



# **City of Fort Worth**

## **Department of Finance**

### **Investment Policy and Strategy**

#### **General Portfolio**

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#### **I. Introduction**

It is the policy of the City of Fort Worth, Texas (the “City”) that the administration of its funds and the investment of those funds shall be handled in a manner that promotes the highest public trust. Investments shall be made in a manner which will provide the maximum security of principal by setting guidelines for investment diversification by both type and maturity while meeting the daily cash flow needs of the City. The Investment Policy and Strategy is established to define the parameters within which investments are to be managed and to implement reasonable standards for the City's cash management and investment operations.

The purpose of this document is to establish overarching investment policy, provide investment strategy and guidelines, and set specific rules and parameters governing investment practices. This policy formalizes the framework for the City's investment activities that must be exercised to ensure effective and judicious fiscal and investment management of its funds. The guidelines are intended to be broad enough to allow the Investment Officer(s) to function properly within the parameters of responsibility and authority, yet specific enough to adequately safeguard the investment assets.

#### **II. Governing Authority**

All investment and cash management activities shall be conducted in full compliance with applicable City ordinances as well as state and federal rules and regulations. Specific statutory regulations for the investment of public funds in Texas are found in the Public Funds Investment Act, Chapter 2256, Texas Government Code (the "Act"). All investments will be made in accordance with this statute. Collateral requirements are established in Texas by the Public Funds Collateral Act, Chapter 2257, Texas Government Code, for all public Texas funds deposits.

Under the direction of the City Manager, the Chief Financial Officer/ Director of Finance and the Investment Officers are authorized to promulgate reasonable procedures to ensure effective and judicious management of City funds which align

with this policy.

### **III. Scope**

This policy applies to all public funds in the custody of the City that are not required by law to be deposited in the state treasury and that the City has authority to invest. These funds are reported in the City's Comprehensive Annual Financial Report (CAFR).

Funds held by trustees or retirement funds are excluded from this policy; however, all funds are subject to regulations established by the State of Texas. These excluded funds may also be reported in the City's Comprehensive Annual Financial Report (CAFR) based upon standards promulgated by the Governmental Accounting Standards Board (GASB).

### **IV. Objectives**

The City shall manage and invest its assets with the following four major objectives, listed in order of priority:

#### **1. Safety**

Consistent with the requirements of the Act, safety of principal is the foremost objective of the City's investment program. All aspects of cash and investment management operations shall be designed to ensure the safety and integrity of the City's financial assets. Investments shall be undertaken in a manner that seeks to ensure the preservation of principal in the overall portfolios, mitigating credit and interest rate risk. Each investment transaction shall be conducted in a manner to minimize principal losses. All cash and investment management activities shall be done in a manner that promotes and is reflective of public trust.

#### **2. Liquidity**

The investment portfolios shall be structured to timely meet expected cash flow needs and associated obligations in a manner that results in the lowest cost to the City. This objective shall be achieved by matching investment maturities with forecasted cash outflows and maintaining an additional liquidity buffer for unexpected liabilities.

#### **3. Diversification**

The portfolios shall be diversified by market sector and maturity in order to

manage market risk.

#### 4. Yield

The investment portfolios shall be designed with the objective of attaining a reasonable market rate of return throughout economic cycles, taking into account the investment risk constraints of safety and liquidity needs. The benchmarks for the portfolios shall be designed for their comparability to the expected average cash flow patterns of the portfolios. The investment program shall seek to augment returns above the applicable benchmark consistent with risk limitations identified herein and prudent investment policies and practices.

