



INVESTMENT POLICY

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TABLE OF CONTENTS

INVESTMENT POLICY

PREFACE	1
I. PURPOSE	2
A. Formal Adoption.....	2
B. Scope.....	2
C. Review and Amendment.....	2
D. Investment Strategy.....	3
II. INVESTMENT OBJECTIVES	3
A. Safety of Principal.....	3
B. Maintenance of Adequate Liquidity.....	4
C. Preservation of Public Trust.....	4
D. Diversification.....	4
E. Yield.....	4
III. INVESTMENT POLICIES	4
A. Authorized Investments.....	4
B. Unauthorized Investments.....	7
C. Protection of Principal.....	7
D. Investment Advisors and Investment Providers.....	11
E. Responsibility and Controls.....	12
IV. BROKER/DEALER LIST	15
V. PFIA LIST OF TRAINING SOURCES	15

INVESTMENT STRATEGY STATEMENT

PREFACE	17
I. INVESTMENT STRATEGY	18
A. Operating Funds.....	18
B. Construction and Capital Improvement Funds.....	19
C. Debt Service Funds.....	20

PREFACE

It is the policy of City of Grapevine that, giving due regard to the safety and risk of investment, all available funds shall be invested in conformance with State and Federal Regulations, applicable Bond Resolution requirements, adopted Investment Policy and adopted Investment Strategy.

Effective cash management is recognized as essential to good fiscal management. Fiscally conservative and effective cash management and investment strategy development will be pursued to take advantage of interest earnings as viable and material revenue to all City funds. The portfolio of the City shall be designed and managed in a manner responsive to the public trust and consistent with this Policy.

Investments shall be made with the primary objectives of:

- 1) Preservation and safety of city funds,
- 2) Maintenance of sufficient liquidity,
- 3) Preservation of public trust through prudent investment activities,
- 4) Diversification of investments, and
- 5) Optimization of return within acceptable risk constraints.

I. PURPOSE

A. Formal Adoption

This Investment Policy is authorized by the City of Grapevine (the “City”) in accordance with Chapter 2256, Texas Government Code, the Public Funds Investment Act, and the Public Funds Collateral Act Chapter 2257, Texas Government Code.

B. Scope

This Investment Policy applies to all of the investment activities of the City. These funds are accounted for in the City’s Annual Comprehensive Financial Report (ACFR) and include:

1. General Fund
2. Special Revenue Funds
3. Capital Projects Funds
4. Enterprise Funds
5. Trust and Agency Funds, to the extent not required by law or existing contract to be kept segregated and managed separately.
6. Debt Service Funds, including reserves and sinking funds, to the extent not required by law or existing contract to be kept segregated and managed separately.
7. 4B Economic Development Corp. Sales Tax Fund
8. Crime Control District Sales Tax Fund
9. Community Quality of Life Fund
10. Convention and Visitors Bureau
11. Any new fund created by the City, unless specifically exempted from this Policy by the City Council or by law.

This Policy establishes guidelines for who can invest City funds, how City funds will be invested, and when and how a periodic review of investments will be made. In addition to this Policy, bond funds (as defined by the Internal Revenue Service) shall be managed in accordance with their issuing documentation and all applicable State and Federal Law.

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

All investments made with City funds prior to the adoption of this Investment Policy shall be held or liquidated as determined by the Investment Officer to be in the financial best interest of the City.

C. Review and Amendment

This Policy shall be reviewed and adopted by Resolution annually by the City Council.

D. Investment Strategy

In conjunction with the annual Policy review, the City Council shall review the separate written Investment Strategy for each of the City funds and adopt by Resolution. The Investment Strategy must describe the investment objectives for each particular fund according to the following priorities:

1. Investment suitability,
2. Preservation and safety of principal,
3. Liquidity,
4. Marketability prior to maturity of each investment,
5. Diversification, and
6. Yield.

II. INVESTMENT OBJECTIVES

A. Safety of Principal

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 interest 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.

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.

