

**RESOLUTION NO 1220202201**

**A RESOLUTION OF THE TOWN COUNCIL OF THE TOWN OF LITTLE ELM, TEXAS,  
APPROVING AN AMENDMENT TO THE TOWN'S INVESTMENT POLICY; AUTHORIZED  
BROKER/DEALERS; RECORDING THE ANNUAL REVIEW; AND AN EFFECTIVE DATE.**

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**WHEREAS**, the Public Funds Investment Act, as amended, requires the Town to adopt an investment policy by rule, order, or resolution; and

**WHEREAS**, the attached Investment Policy has been amended to comply with the Public Funds Investment Act, as amended, and authorizes the investment of Town funds in safe and prudent investments.

**NOW, THEREFORE, BE IT RESOLVED BY THE TOWN COUNCIL OF THE TOWN OF LITTLE ELM, TEXAS**

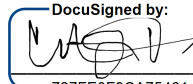
**SECTION 1.** The Council of the Town of Little Elm, Texas approves the revised investment policy, investment strategy and authorized broker/dealers.

**SECTION 2.** The Council of the Town of Little Elm, Texas has performed an annual review of the investment policy and adopts its statements in the minutes recording that review.

**SECTION 3.** This resolution shall take effect immediately upon passage.

PASSED AND APPROVED by the Town Council of the Town of Little Elm, on the 20th day of December 2022.

**APPROVED:**

DocuSigned by:  
  
727FE0F9CA75461  
Curtis J. Cornelious, Mayor

**ATTEST:**

DocuSigned by:  
  
11FD402E51232165...  
Caitlan Biggs, Town Secretary



100 W. Eldorado Parkway  
Little Elm, TX 75068

**INVESTMENT POLICY**

**OF**

**TOWN OF LITTLE ELM, TEXAS**

**LITTLE ELM COMMUNITY DEVELOPMENT CORPORATION**

**HIGHWAY 380 MUNICIPAL MANAGEMENT DISTRICT**

**LITTLE ELM TAX INCREMENT REINVESTMENT ZONE #3**

**LITTLE ELM TAX INCREMENT REINVESTMENT ZONE #4**

**LITTLE ELM TAX INCREMENT REINVESTMENT ZONE #5**

**LITTLE ELM TAX INCREMENT REINVESTMENT ZONE #6**

**VALENCIA ON THE LAKE PUBLIC IMPROVEMENT DISTRICT**

**VALENCIA ON THE LAKE PUBLIC IMPROVEMENT DISTRICT #2**

**RUDMAN TRACT PUBLIC IMPROVEMENT DISTRICT**

**HILLSTONE POINT PUBLIC IMPROVEMENT DISTRICT #2**

**LAKESIDE ESTATES PUBLIC IMPROVEMENT DISTRICT #2**

**SPIRITAS RANCH PUBLIC IMPROVEMENT DISTRICT**

**SPIRITAS EAST PUBLIC IMPROVEMENT DISTRICT**

DECEMBER 20, 2022

## PREFACE

It is the policy of the Town of Little Elm that all available funds within its control shall be invested in conformance with these legal and administrative guidelines.

Effective cash management is recognized as essential to good fiscal management. A comprehensive and effective cash management system will be pursued to optimize investment interest as viable and material revenue to all operating and capital funds. The Town's portfolio shall be designed and managed in a manner responsive to the public trust and consistent with local, state and federal law.

Earnings from investments will be used in a manner that will best serve the interests of the Town.

### Section 1. Scope.

The Public Funds Investment Act ("PFIA"), Chapter 2256, Texas Government Code, prescribes that each local government is to adopt rules governing its investment practices and to define the authority of the investment officers. This Investment Policy addresses the methods, procedures, and practices which must be exercised to ensure effective and judicious fiscal management of funds of the Town of Little Elm, Texas, the Little Elm Community Development Corporation, the Highway 380 Municipal Management District, the Little Elm Tax Increment Reinvestment Zone #3, the Little Elm Tax Increment Reinvestment Zone #4, the Little Elm Tax Increment Reinvestment Zone #5, the Little Elm Tax Increment Reinvestment Zone #6, the Valencia on the Lake Public Improvement District, the Valencia on the Lake Public Improvement District #2, the Rudman Tract Public Improvement District, the Hillstone Point Public Improvement District #2, the Lakeside Estates Public Improvement District #2, Spiritas Ranch Public Improvement District, and Spiritas East Public Improvement District (sometimes collectively referred to as the "Entities" or separately as an "Entity").