#### V. Strategies

To the extent feasible under prevailing market conditions, the City will strive to maintain and manage two portfolios in which funds are pooled for investment purposes: a Short-Term Portfolio and a Long-Term Portfolio. The Short-Term Portfolio ~~shall~~ would be used to manage that portion of the City's assets that, based on analysis of historic cash flow patterns, is projected to be needed within the five year planning and forecast horizon to meet the City's cash flow needs. The Long-Term Portfolio ~~shall~~ would be used to manage that portion of the City's assets that, based on analysis of historic cash flow patterns and current projections, is not needed to meet the City's cash flow needs within the five-year planning and forecast horizon and is therefore available and suitable for longer term investment. In general, the Investment Officers shall manage investments to ensure that if an unexpected cash need arises, the City will be able to liquidate sufficient investments to meet its needs without incurring adverse consequences. When prevailing market conditions do not offer adequate returns on long-term investments to compensate for the corresponding interest-rate risk and loss of liquidity, the Investment Officers, in consultation with the Investment Advisor, are authorized to focus investments in the Short-Term Portfolio and forgo adding to the Long-Term Portfolio.

Operating within appropriately established administrative and procedural parameters outlined in this Investment Policy and Strategy, the City ~~should~~ ~~shall~~ ~~aggressively~~ pursue optimum financial rewards in both portfolios, while simultaneously controlling related expenditures. Cash management functions shall be conducted in a manner that promotes the best financial and administrative interests of the City. Except for money in certain restricted and special funds, the City commingles its available cash and investments across all funds to maximize investment earnings and to increase investment efficiencies with regard to pricing, safekeeping and administration. The strategies used are intended to ensure compliance with the statutes and address suitability of the investments, preservation

of principal, liquidity, marketability of securities, diversification controls and reasonably attainable yield. The strategies will utilize competitive bidding practices and other controls as established by this policy for all transactions.

The investment strategy for each portfolio incorporates the specific considerations and the unique characteristics of the fund groups represented in that portfolio. Both portfolios shall be invested in high credit quality investments. For the Short-Term Portfolio the City shall pursue a strategy which fully utilizes its cash assets to obtain a competitive yield while also allowing the City to meet projected cash flow needs, to minimize the cost of liquidity, and to maintain the objectives set forth in this policy. The investment strategy for the Long-Term Portfolio will be focused on appreciation while also meeting the objectives set forth in this policy.

At all times the City shall maintain a cash buffer to meet daily anticipated liquidity requirements by structuring the Short-Term Portfolio to maintain approximately 10% in liquid investments. Based upon the analysis of historic cash flow patterns, the Short-Term Portfolio shall not exceed a weighted average maturity (WAM) of two and one-half (2.5) years, and no security in this portfolio shall exceed a maximum- stated maturity of five (5) years. In the Long-Term Portfolio the maximum WAM shall not exceed seven and one half (7.5) years, and no security shall exceed a maximum stated maturity of ten (10) years. Notwithstanding the foregoing, if state law and/or this policy provides for a lower maximum stated maturity for a particular type of investment, that more restrictive requirement shall control.

Investment earnings from both portfolios shall be allocated to the various participating funds based on each fund's pro rata ownership in the portfolio and in accordance with generally accepted accounting principles. Investment earnings will be allocated to the participating funds or their corresponding debt service funds as determined in the City's annual budget process.

Securities may be sold before they mature if market conditions present an opportunity for the City to benefit from the sale. The Investment Officer(s) and/or Investment Advisor will continuously monitor the contents of each portfolio, the available markets, and the relative value of competing instruments to adjust each portfolio in response to market conditions.

Securities lending, as more fully described in Authorized Investments (Section IX), may be used to add incremental income to both portfolios when it proves to be beneficial to the City.

## **VI. Standard of Care**

The standard of prudence to be used for all City investments shall be the

"prudent person" standard as established by the Act and shall be applied in the context of managing the overall portfolios. The "prudent person" standard states that:

“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 their capital and the probable income to be derived.”

Investment Officer(s) acting in accordance with promulgated procedures and this Investment Policy and Strategy and exercising due diligence shall be held accountable for any individual security's credit risk or market price changes but shall not be personally liable for deviations from expectations so long as deviations from expectations are reported in a timely fashion and appropriate action is taken to control adverse developments.