1. 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:
 - a) Limiting investments to the highest credit quality investments.
 - b) Pre-qualifying the financial institutions with which the City will do business.
 - c) Diversifying the investment portfolio so that potential losses on individual issuers will be minimized.
2. Interest Rate Risk – The City will minimize the risk that the interest earnings and the market value of investments in the portfolio will fall due to changes in general interest rates, by:
 - a) Structuring the investment portfolio so that investments mature to meet cash requirements for ongoing operations, thereby avoiding the need to liquidate investments prior to maturity.
 - b) Investing operating funds primarily in certificates of deposit, shorter-term securities, money market mutual funds, or local government investment pools.
 - c) Diversifying maturities and staggering purchase dates to minimize the impact of market movements over time.

B. Maintenance of Adequate Liquidity

The City’s investment portfolio will remain sufficiently liquid to meet the cash flow requirements that might be reasonably anticipated. Liquidity shall be achieved by matching investment maturities with forecasted cash flow requirements; investing in securities with active secondary markets; and maintaining appropriate portfolio diversification.

A portion of the portfolio will be invested in shares of money market mutual funds or local government investment pools that offer same-day liquidity. In addition, a portion of the portfolio will consist of financial institution deposits and securities with active secondary or resale markets.

C. Preservation of 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.

D. Diversification

Diversification of the portfolio will include diversification by maturity and market sector and the use of a number of institutions and brokers. The City will diversify its investments to avoid unreasonable and avoidable risks.

E. Yield

The investment portfolio shall be designed with the objective of maintaining a reasonable market yield 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.

III. INVESTMENT POLICIES

A. Authorized Investments

Only investments described below authorized by the Public Funds Investment Act are eligible investments for the City. The City prefers up to 3 bids as applicable in a competitive environment for all individual investment purchases and sales (excluding transactions with money market mutual funds, local government investment pools, and when issued securities, which are deemed to be made at prevailing market rates). The City is not required to liquidate investments that were authorized at the time of purchase. All prudent measures will be taken to liquidate an investment that is downgraded to less than the required minimum rating. The City’s funds governed by this Policy may be invested in:

1. Obligations of Governmental Entities

The following are authorized investments for obligations of governmental agencies:

- a) Obligations, including letters of credit, of the United States or its agencies and instrumentalities, including the Federal Home Loan Banks;
- b) Direct obligations of the State of Texas or its agencies and instrumentalities;

- c) Other obligations, the principal and interest on which are unconditionally guaranteed, insured by, or backed by the full faith and credit of the State of Texas or the United States or their respective agencies and instrumentalities;
- d) Obligations of states, agencies, counties, cities, and other political subdivisions of any State having been rated as to investment quality by a nationally recognized investment rating firm and having received a rating of not less than “A” or its equivalent; and
- e) 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.

2. Guaranteed Investment Contracts

Guaranteed investment contracts will be authorized for bond proceeds if the guaranteed investment contract:

- a) has a defined termination date;
- b) is secured by obligations described by Section 2256.009(a)(1), excluding those obligations described by Section 2256.009(b), in an amount at least equal to the amount of bond proceeds invested under the contract; and
- c) is pledged to the City and deposited with the City or with a third party approved by the City.
- d) The stated maturities may not exceed five years.

3. Certificates of Deposit

Certificates of deposit issued by financial institutions that have their main office or branch office in Texas with stated maturities of no greater than five years that are:

- a) Organized under Texas law, the laws of another state, or federal law, that has its main office or a branch office in Texas, or by a savings bank organized under Texas law, the laws of another state, or federal law, that has its main office or a branch office in Texas, or a state or federal credit union having their main or branch office in Texas;
- b) The depository institution selected by the City and arranges for the deposit of the funds in certificates of deposits in one or more federally insured depository institutions, wherever located for the account of the City; and
- c) Guaranteed or insured by:
 - (1) The Federal Deposit Insurance Corporation (FDIC) or its successors; or
 - (2) The National Credit Union Share Insurance Fund (NCUSIF) or its successors; or
 - (3) Secured by obligations that are described by A.1. above, which are intended to include all direct Federal agency or instrumentality issued mortgage backed securities, but excluding those mortgage backed securities of the nature described in Section 2256.009(b), that have a market value of not less than the principal amount of the certificates; or
 - (4) Secured in any other manner and amount provided by law for deposits of the City; or

- (5) Governed by a Depository Agreement, as described in C.5. of this section, that complies with Federal and State regulation to properly secure a pledged security interest.