This Policy shall apply to the investment and management of all funds of the Entities under their respective control, other than those expressly excluded herein or by applicable law or valid agreement. This Policy shall not supersede the restrictions on investment and use applicable to any specific fund and, in the event of any conflict between this Policy and the requirements of any fund subject hereto, the specific requirement applicable to such fund shall be followed as well as all other provisions of this Policy other than those in conflict.

In order to make effective use of the resources of the Entities, the respective monies of each Entity may be pooled for investment purposes as long as detailed accounting records reflect each Entity's stake, except for those monies required to be accounted for separately as stipulated by applicable laws, bond covenants or contracts. The income derived from this pooled investment shall be distributed in accordance with generally acceptable accounting procedures.

The following general fund groups will be utilized to consolidate investment objectives and strategies:

- Operating
- Capital Improvement
- Fiduciary

The Entities may invest specific fund balances or pool together for investment purposes, or a combination of both, as appropriate.

Section 2. Objectives.

The Entities' principal investment objectives in order of priority are:

1. Preservation of capital and the protection of investment principal.
2. Maintenance of sufficient liquidity to meet anticipated disbursement and cash flows.
3. Conformance with all Federal regulations, State of Texas statutes and other legal requirements, including the Town Charter, Town Ordinances, Articles of Incorporation, and this Policy.
4. Diversification to avoid incurring unreasonable risks regarding investments owned.
5. Attainment of a market rate of return which is commensurate with the acceptable risk and liquidity objectives of this Policy.

Section 3. Delegation of Authority.

The Town Council and Boards of Directors of the Districts or Corporations appoint the Town's Chief Financial Officer ("CFO"), Assistant Finance Director, and Controller as the "Investment Officers" of the Entities. Direct management responsibility for the investment program of each Entity is delegated by the Town Council and Boards of Directors to the Investment Officers. The Investment Officers' authority will at all times be limited by all applicable laws and regulations in effect from time to time, and this Policy.

The CFO shall develop and maintain written administrative procedures for the operation of the investment program consistent with this Policy. The controls shall be designed to prevent, identify and control losses of public funds arising from deviation from this Policy, fraud, employee error, and misrepresentation by third parties, or imprudent actions by employees and officers of the Town and the Corporations. In these procedures, the CFO may delegate specific portions of the investment management program. Such delegation shall state specifically the functions such person is authorized to perform.

The CFO shall obtain and maintain, at the expense of the respective Entity, fidelity bonds for the Investment Officers. No person may engage in an investment transaction except as provided under the terms of this Policy and the internal procedures established by the CFO. A current list of persons authorized to transact investment business and wire funds on behalf of the Entities shall be maintained by the CFO.

At the discretion of the respective Entity, and in any event upon the termination or reassignment of any Investment Officer authorized to conduct transactions for the Entities pursuant to this Policy, the

authority of such person shall be revoked and such revocation of authority shall be immediately communicated orally and in writing to each and every depository, broker/dealer, investment pool, investment advisor, custodian, and other agency or entity with whom the respective Entity has any existing or continuing relationship in the management of its investments.

In order to ensure qualified and capable investment management, the Investment Officers shall, within 12 months after taking office or assuming duties, attend at least one training session from an independent source approved in this Policy that addresses investment controls, security risks, strategy risks, market risks, diversification of investment portfolio, and compliance with the PFIA, and accumulate at least ten (10) hours of instruction. Additionally, the Investment Officers shall complete not less than eight (8) hours of training every two-year period that begins on the first day of the Town's fiscal year and consists of the two consecutive fiscal years after that date, addressing the aforementioned topics. The Government Finance Officers Association of Texas (GFOAT), Government Treasurers' Organization of Texas (GTOT), Texas Municipal League (TML), University of North Texas (UNT), North Central Texas Council of Governments (NCTCOG), American Institute of Certified Public Accountants (AICPA), and the Government Finance Officers Association (GFOA) are approved independent training sources.