## **VII. Responsibility and Delegation of Authority**

### **A. City Council**

By law, the City Council retains ultimate fiduciary responsibility for the portfolios. The Council is to receive quarterly reports and annually review and adopt the Investment Policy and Strategy. In addition, the Council is responsible for designating one or more individuals to serve as Investment Officer(s). In accordance with the Act, the Council may retain responsibility for reviewing and approving authorized broker/ dealers and investment training sources or designate those two responsibilities to the Investment Committee.

### **B. Investment Officer(s)**

In accordance with the Act, by adoption of this policy, the City Council designates and appoints the individuals holding the following positions to serve as Investment Officers to serve in accordance with state law and be responsible for the investment of City funds consistent with this Investment Policy and Strategy: the City's Chief Financial Officer/ Director of Finance, the Finance Department Assistant Director for Treasury Services, and the Treasury Supervisor.

~~Investment Officer(s) will be responsible for investment decisions and activities.~~ The City may ~~further~~ contract with a registered Investment Advisor to ~~advise~~ provide guidance in the management of the portfolios; however, the Investment Officer(s) will be responsible for investment decisions and activities. The Investment Officer(s) and Advisor shall seek to act responsibly as custodians of the public trust. No Investment Officer may engage in an investment transaction except

as provided under the terms of this policy and procedures adopted in accordance with this Investment Policy and Strategy.

The Investment Officer(s) and Investment Advisor are responsible for creating and maintaining the portfolios in accordance with this policy, providing timely quarterly reporting to the City Council, and establishing procedures and controls for the process and financial counter-parties (brokers, banks, pools). The Investment Officer(s) and Investment Advisor shall act in accordance with established written procedures and internal controls for the operation of the investment program consistent with this Investment Policy and Strategy.

**Training**

In accordance with the Act, all Investment Officer(s) shall attend ten hours of training within twelve (12) months after assuming investment duties and shall attend eight hours of training every two years thereafter, with the first such two-year period beginning on the first day of the City's fiscal year after the year in which the Investment Officer takes the initial training. Training shall be provided by professional organizations authorized in accordance with state law and designated by the Investment Committee.

**Ethics and Disclosures**

Officer(s) and employees involved in the investment process shall refrain from any personal activity that could conflict with the proper execution and management of the investment program, or that could impair their ability to make impartial investment decisions. Investment Officer(s) shall refrain from undertaking any personal investment transactions with the same individual with whom business is conducted on behalf of the City.

The City Code requires the Chief Financial Officer to complete and file a financial disclosure statement with the City Secretary.

In addition, all Investment Officer(s) shall file disclosure statements with the Texas Ethics Commission and the City Council if:

- a. the officer has a personal business relationship with a business organization offering to engage in an investment transaction with the City (as defined in Section 2256.005 (i)(1-3) of the Act); or
- b. the officer is related within the second degree by affinity or consanguinity, as determined under Chapter 573 of the Texas Government Code, to an individual seeking to transact investment business with the entity.

**C. Investment Committee**

In adopting this policy, the City Council authorizes the creation of an Investment

Committee to provide guidance to the Investment Officer(s) and Investment Advisor. In accordance with the Act, the City Council hereby delegates to the Committee the authority to approve the annual broker/ dealer list and to authorize organizations to provide the training required under state law. **No other decision-making authority is transferred to the Committee.** The Committee will meet periodically to review the investment portfolio performance, to provide feedback on the portfolios, and to discuss investment strategies. This Committee will periodically review this Investment Policy and Strategy and recommend possible changes to the City Council.

The Committee will be comprised of the Chief Financial Officer/ Director of Finance, the Finance Department Assistant Directors for Treasury and Accounting, a representative of the Water Department, the Investment Officer(s), the Investment Advisor (as applicable), a representative of the Law Department, and other appropriate persons chosen by the Committee.

#### **D. Investment Advisor**

The City may engage the services of a Securities and Exchange Commission (SEC) registered Investment Advisor (registered under the Investment Advisors Act of 1940) to assist in the management of the investment portfolios in a manner consistent with the City's objectives and policies. All security transactions will be approved by the City prior to the Investment Advisor taking action. Approval may be in the form of a phone call, email, facsimile or other written communication. The Investment Advisor may not be granted total discretion in the management of funds.