4. Repurchase Agreements

Fully collateralized repurchase agreements and reverse repurchase agreements as defined by the Public Funds Investment Act, with a defined termination date that are placed with a primary government securities dealer or financial institution doing business in the State of Texas, and which are secured by obligations of the United States or its agencies and instrumentalities and which are pledged in the City's name and deposited with a third-party custodian bank approved by the City. A Master Repurchase Agreement must be signed by the bank/dealer prior to investment in a repurchase agreement. All repurchase agreement transactions will be on a delivery vs. payment basis. Securities received for repurchase agreements must have a market value greater than or equal to 102 percent at the time funds are disbursed. Repurchase agreements should not exceed 120 days and reverse repurchase agreements should not exceed 90 days, provided an executed PSA Master Repurchase Agreement is on file with the City and the counter party bank or dealer.

5. Money Market Mutual Funds

Money Market Mutual funds that are 1) registered and regulated by the Securities and Exchange Commission, 2) have a dollar weighted average stated maturity of 60 days or less, 3) rated AAA by at least one nationally recognized rating service, and 4) seek to maintain a net asset value of \$1.00 per share. The City may not invest funds under its control in an amount that exceeds 10% of the total assets of any individual money market mutual fund or exceeds 15% of its monthly average fund balance, excluding bond proceeds and reserves, and other funds held for debt service in money market mutual funds.

6. Interest Bearing Financial Institution Accounts

Interest bearing financial institution deposits issued by state and national banks or savings banks or a state or federal credit union having their main or branch office in Texas that are guaranteed or insured by the FDIC or the NCUSIF, or their successor organizations. Also included are collateralized interest-bearing deposits that have secured the uninsured portion of deposits with allowed collateral per the Investment Policy.

7. Investment Pools

Eligible local government investment pools, which 1) meet the requirements of Chapter 2256.016 of the Public Funds Investment Act, 2) are rated no lower than AAA or an equivalent rating by at least one nationally recognized rating service, and 3) are authorized by resolution or ordinance by the Board, and whose investment philosophy and strategy are consistent with this Policy and the City's ongoing investment strategy. In addition, a local government investment pool created to function as a money market mutual fund must mark its portfolio to the market daily and, to the extent reasonably possible, stabilize at \$1.00 net asset value.

8. Commercial Paper

Commercial Paper is an authorized investment under the Public Funds Investment Act under Sec. 2256.013 of the Public Funds Investment Act which provides it must:

- a) have a stated maturity of 270 days or fewer from the date of its issuance; and
- b) is rated not less than A-1 or P-1 or an equivalent rating by at least:
 - (1) two nationally recognized credit rating agencies; or
 - (2) one nationally recognized credit rating agency and is fully secured by an irrevocable letter of credit issued by a bank organized and existing under the laws of the United States or any state.

B. Unauthorized Investments

1. The following are NOT authorized investments for the City:

- a) Obligations whose payments represent the coupon payments on the outstanding principal balance of the underlying mortgage-backed security collateral and pays no principal (Interest Only CMO);
- b) Obligations whose payments represent the principal stream of cash flow from the underlying mortgage-backed security collateral and bears no interest (Principal Only CMO);
- c) Collateralized mortgage obligations that have a stated final maturity date of greater than 10 years; and
- d) Collateralized mortgage obligations, the interest rate of which is determined by an index that adjusts opposite to the changes in the market index (Inverse Floater CMO).

C. Protection of Principal

The City shall seek to control the risk of loss due to the failure of a security issuer or grantor. Such risk shall be controlled by investing only in the safest types of securities as defined in the Policy; by collateralization as required by law; and through portfolio diversification by maturity and type.

The purchase of individual securities shall be executed “delivery versus payment” (DVP) through the City’s Safekeeping Agent. By so doing, City’s funds are not released until the City has received, through the Safekeeping Agent, the securities purchased.

1. Diversification by Investment Type

Where appropriate, the investment portfolio shall be diversified in terms of investment instruments, maturity, scheduling, and financial institutions to reduce risk of loss resulting from over concentration of assets in a specific class of investments, specific maturity, or specific issuer.