#### Section 4. Investment Advisors.

The Town may, at the recommendation of the CFO, select one or more Investment Advisor(s) to assist the Investment Officers in the management of the Entities' funds. The Investment Advisor must be registered with the Securities and Exchange Commission under the Investment Advisors Act of 1940 and also be registered with the Texas State Securities Board as an Investment Advisor. To be eligible for consideration, an Investment Advisor shall demonstrate knowledge of and experience in the management of public funds. A selected Investment Advisor shall act solely in an advisor and administrative capacity, within the guidelines of this Policy and without any discretionary authority to transact business on behalf of the Entities. The terms and conditions of any Investment Advisor contract shall comply with the PFIA. A contract with an Investment Advisor may not be for a term longer than two years and any contract, renewal, or extension must be approved by the Town Council.

#### Section 5. Standard of Care.

The standard of care for the Entities' respective investments shall be that such 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.

The overall investment program shall be designed and managed with a degree of professionalism that is worthy of the public trust. The Investment Officers and any others involved in the investment process shall recognize that the investment activities of the Entities are a matter of public record.

An Investment Officer, acting in accordance with written procedures and exercising due diligence and the proper standard of care, shall be relieved of personal responsibility for an individual investment's credit risk or market price changes, provided that this Policy and the Investment Officer's procedures were followed. In determining whether the Investment Officer exercised a proper standard of care, all investments over which the Officer had responsibility will be considered rather than a single investment, and whether the investment decision was consistent with this Policy, as applicable.

Section 6. Authorized Investments.

Subject to any limitations otherwise imposed by applicable law, regulations, bond indentures, or not outlined as authorized investments under Section 2256.009 of the Public Funds Investment Act, the following are the only permitted investments for the Entities' funds:

- A. Direct obligations of the United States government including, but not limited to, U. S. Treasury Bills, U. S. Treasury Notes, U. S. Treasury Bonds, and U. S. Treasury STRIPS.
- B. Debentures, discount notes or other obligations, guaranteed by, or for which the credit of any federal agency and instrumentality is pledged for payment including, but not limited to, Federal National Mortgage Association (FNMA), Federal Home Loan Bank (FHLB), Federal Farm Credit Bank (FFCB), Federal Agricultural Mortgage Corporation (FRMAC), Federal Deposit Insurance Corporation (FDIC), and Federal Home Loan Mortgage Corporation (FHLMC). Principal-only and interest-only mortgage backed securities are expressly prohibited.
- C. Bonds or other interest bearing obligations of which the principal and interest are guaranteed by the full faith and credit of the United States government. Principal-only and interest-only mortgage backed securities are expressly prohibited.
- D. Certificates of deposit and other evidences of deposit at a financial institution that has its main office or a branch office in Texas and a) is guaranteed or insured by the Federal Deposit Insurance Corporation (FDIC) or other federally sponsored deposit insurance corporation, or its successor, b) is secured by obligations in a manner and amount provided by law for deposits of the Entities, or c) is placed through a broker or depository institution that has its main office or a branch office in Texas that meets the requirements of the PFIA.
- E. Repurchase agreements structured in compliance with the PFIA with an executed master repurchase agreement, collateralized at a minimum market value of one hundred two (102) percent of the dollar value of the transaction plus accrued interest. A flexible repurchase agreement that allows for withdrawals as needed to fund project expenditures may be utilized for capital improvement projects funded by bond proceeds.

The Town will not enter into repurchase agreements that would result in a reverse repurchase position for the Town.