The Investment Advisor shall make recommendations to the Investment Committee which support and align the investment vehicles with this policy and ensure that its support activities are consistent with the City's established policies, rules and regulations.

### **VIII. Authorized Financial Institutions, Depositories, and Broker/Dealers**

A list of financial institutions, broker/ dealers, and depositories authorized to provide investment services will be maintained by the Investment Officer(s). All counter-parties will be selected through a process of due diligence. Due diligence requires competitive transactions and delivery versus payment settlement.

The City will furnish counter-parties with the City action authorizing the Investment Officer(s) or Investment Advisor to establish and maintain accounts for the purpose of purchasing and selling securities authorized under Texas law and this policy.

### **Certification**

Section 2256.005(1) of the Act requires that any business organization offering to engage in an investment transaction with the City must be provided with a copy of this Investment Policy and Strategy with “business organization” defined as “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.” That provision also requires the business organization must provide the City with a written instrument (in a form acceptable to both parties) executed by a representative of the business organization that substantially acknowledges that the business organization has:

- a. Received and reviewed the City's Investment Policy and Strategy; and
- b. Implemented reasonable procedures and controls in an effort to preclude investment transactions with the City that are not authorized by the City's Investment Policy and Strategy.

Any material changes to the Investment Policy and Strategy will require re-certification by all authorized firms.

### **Security Broker/Dealers**

In accordance with the authority delegated by the City Council, the Investment Committee will at least annually review and adopt a list of broker/dealers who are authorized to engage in investment transactions with the City. If the City engages a firm to act as an investment advisor or as an investment manager, the firm will have the responsibility to ensure all broker/dealers comply with the provisions of this policy.

Authorized broker/dealers may include "primary" or regional dealers as well as brokers. No broker/dealer may hold City securities because all transactions must be settled delivery versus payment (DVP). An entity is disqualified and will not be authorized to serve as a broker/dealer if the entity is (a) a banking services depository that acts as safe keeper of City securities in order to perfect the DVP process or (b) a brokerage subsidiary of a depository identified in (a).

Each broker/dealer must supply the following documents which will be maintained by the Investment Officer(s) or Investment Advisor.

- annual audited financial reports
- Financial Industry Regulatory Authority (FINRA) registration
- Central Registration Depository Number (CRD)
- proof of Texas State Securities registration
- City broker/dealer questionnaire
- Investment Policy and Strategy review certification



Banks acting in a brokerage capacity must supply the following documents to be maintained by the Investment Officer(s) or Investment Advisor.

- annual audited financial reports
- proof of Texas State Securities registration
- City broker/dealer questionnaire
- Investment Policy and Strategy review certification

At a minimum the Investment Officer(s) or Investment Advisor shall review the performance, financial condition and registration of all qualified financial institutions and broker/dealers annually. Results are to be provided to the Investment Committee for review and consideration in the annual approval of the broker/dealer list.

### **IX. Existing Investments**

Except as provided by Texas Government Code Chapter 2270, the City is not required to liquidate investments that were authorized investments at the time of purchase.

### **X. Authorized Investments**

The Act lists all possible authorized investments available to Texas public entities. The City shall invest only in those investments authorized below as such investments are further defined by the Act. If this policy provides for a lower stated maximum maturity or other more restrictive condition on an authorized investment, the more restrictive requirement controls. If changes are made to the Act to allow for additional possible authorized investments, such investments will not be authorized by the City until this policy is modified and adopted by the City Council. All investment transactions will be made on a competitive basis.

1. Direct obligations of the United States Treasury.
2. Obligations of United States government agencies and instrumentalities, including mortgage-backed securities and collateralized mortgage obligations (CMO) which pass the Federal Reserve's bank test.
3. FDIC-insured and/or collateralized certificates of deposit as allowed by law.
4. Commercial paper rated A1/P1 or equivalent by two nationally recognized rating agencies, with a maximum stated maturity of three-hundred sixty five (365) days.