Diversification by investment type shall be guided by the following maximum percentages of investment type as compared to the total investment portfolio at the time

of each investment transaction:

- | | |
|---|------|
| a) U.S. Treasury Bills/Notes/Bonds | 100% |
| b) U. S. Agencies & Instrumentalities | 100% |
| c) States, Counties, Cities, & Other | 75% |
| d) Certificates of Deposit | 75% |
| e) Money Market Mutual Funds | 20% |
| f) Eligible Investment Pools | 100% |
| g) Commercial Paper, excluding Investment Pools | 20% |

2. Bond Proceeds

Bond proceeds may be invested in a single security or investment if the City Manager determines that such an investment is necessary to comply with Federal arbitrage restrictions or to facilitate arbitrage record keeping and calculation.

3. Diversification by Investment Maturity

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. Maturity guidelines by fund are as follows (investment transactions made prior to the adoption of this Policy are not subject to these guidelines):

- a) Limiting investments to avoid overconcentration in investments from a specific issuer or business sector (excluding obligations of governmental agencies under III(A) and certificates of deposit that are fully insured and collateralized in accordance with state and federal law;
- b) Limiting investments that have higher credit risks (example: commercial paper);
- c) Diversify through investments with varying maturities; and
- d) Continuously investing a portion of the portfolio in readily available funds such as local government investment pools (LGIPs), money market funds or overnight repurchase agreements to ensure that appropriate liquidity is maintained in order to meet ongoing obligations.

Operating Funds

The weighted average days to maturity for the operating fund portfolio shall be less than 360 days and the maximum allowable maturity shall be 5 years.

Construction and Capital Improvement Funds

The investment maturity shall generally be limited to the anticipated cash flow requirement or the “temporary period,” as defined by Federal tax law. During the temporary period bond proceeds may be invested at an unrestricted yield. After the expiration of the temporary period, bond proceeds subject to yield restriction shall be invested considering the anticipated cash flow requirements of the funds and market conditions to achieve compliance with the applicable regulations. The maximum maturity for construction or capital improvement funds’ investments shall generally be no longer than the construction time required for a particular project.

Debt Service Funds

Shall be invested to ensure adequate funding for each consecutive debt service

payment. The Investment Officers shall invest in such a manner as not to exceed an “unfunded” debt service date with the maturity of any investment. An unfunded debt service date is defined as a coupon or principal payment date that does not have cash or investment securities available to satisfy said payment. Funds that are considered “bond proceeds” for arbitrage purposes may be invested using a more conservative approach than the standard investment strategy when arbitrage rebate rules require rebating excess earnings. All earnings in excess of the allowable arbitrage earnings (“rebate liability”) will be segregated and made available for any necessary payments to the U.S. Treasury.

4. Ensuring Liquidity

Liquidity shall be achieved by anticipating cash flow requirements, by investing in securities with active secondary markets and by investing in eligible financial institution deposits, money market mutual funds, and local government investment pools.

A security may be liquidated to meet unanticipated cash requirements, to re-deploy cash into other investments expected to outperform current holdings, or otherwise to adjust the portfolio.

5. Collateral

Consistent with the requirements of State law, the City requires all financial institution deposits to be federally insured or collateralized with eligible securities or an approved letter of credit issued by the Federal Home Loan Banks. Financial institutions serving as City depositories will be required to sign a Depository Agreement with the City. The collateral 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:

1. The Agreement must be in writing;
2. The agreement must be executed by the financial institution and the City contemporaneously with the acquisition of the asset;
3. The Agreement must be approved by the Board of Directors or the designated committee of the financial institution and a copy of the meeting minutes must be delivered to the City;
4. The Agreement must be part of the financial institution’s “official record” continuously since its execution.

a) 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 financial institution. In order to anticipate market changes and provide a level of security for all funds, the collateralization level for pledged securities and letters of credit will be 102% of market value of principal and accrued or anticipated interest, less FDIC or NCUSIF insurance. At its discretion, the City may require a higher level of collateralization for certain investments. The City will send funds for investment only when the collateral has been pledged and the City has accepted.