- F. Money Market Mutual Funds meeting each of the following criteria:
  - (1) Regulated by the Securities and Exchange Commission;
  - (2) No commission fee shall be charged on purchases or sales of shares (i.e. "no-load" fund);
  - (3) Have an objective of maintaining a constant daily net asset value of \$1.0000 per share;

- (4) Limit assets of the fund to those described as “government” securities; and
  - (5) Maintain a rating of AAAM or the equivalent by a nationally recognized rating agency.
- G. State and local government investment pools that are organized under and meet the requirements of the PFIA, have been specifically approved by the CFO, and have been authorized by the Town Council and Boards of Directors, as the case may be.
- H. Direct 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.

Section 7. Other Investment Guidelines.

The Entities seek active management of their respective portfolio assets. In the effort of meeting the objectives of this Policy, the Entities, as applicable, may from time to time sell investments that they own in order to better position its portfolio assets. Sales of investments prior to maturity shall be documented and approved by the CFO before such a transaction is consummated.

Each security investment transaction must be based upon competitive quotations received from broker/dealers who have been approved by the Town. At least three providers must be contacted in all transactions involving individual securities. For those situations where it may be impractical or unreasonable to receive three quotes for a transaction due to a rapidly changing market environment or to secondary market availability, documentation of a competitive market survey of comparable securities or an explanation of the specific circumstances must be included with the transaction quote/bid sheet.

The purchase and sale of all securities shall be on a delivery versus payment basis. In this manner, the Entities will always have possession of either its securities or its monies.

The Entities are not required to liquidate investments that were authorized at the time of purchase. However, an investment that requires a minimum credit rating does not qualify as an Authorized Investment during the period the investment does not have the minimum credit rating. The Investment Officers shall monitor the rating of each issuer, as applicable, at least quarterly, and take all prudent measures that are consistent with this Policy to liquidate an investment that does not have the required minimum rating.

Section 8. Portfolio Maturities.

Maturities shall be selected which provide for both stability of income and reasonable liquidity. The maximum stated maturity of any non-bond proceed investment is five (5) years. An investment’s “average life” does not constitute a stated maturity. The weighted average maturity of all non-bond proceed investments shall not exceed two (2) years based on the stated maturity date of the investment.

In the case of callable securities, the Investment Officer shall additionally calculate a weighted average call date. However, at all times the stated final maturity shall be used in portfolio weighted average maturity calculations and reported as outlined in this Policy.

Investment of bond proceeds shall be limited to the shorter of the anticipated draw schedule or “temporary period” as defined by the Internal Revenue Service. Additionally, bond proceeds may be invested in a singular repurchase agreement, if reductions are allowed from the agreement without penalty for legitimate bond proceed expenditures and the final maturity is within the “temporary period” (this arrangement is commonly referred to as a “flexible repurchase agreement”).

Section 9. Investment Allocation Limits.

It is the Policy of the Entities to avoid concentration of assets in a specific maturity, a specific issue, or a specific class of investments. The asset allocation in the portfolio should, however, be flexible depending upon the outlook for the economy and the investment market.

The Investment Officers shall evaluate how each investment purchased fits into the Entities’ overall investment strategies (see Section 15 - Investment Strategy Statement).

Section 10. Broker/Dealers and Other Providers.

The Town shall maintain a list of broker/dealers which have been approved by the Town Council. Securities and other investments, where applicable, may only be purchased for the Entities from those authorized broker/dealers.

The Investment Officers shall review each broker/dealer approved under this Section, and at least annually the Town Council shall re-approve the applicable list.

Broker/dealers, investment pools, and other financial institutions will be selected by the Investment Officers on the basis of their financial stability, expertise in cash management, and their ability to service the Town’s and Corporations’ account. Each broker/dealer, investment pool, or financial institution shall be required to submit to the Entities (as applicable) information as requested by the Investment Officers. The Investment Officers shall maintain a file which includes the most recent information submitted by each firm.