5. AAA or equivalent rated, constant dollar, Texas local government investment pools as defined by the Act.
6. AAA-rated, SEC-registered money market mutual funds which strive to maintain a \$1 net asset value.
7. FDIC-insured brokered certificates of deposit securities from a bank in any US state, delivered versus payment to the City's safekeeping agent. Before purchase, the Investment Officer(s) or Investment Advisor must verify the FDIC status of the bank to ensure that the bank is FDIC insured.
8. General debt obligations of any state or political subdivision of any US state, rated AA or higher.
9. Fully collateralized, direct repurchase agreements executed through a primary government securities dealer. A Bond Market Association Master Repurchase Agreement and independent third party safekeeping are required. A flex repurchase agreement used for bond funds must match the expected expenditure schedule of the bonds.
10. Banker's acceptances with a maximum stated maturity of one-hundred twenty (120) days accepted by a US registered bank rated not less than A1/ P1 by two nationally recognized rating agencies.
11. Reverse repurchase agreements executed for investment purposes with a primary securities dealer. The proceeds may not be invested in any security with a maturity date longer than the maturity date of the reverse repurchase agreement.
12. Securities Lending Transactions under a written agreement with a primary securities dealer lending the City's investment securities with the collateralization/ substitution of securities with a minimum 102% margin and safe kept by an approved custodial bank in an account in the City's name. Transaction documentation and collateral reports are to be provided to the City daily.
13. Investment Pools as allowed by law which must also be continuously rated no lower than AAA or AAA-m or at an equivalent rating by at least one (1) nationally recognized rating service. A public funds investment pool that uses amortized cost or fair value accounting must mark its portfolio to market daily, and, to the extent reasonably possible, stabilize at \$1.00 net asset value, when rounded and expressed to two decimal places.

## **XI. Collateralization**

### **Time and Demand Pledged Collateral**

All time and demand deposits shall be secured above FDIC coverage by pledged collateral. In order to anticipate market changes and provide a level of security for all funds, collateral will be maintained and monitored by the pledging depository at 102% of market value of principal and accrued interest on the deposits. The bank shall monitor and maintain the margins on a daily basis. All collateral shall be subject to inspection and audit by the City or its auditors. To allow for compliance verification by the City, monthly reports of pledged collateral shall include, at a minimum, information for each security that identifies its (i) type, (ii) CUSIP number, and (iii) face value.

Collateral pledged to secure deposits shall be held by an independent financial institution outside the holding company of the depository, approved by the Investment Officer(s), in accordance with a safekeeping agreement executed under the terms of the Financial Institutions Resource and Recover Enforcement Act (FIRREA).

### **City Owned Collateral**

Each counter party to a repurchase transaction is required to execute the Bond Market Master Repurchase Agreement and to provide collateral, at a 102% margin, that must be held by an independent third party custodian approved by the Investment Officer(s). The Master Agreement must be fully executed before any transaction is initiated. Collateral will be evidenced by safekeeping reports/receipts clearly denoting City ownership from the safekeeping agent and include information as to each position (security type, CUSIP number, face and market value).

### **Authorized Collateral**

As authorized by the Public Funds Collateral Act and further restricted by this policy, acceptable collateral for time and demand deposits and repurchase agreements shall include only:

Obligations of the U.S. Government, its agencies and instrumentalities, including mortgage-backed securities and CMO that pass the *bank* test, and Obligations of any U.S. state, city, county or authority rated at least A by two nationally recognized statistical rating organizations.

## **XII. 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. The strategies for

diversification are dependent upon market conditions and cash flow needs and targeted diversification may change in accordance with these conditions.