Securities pledged as collateral shall be held by an independent third-party custodian. The Chief Financial Officer or designated Investment Officer is responsible for entering into collateralization agreements with third party custodians in compliance with this Policy. The agreements are to specify the acceptable investments for collateral, including provisions relating to possession of the collateral, the substitution or release of collateral, ownership of securities, and the method of valuation of securities. A clearly marked receipt displaying evidence of ownership must be supplied to the City and retained. Collateral shall be reviewed at least monthly to assure that the market value of the pledged securities is adequate.

b) Collateral Defined

The City shall accept only the following types of collateral and reserves the right to accept or reject any form of pledged collateral, at its sole discretion:

- (1) Obligations of the United States or its agencies and instrumentalities,
- (2) Direct obligations of the state of Texas or its agencies and instrumentalities,
- (3) Collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States,
- (4) Obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized rating firm not less than A or its equivalent with a remaining maturity of five (5) years or less,
- (5) A letter of credit issued to the City by the Federal Home Loan Bank.

c) Monitoring Collateral Adequacy

The City shall require monthly reports with market values of pledged securities from all financial institutions with which the City has collateralized deposits. The Investment Officers will monitor adequacy of collateralization levels to verify market values and total collateral positions.

d) Additional Collateral

If securities pledged for a deposit falls below the par value of the deposit plus accrued or anticipated interest and less FDIC or NCUSIF insurance, the institution holding the deposit will notify the City and must pledge additional securities no later than the end of the next succeeding business day.

e) Security Substitution

Collateralized deposits often require substitution of securities. Any financial institution requesting substitution must contact the Investment Officers for approval and settlement. The substituted security's value will be calculated and substitution approved if the substitution maintains a

pledged value equal to or greater than the required security level. An Investment Officer must provide written notification of the decision to the bank or the third party agent holding the security prior to any security release. Substitution is allowable for all transactions, but should be limited, if possible, to minimize potential administrative problems and transfer expense. The Investment Officers may limit substitution and assess appropriate fees if substitution becomes excessive or abusive.

f) Subject to Audit

All collateral shall be subject to inspection and audit by the Chief Financial Officer or the City's independent auditors.

6. Safekeeping Agreement

The City shall contract with a third-party custodian for the safekeeping of securities owned by the City as part of its investment portfolio. Securities owned by the City shall be evidenced by safekeeping receipts of the institution holding the securities.

D. Investment Advisors and Broker/Dealers

Investment Advisors and Broker/Dealers shall adhere to the spirit, philosophy and specific term of this Policy and within the *Standard of Care*. Selection of Investment Advisors and Broker/Dealers will be performed by the Investment Committee. The Investment Committee will establish evaluation criteria, including:

1. Adherence to the City's policies and strategies;
2. Investment performance and transaction pricing within accepted risk constraints,
3. Responsiveness to the City's request for services, information and open communication;
4. Understanding of the inherent fiduciary responsibility of investing public funds; and
5. Similarity in philosophy and strategy with the City's objectives.

Selected Investment Advisors shall provide quarterly portfolio reports and Broker/Dealers shall provide timely transaction confirmations and monthly activity reports.

The Investment Committee will, at least annually, review, revise, and adopt the approved list of Broker/Dealers utilized for the purchase of allowed securities. The approved list will be provided to the City Council on an annual basis or at any time the list is modified. Approved broker/dealers will be presented with a copy of this Investment Policy.

Business organizations eligible to transact investment business with the City shall be presented a written copy of this Investment Policy. Additionally, the qualified representative of the business organization seeking to transact investment business shall execute a written instrument substantially to the effect that the registered principal has:

1. Received and thoroughly reviewed this Investment Policy, and
2. Acknowledged that the business organization has implemented reasonable procedures and controls in an effort to preclude investment transactions conducted between the City and the organization that are not authorized by the City's investment policy, except to the extent that this authorization is dependent on an analysis of the makeup of the City's entire portfolio or requires an interpretation of subjective investment standards.
3. Such instrument must be accepted by a qualified representative of the business. Qualified representative(s) must meet the following criteria:

- a) Qualified representative means a person who holds a position with a business organization, who is authorized to act on behalf of the business organization, and who is one of the following:
 - (1) for a business organization doing business that is regulated by or registered with a securities commission, a person who is registered under the rules of the National Association of Securities Dealers; or
 - (2) for an investment pool, the person authorized by the elected official or board with authority to administer the activities of the investment pool to sign the written instrument on behalf of the investment pool.