All local government investment pools and discretionary investment management firms (defined by the PFIA as “business organizations”) eligible to transact investment business with the Entities shall be presented a written copy of this Policy. The qualified representative of the business organization seeking to transact investment business with the Entities shall execute a written instrument substantially to the effect that it has:

- 1) a completed Broker/Dealer Questionnaire (Appendix B) that provides information regarding creditworthiness, experience and reputation; and
- 2) a certification stating the firm has received, reviewed, understand and agrees to comply with the Town’s investment policy. This certification also acknowledges that the business organization has implemented reasonable procedures and control in an effort to preclude investment transactions conducted between the Town and the organization that are not authorized by the Town’s investment policy, except to the extent that this authorization is dependent on an analysis of the makeup of the Entities’ entire portfolio, requires an interpretation of subjective investment standards, or relates to investment transactions of



the Entities that are not made through accounts or other contractual arrangements over which the business organization has accepted discretionary investment authority; and

- 3) provide an audited financial statement for the most recent period; and
- 4) proof of Financial Industry Regulatory Authority (FINRA) registration; and
- 5) proof of current registration with the State of Texas Securities Commission.

The Entities shall not enter into an investment transaction with a business organization prior to receiving the written instrument described above.

Section 11. Selection of Depositories.

To be eligible for receipt of Entity deposits, financial institutions must be a member of the FDIC, or other federally sponsored deposit insurance corporation, and meet the minimum standards established by the Investment Officers. Financial institutions failing to meet the minimum criteria or, in the judgment of the Investment Officers, no longer offering adequate safety for the Entities will be removed from consideration.

Consistent with the requirements of State law, the Entities require all financial institution deposits to be federally insured or collateralized with marketable securities, irrevocable letters of credit, or in any other manner allowed by State law, if the amount of deposit exceeds federal insurance levels. Financial institutions serving as depositories will be required to sign a Depository Agreement with the Entities. The custodial portion of the Depository Agreement shall define the Entities' 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:

- A. the Agreement must be in writing;
- B. the Agreement has to be executed by the Depository and the Entities contemporaneously with the acquisition of the asset;
- C. the Agreement must be approved by the board of directors or the designated committee of the Depository and a copy of the meeting minutes must be delivered to the Investment Officers;
- D. the Agreement must be continuously, from the time of execution, an official record of the Depository.

Eligible collateral for financial institution deposits shall include all items allowable with the PFIA, Public Funds Collateral Act, and Chapter 105 of the Local Government Code, subject to prior approval and at the sole discretion of the Investment Officers. Collateralization for all uninsured collected balances, plus accrued interest, if any.

Section 12. Safekeeping and Custody.

Investment securities purchased for the Entities shall be held in third-party safekeeping, and all pledged collateral shall be delivered to an independent third-party custodian prior to deposit. Each of the Entities may designate safekeeping or custodian bank(s). With the exception of federally insured deposits, in no event will the Entities' custodial or safekeeping institution also be counterparty (broker/dealer) to the purchase or sale of those securities or pledging of that collateral. The Entities shall execute a written agreement with each bank prior to utilizing the custodian or safekeeping services. The agreement must provide that the safekeeping or custodian bank will immediately record the receipt of purchased or pledged securities in its books and promptly issue and deliver a safekeeping receipt to the Entities showing the receipt and the identification of the security, as well as the Entities' perfected interest. The original safekeeping receipt for each transaction including purchased securities under a repurchase agreement and collateral securing deposits will be delivered to the Investment Officers.

Only institutions eligible under the Public Funds Collateral Act may be utilized as a custodian of securities pledged to secure financial institution deposits.

An Investment Officer must approve release of securities held as collateral, in writing, prior to their removal from the custodial account. A facsimile or email of a written authorization shall be sufficient if the custodian orally confirms receipt of the transmission, and an exact copy of the document is retained in the Entities' files.

#### Section 13. Recordkeeping and Reporting.

A record shall be maintained of all bids and offerings for investment transactions in order to ensure that the Entities receive competitive pricing. All transactions shall be documented by the person authorizing the transaction in a form that shows that person's name, the counterparty to the transaction, the date, a description of the transaction, and a brief statement of the reason(s) for the transaction.