Guidelines for target investment diversification for the combined Short-Term and Long-Term Portfolios are as follows:

US Obligations	80 %
US Agencies/Instrumentalities	80 %
Any one issuer	35 %
Depository Certificates of Deposit	30 %
Any one bank	10%
Commercial Paper	20 %
Any one issuer	5 %
Local Government Investment Pools	80 %
Money Market Mutual Funds	80 %
Brokered Certificate of Deposit Securities	10%
Municipal Obligations	35 %
Any one issuer	5 %
Repurchase Agreements	50 %
Flex in one specific bond fund (100 %)	
Bankers Acceptances	15 %

Fluctuations in cash flows may cause the portfolios to vary. Comparison to these diversification targets will be reported as part of all regular monthly and quarterly investment reports. Securities need not be liquidated to realign the portfolios.

The following table provides a guideline for targets in laddering maturities in the Short-Term Portfolio. Market calls and advantageous trades prior to maturity swaps may cause the portfolio to deviate from these guidelines. Securities need not be liquidated to realign the portfolios so long as the weighted average maturity for the overall portfolio remains at or below the maximum two and one half (2.5) year limitation.

Maturity Range

Liquidity	10%
1 month – 1 year	30%
1 year – 2 year	15%
2 year – 3 year	15%
3 year – 4 year	15%
4 year – 5 year	15%

**XIII. Internal Controls**

The Investment Officer(s) have the responsibility of establishing and maintaining

an internal control structure designed to provide reasonable assurance that assets are protected from loss, theft, or misuse. The concept of reasonable assurance recognizes that the cost of a control should not exceed the benefits likely to be derived, and, the valuation of costs and benefits requires ongoing estimates and judgments by management.

The internal controls shall address the following points at a minimum:

- Control of collusion;
- Separation of transaction authority from accounting and record keeping;
- Custodial safekeeping;
- Clear delegation of authority;
- Written documentation on all transactions; and
- Review, maintenance, and monitoring of security procedures.

In accordance with the Act, a compliance audit of management controls on investments and adherence to this policy shall be conducted in conjunction with the City's annual external financial audit.

The Investment Officer(s) will develop and maintain internal procedures, describing use of bank balances, calculation of the City's liquidity needs, daily investment procedures, investment transaction documentation, and distribution of reports, at a minimum.

### **Competitive Transactions**

The Investment Officer(s) or Investment Advisor shall obtain competitive bid information on all transactions and maintain documentation thereof. A competitive bid/ offer must involve at least three separate brokers/institutions or use of a nationally recognized electronic trading platform with three bids/offers.

For transactions involving new issue agencies or securities for which there is no readily available competitive offering on the same specific issue, then the Investment Officer(s) or Investment Advisor shall document quotations for comparable or alternative securities.

### **Delivery vs. Payment**

The Act requires that all trades of marketable securities be executed (cleared and settled) on a delivery vs. payment (DVP) basis to ensure that securities are deposited in the City's safekeeping institution prior to the release of funds.

### **Cash Flow Forecasting**

Cash flow forecasting is designed to protect and sustain the City's ability to meet its cash flow requirements. Supplemental to the financial and budgetary systems, the Investment Officer(s) will maintain a cash flow forecasting process designed to

monitor and forecast cash positions to assist in determining appropriate laddering of investment maturities to meet projected liquidity needs.

### **Monitoring Credit Ratings**

The Investment Officer(s) or Investment Advisor shall monitor, on no less than a weekly basis, the credit rating on all authorized investments in the portfolios based upon independent information from a nationally recognized rating agency. If any security falls below the minimum rating required by the Act or by policy, the Investment Officer(s) or Investment Advisor shall notify the Investment Committee within two business days of the loss of rating, conditions affecting the rating and possible loss of principal with liquidation options available.

### **Monitoring FDIC Status for Mergers and Acquisitions**

The Investment Officer(s) or Investment Advisor shall monitor, on no less than a weekly basis, the status and ownership of all banks issuing brokered CD securities owned by the City based upon information from the FDIC. If any bank has been acquired or merged with another bank in which brokered CDs are owned, the Investment Officer(s) or Investment Advisor shall immediately liquidate any brokered CD securities which places the City above the insured FDIC insurance level.

