a competitive yield alternative for short term fixed maturity investments.
4. **Marketability:** Instruments with active and efficient secondary markets are necessary in the event of an unanticipated cash flow requirement. The City must maintain a reasonable balance of highly liquid assets relative to less liquid assets to ensure adequate liquidity and diversification mix.
5. **Diversification:** Market conditions and arbitrage regulations influence the attractiveness of staggering the maturity of fixed rate investments for Capital

**Project Funds.** Generally, when investment rates exceed the applicable cost of borrowing, the City is best served by locking in most investments. If the cost of borrowing cannot be exceeded, then concurrent market conditions will determine the attractiveness of diversifying maturities or investing in shorter and larger amounts. At no time shall the anticipated expenditure schedule be exceeded in an attempt to bolster yield.

6. **Yield:** Achieving a positive spread to the applicable borrowing cost is the desired objective. Capital Project Fund portfolio management shall at all times operate within the limits of the Investment Policy's risk constraints.

## **IX. SELECTION OF BANKS AND BROKER/DEALERS**

### **Depository**

In compliance with statutory requirements, a primary Depository shall be selected through the City's banking services procurement process, which shall include a formal request for proposal (RFP). The selection of a primary depository will be determined by a competitive process and evaluation of proposals will be based on the following selection criteria:

- The ability to qualify as a depository for public funds in accordance with state law.
- The ability to provide requested information or financial statements for the periods specified.
- The ability to meet all requirements in the banking RFP.
- Complete response to all required items in the banking RFP.
- "Best value" net banking service cost, consistent with the ability to provide an appropriate level of service.
- The credit worthiness and financial stability of the bank.

All depository deposits shall be insured or collateralized in compliance with applicable State law. The City reserves the right, in its sole discretion, to accept or reject any form of insurance or collateralization pledged towards depository deposits. 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 has to 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.

### **Authorized Broker/Dealers**

The Council shall, at least annually, review, revise, and adopt a list of qualified broker/dealers and financial institutions authorized to engage in securities transactions with the City (Appendix A). Those firms that become qualified shall provide certification stating the firm has received, read and understood the City's Investment Policy and agree to comply with the Policy. Authorized firms include primary dealers or secondary dealers that qualify under Securities and Exchange Commission Rule 15C3-1 (Uniform Net Capital Rule), and qualified depositories. All investment providers, including financial institutions, banks, money market mutual funds, and local government investment pools, must sign a certification acknowledging that the organization has received and reviewed the City's Investment Policy and that reasonable procedures and controls have been implemented to preclude investment transactions that are not authorized by the City's Policy.

### **Competitive Bids**

It is the policy of the City to provide a competitive environment for all individual investment purchases and sales, financial institution deposits, and money market mutual funds, and local government investment pool selection. The Investment Officers shall develop and maintain procedures for ensuring a competition in the investment of the City's funds.

### **Delivery vs. Payment**

Securities shall be purchased using the **delivery vs. payment** method. Funds will be released after notification that the purchased security has been received.

### **Investment Advisors**

Investment advisors shall adhere to the spirit, philosophy and specific terms of this Policy and shall advise within the same "Standard of Care". Selected investment advisors must be registered under the Investment Advisors Act of 1940 or with the State Securities Board. A contract with an investment advisor may not be for a term longer than two years and must be approved by the City's Council, including any renewals or extensions.

## **X. SAFEKEEPING OF SECURITIES AND COLLATERAL**

### **Safekeeping and Custodian Agreements**

The City shall contract with a bank or banks for the safekeeping of securities either owned by the City as part of its investment portfolio or held as collateral to secure financial institution deposits.

Securities owned by the City shall be held in the City's name as evidenced by safekeeping receipts of the institution holding the securities. Safekeeping institutions shall be independent from the parties involved in the investment transaction.

Collateral for deposits will be held by an independent third party custodian designated by the City and pledged to the City as evidenced by safekeeping receipts of the institution with which the collateral is deposited. Original safekeeping receipts shall be obtained. Collateral may be held by a Federal Reserve Bank or branch of a Federal Reserve Bank, a Federal Home Loan Bank, or a third party bank approved by the City and eligible under State law.