Each depository institution of the Entities' funds shall maintain separate, accurate, and complete records relating to all deposits, the securities pledged to secure such deposits, and all transactions relating to the pledged securities. Each approved custodian shall maintain separate, accurate and complete records relating to all securities received on behalf of the Entities, whether pledged, purchased or subject to repurchase agreement, as well as all transactions related to such securities. Each depository and custodian shall agree to make all the records described in this paragraph available to the Entities and their auditors at any reasonable time.

At least once each quarter, the Investment Officers shall verify that all securities owned by or pledged to the Entities are held in safekeeping in the safekeeping or custodial bank(s) with proper documentation. In conjunction with the annual audit, the Entities' respective investment program, including the records of safekeeping, custodian, and depository banks, shall be reviewed by the independent auditor. This annual audit shall include a compliance audit of the management and internal controls on investments and adherence to this Policy.

An investment report shall be prepared in compliance with the PFIA at least quarterly by the Investment Officers that:

- a) describes in detail the investment position of the Entities,

- b) states the reporting period beginning book and market values, and ending book and market values for the period of each pooled fund group,
- c) states the reporting period ending book and market value for each investment by asset type and fund type,
- d) states the maturity date of each investment,
- e) states the fund for which each investment was purchased,
- f) states the compliance of the investment portfolio with this Policy and the PFIA,
- g) summarizes quarterly transactions, including a detailed list of the gains and losses recognized, and
- h) explains the investment return during the previous quarter and compares the portfolio's performance to other benchmarks of performance.

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

This report will be prepared and signed by all of the Entities' Investment Officers and provided to the Town Council and Boards of Directors. In conjunction with the annual audit, these reports shall be annually reviewed by the independent auditor, and the result of that review shall be presented to the Town Council and Boards of Directors, as the case may be.

The Investment Officers shall determine market value of securities owned or pledged as collateral based on sources independent from the transaction.

All contracted Investment Advisors shall prepare reports as requested by the Investment Officers.

Section 14. Ethics and Conflicts of Interest.

Investment Officers and employees of the Entities involved in the investment process shall refrain from personal business activity that involves any of the Entities' approved custodians, depositories, broker/dealers, or investment advisors, and shall refrain from investing in any security issue held by the Entities. Investment Officers and employees of the Entities involved in the investment process shall not utilize investment advice concerning specific securities or classes of securities obtained in the transaction of the Entities' business for personal investment decisions, shall in all respects subordinate their personal investment transactions to those of the Entities, particularly with regard to the timing of purchases and sales, and shall keep confidential all investment advice obtained on behalf of the Entities and all transactions contemplated and completed by the Entities, except when disclosure is required by law.

All Investment Officers shall file with the Texas Ethics Commission, the Town Council, and the Boards of Directors a statement disclosing any personal business relationship with any business organization

seeking to sell investments to the Entities or any relationship within the second degree by affinity or consanguinity to an individual seeking to sell investments to the Entities.

Section 15. Investment Strategy Statement.

In order to minimize risk of loss due to interest rate fluctuations, investment maturities will not exceed the anticipated cash flow requirements of the funds. Investment guidelines by fund-type are as follows:

a. Operating Funds

Suitability - Any investment eligible in this Policy is suitable for the Operating Funds.

Safety of Principal - All investments shall be of high quality with no perceived default risk. Market price fluctuations will however occur. By managing the weighted average days to maturity for the Operating Fund portfolio to less than two (2) years and restricting the maximum allowable maturity to five (5) years, the price volatility of the overall portfolio will be minimized.

Liquidity - The Operating Fund requires the greatest short-term liquidity of any of the fund types. Short-term financial institution deposits, investment pools, and money market mutual funds provide daily liquidity and may be utilized as a competitive yield alternative to fixed maturity investments.

Marketability - Investments with active and efficient secondary markets are necessary in the event of an unanticipated cash requirement.

Diversification - Investment maturities shall be staggered throughout the budget and cash flow cycle to provide cash flow based on the anticipated operating needs of the Entities. Risk of market price changes shall be controlled by avoiding over-concentration of assets in a specific maturity sector, limitation of average and final maturity, and avoidance of over-concentration of specific instruments.