### **External Audits**

An annual review of the quarterly investment reports will be made by the City's external auditors. Such audit will include tests deemed appropriate by the auditor to ensure compliance with the Act and this policy.

## **XIV. Safekeeping**

All security transactions will be settled on a delivery versus payment basis.

Securities owned by the City will be held by the City's depository or other City contracted safekeeping institution independent from any security transactions. All safekeeping contracts will be executed in writing. The safekeeping agent shall provide documentation of all securities and evidenced by safekeeping receipts/reports indicating ownership by the City.

## **XV. Reporting**

### **Quarterly Reporting**

In accordance with the Act, no less than quarterly the Investment Officer(s) or Investment Advisor will prepare and submit a report to the City Council. The report will comply with the Act and will contain, at a minimum, the following information for each portfolio (Short-Term and Long-Term):

- a. a detailed description of each investment position as of the date of the report, including book and market values and purchase yield;
- b. individual transactions (buy/sell, maturities, calls) during the period;
- c. summary statements for the total portfolios including:
  - (1) beginning and ending book value for the reporting period,
  - (2) beginning and ending market value for the reporting period,
  - (3) change in market value (volatility measure) for the reporting period,
  - (4) total earnings for the reporting period,
  - (5) WAM at the beginning and end of the period, and
  - (6) portfolio yield and benchmark yield for the reporting period.
- d. securities lending income stated as a separate amount and also expressed as a part of the overall portfolio-yield calculation, with overall yield shown in comparison to benchmark.
- e. asset allocation by maturity and market sector with comparison to policy guidelines, and
- f. compensating balances maintained at depositories at its earned credit rate (ECR) stated as a separate amount and also expressed as a part of the overall portfolio-yield calculation, with overall yield shown in comparison to benchmark.
- g. overall blended yield (taking into account both securities lending and ECR revenues) in comparison to benchmark.

The quarterly report shall include a statement of compliance for each portfolio as it relates to the City's Investment Policy and Strategy and shall be signed by each Investment Officer and Investment Advisor. In order to maintain the transparency of the program, the reports shall be made easily available and clear and concise for the reader.

Prices used for calculation of market values will be obtained from an independent source.

### **Benchmarks**

The benchmarks for the performance of the City's investment portfolios will be (a) for the Short-Term Portfolio the comparable period average of the yield of the portfolio and the ~~two-year Treasury Note~~ ICE BoAML 0-5 year US Treasury Index and (b) on the Long-Term Portfolio the comparable period average yield of the ~~portfolio and seven-year Treasury Note~~ the ICE BoAML 0-10 year US Treasury Index. The City's objective is to match or exceed the benchmarks through ~~pro-~~ active portfolio management.

## **XVI. Investment Policy Adoption**

The Investment Policy and Strategy shall be reviewed and adopted by the City Council at least annually. The adopting instrument shall identify any changes made to the policy.

**Restated and Revised Policy Adopted:** February 5, 2013 (M&C G-17801)

**Policy Reviewed and Approved:**

- December 3, 2013 (M&C G-18067)
  - No change
- May 5, 2015 (M&C G-18466)
  - No change
- September 15, 2015 (M&C G-18552)
  - Training requirements revised to reflect amended state law
- April 19, 2016 (M&C G-18720)
  - Short-Term / Long-Term; WAM; investment duration; defining yield
- January 24, 2017 (M&C G-18922)
  - Amended investment types and minor technical corrections
- September 26, 2017 (M&C G-19116)
  - Amended Section VIII, subsection Security Broker/Dealers
- September 11, 2018 (M&C G-19361)
  - Training requirements revised to reflect amended state law; Ethics and Disclosures by Investments Officers revised to clarify and strengthen policy; added new Section IX. Existing Investments; Authorized Investments subsection 13. Investment Pools revised to clarify policy; Re-numbered existing Sections IX to XVI due to addition of new Section IX. Existing Investments
- September 10, 2019 (M&C 19-0144)
  - Amended Authorized Investments, Subsection 4, Commercial Paper maximum maturity changed from 270 days to 365 days