### **Collateral Policy**

Consistent with the requirements of the Public Funds Collateral Act, it is the policy of the City to require full collateralization of all City funds on deposit with a depository bank. With the exception of deposits secured with irrevocable letters of credit at 100% of amount, the collateralization level will be 102% of the aggregate market value of the deposit or investment including interest less any amount insured by the Federal Deposit Insurance Corporation. At its discretion, the City may require a higher level of collateralization for certain investment securities.

Securities pledged as collateral shall be held by an independent third party with whom the City has a current custodial agreement. The City's Mayor is responsible for entering into collateralization agreements with third party custodians in compliance with this Policy. The agreements are to specify the acceptable investment securities for collateral, including provisions relating to possession of the collateral, the substitution or release of investment securities, ownership of securities, and the method of valuation of securities. A clearly marked evidence of ownership (safekeeping receipt) must be supplied to the City. Collateral shall be reviewed at least monthly to assure that the market value of the pledged securities is adequate.

### **Collateral Defined**

The City shall accept only the following types of collateral:

- Obligations of the United States or its agencies and instrumentalities.
- Direct obligations of the state of Texas or its agencies and instrumentalities.
- 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.
- Obligations of states, agencies, counties, cities, and other political subdivisions of any state rated not less than A or its equivalent as to investment quality by two nationally recognized rating firms with a remaining maturity of ten (10) years or less.

- A surety bond issued by an insurance company rated as to investment quality by a nationally recognized rating firm not less than A, or its equivalent.
- A letter of credit issued to the City by the Federal Home Loan Bank.

#### **Subject to Audit**

All collateral shall be subject to inspection and audit by the City's designated Investment Officers or the City's independent auditors.

### **XI. REPORTING**

#### **Methods**

The Investment Officers shall prepare an investment report at least quarterly in compliance with generally accepted accounting principles and the Public Funds Investment Act. This report will be prepared in a manner that will allow the City to ascertain whether investment activities during the reporting period have conformed to the Investment Policy. The report will be provided to the City's Council.

In conjunction with the annual audit, an independent auditor will perform a formal annual review of the quarterly reports with the results of the review reported to the Council.

#### **Monitoring Market Value**

Market value of all collateral, pools and securities will be monitored periodically and obtained from a reputable and independent source.

### **XII. INVESTMENT POLICY ADOPTION**

The City's Investment Policy shall be adopted by resolution of the Council. It is the City's intent to comply with State laws and regulations. The City's Investment Policy shall be subject to revisions consistent with changing laws, regulations, and needs of the City. The Council shall annually adopt a resolution stating that it has reviewed the Policy and investment strategies, approving any changes or modifications.



**Appendix A  
Broker/Dealers**

<b>Bank of America/Merrill Lynch</b>	<b>Dallas, TX</b>	<b>Primary Dealer</b>
<b>Coastal Securities</b>	<b>Houston, TX</b>	<b>Secondary Dealer</b>
<b>Duncan Williams</b>	<b>Houston, TX</b>	<b>Secondary Dealer</b>
<b>Rice Financial Products</b>	<b>Chicago, IL</b>	<b>Secondary Dealer</b>
<b>Wells Fargo</b>	<b>Austin, TX</b>	<b>Primary Dealer</b>

**CITY OF HEMPSTEAD  
NOTICE TO BIDDERS**

Sealed bids on a 1995 Ford F350 Truck will be received by the City Secretary of the City of Hempstead, Texas at City Hall, 1125 Austin Street, Hempstead, Texas 77445 (979-826-2486) until **Wednesday, December 30, 2020 at 3:00 P.M.** The vehicle is available for inspection at the Hempstead Fire Station, 1400 11<sup>th</sup> Street, Hempstead, Texas and is being sold as is.

The bid will be awarded at the January 4, 2021 City Council Meeting and payment must be made in the form of cash or cashier's check. The City reserves the right to reject any or all bids.