Yield - Attaining a competitive market yield for comparable investment-types and portfolio restrictions is the desired objective. The yield of an equally weighted, rolling six-month Treasury Bill portfolio shall be the minimum yield objective.

The Town's investment strategy is primarily passive. Given this strategy, the basis, or benchmark, used by the Investment Officer to determine whether market yields are being achieved shall be the 3 month or 6 month Treasury Bill or 1 or 2 year Treasury Note, whichever is closest to the weighted average maturity of the portfolio.

b. Capital Improvement Funds

Suitability - Any investment eligible in this Policy is suitable for Capital Improvement Funds.

Safety of Principal - All investments shall be of high quality with no perceived default risk. Market price fluctuations will however occur. By managing Capital Improvement Fund's portfolio

to not exceed the anticipated expenditure schedule and restricting the maximum allowable maturity to the I.R.S. “temporary period”, the market risk of the overall portfolio will be minimized.

Liquidity - The funds used for capital improvement programs have reasonably predictable draw down schedules, therefore investment maturities shall generally follow the anticipated cash flow requirements. Short-term financial institution deposits, investment pools, and money market mutual funds provide readily available funds generally equal to at least one month's anticipated cash flow needs, or a competitive yield alternative for short term fixed maturity investments. A singular repurchase agreement may be utilized if disbursements are allowed in the amount necessary to satisfy any expenditure request; this investment structure is commonly referred to as a flexible repurchase agreement.

Marketability - Investments with active and efficient secondary markets are necessary in the event of an unanticipated cash requirement.

Diversification - Market conditions and the arbitrage regulations influence the attractiveness of staggering the maturity of fixed rate investments for bond proceeds and other construction and Capital Improvement Funds. With bond proceeds, if investment rates exceed the applicable arbitrage yield, the Entities are best served by locking in most investments. If the arbitrage yield cannot be exceeded, then concurrent market conditions will determine the attractiveness of diversifying maturities or investing in shorter and larger lumps. At no time shall the anticipated expenditure schedule be exceeded in an attempt to bolster yield with any Entities' funds.

Yield - Achieving a positive spread to the applicable arbitrage yield is the desired objective for bond proceeds. Non-bond proceeds for construction and capital project funds will target an equally weighted, rolling six-month Treasury Bill portfolio as the minimum yield objective.

c. Fiduciary Funds

Suitability - Any investment eligible in this Policy is suitable for the Fiduciary Funds.

Safety of Principal - All investments shall be of high quality with no perceived default risk. Market price fluctuations will however occur. By managing the weighted average days to maturity for the Fiduciary Fund portfolio to less than nine (9) months and restricting the maximum allowable maturity to two years, the price volatility of the overall portfolio will be minimized.

Liquidity - The Fiduciary Fund requires short-term liquidity. Short-term financial institution deposits, investment pools, and money market mutual funds provide daily liquidity and may be utilized as a competitive yield alternative to fixed maturity investments.

Marketability - Investments with active and efficient secondary markets are necessary in the event of an unanticipated cash requirement.

Diversification - Investment maturities shall be staggered throughout the budget and cash flow cycle to provide cash flow based on the anticipated operating needs of the Entities. Market cycle risk may be reduced by diversifying the appropriate maturity structure out through two years.

Yield - Attaining a competitive market yield for comparable investment-types and portfolio restrictions is the desired objective. The yield of an equally weighted, rolling six-month Treasury Bill portfolio shall be the minimum yield objective.

Section 16. Policy Revisions.

This Policy will be reviewed at least annually by the Investment Officers, the Town Council, and Boards of Directors and may be amended as conditions warrant by the Town Council and Boards of Directors. Each Entity 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

Section 17. Effective Date.

This Policy shall become effective from and after its date of passage as provided by law.

## **Appendix A**

### **Authorized Broker/Dealers**

Farmers Bank & Trust  
FHN Financial Capital Markets  
FNC Financial Northeastern Securities, Inc.  
Hilltop Securities, Inc.  
Multi-Bank Securities, Inc.  
Oppenheimer & Co. Inc.