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

E. Responsibility and Controls

1. Delegation of Authority to Invest

The City Council hereby designates the Investment Officers by Ordinance to be the City Manager, with overall responsibilities to see that investment objectives are accomplished and the Chief Financial Officer, Treasurer, or their designees are vested and authorized with specific day-to-day performance of managing and investment of the funds of the City.

Per Ordinance 2024-074 the City Council has established an Investment Committee consisting of the City Manager, Chief Financial Officer, and Treasurer of the City. The committee shall perform the following duties:

- a) Review, revise, and approve at least annually a list of approved broker/dealers for the purchase of allowed securities. The approved list is to be provided to the City Council on an annual basis or at any time the list is modified.
- b) Review, revise, and approve a list of independent training sources. The list will include professional organizations and associations providing training required by the Public Funds Investment Act in order to ensure the quality and capability of the City's Investment Officers in making investment decisions.
- c) Review the City's investment portfolio on a regular basis and determine appropriate portfolio adjustments, oversee the City's investment advisor, monitor compliance with the City's Investment Policy and Strategy statements and perform other duties as necessary to maintain the City's investment program.

2. Training

- a) All Investment Officers of the City shall have a minimum of 10 hours of Investment Training during the first consecutive 12 month period after taking office or assuming duties, and then attend at least one investment training accumulating eight hours for each consecutive 24 month period thereafter based on the City's fiscal year.

- b) Training as required in 2.(a) above is authorized to be provided from one or more of the sources listed under *PFIA List of Training Sources*, included within this document.

3. Prudent Investment Management

The designated Investment Officers shall perform their duties in accordance with the adopted Investment Policy and internal procedures. In determining whether an Investment Officer has exercised prudence with respect to an investment decision, the investment of all funds over which the Investment Officer had responsibility; rather than the prudence of a single investment shall be considered. Investment Officers acting in good faith and in accordance with these policies and procedures shall be relieved of personal liability.

4. Standard of Care

The standard of care used by the City shall be the “prudent investor rule” and shall be applied in the context of managing the overall portfolio within the applicable legal constraints. The Public Funds Investment Act states:

“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.”

5. Standards of Ethics

The designated Investment Officers shall act as custodians of the public trust avoiding any transaction which might involve a conflict of interest, the appearance of a conflict of interest, or any activity which might otherwise discourage public confidence. Investment Officers shall refrain from personal business activity that could conflict with proper execution of the investment program, or which could impair their ability to make impartial investment decisions. Additionally, all Investment Officers shall file with the Texas Ethics Commission and the City a statement disclosing any personal business relationship with an entity seeking to sell investments to the City.

Each City Investment Officer shall disclose if he has a personal business relationship with any financial firm doing business with the City, if the extent of the business relationship meets any of the following conditions:

- a) The Investment Officer owns 10% or more of the voting stock or shares of the business organization or owns \$5,000 or more of the fair market value of the business organization;
- b) Funds received by the Investment Officers from the business organization exceed 10% of the Investment Officer’s gross income for the previous year; or
- c) The Investment Officer has acquired from the business organization during the previous year investments with a book value of \$2,500 or more for the personal account of the Investment Officer.

- d) If the Investment Officer is related within the second degree by affinity or consanguinity, as determined under the Government Code, to an individual seeking to sell an investment to the City.

6. Establishment of Internal Controls

The City's Investment Officer will maintain a system of internal controls over the investment activities of the City.

7. Reporting

Investment performance will be monitored and evaluated by the Investment Officers. The Investment Officers will provide a quarterly comprehensive report signed by all Investment Officers to the City Council. This investment report shall:

- a) Describe in detail the investment position of the City;
- b) State the reporting period beginning book and market value, additions or changes to the book and market value during the period and ending book and market value for the period of each pooled fund group;
- c) State the reporting period beginning book and market value and reporting period ending book and market value for each investment security by asset type and fund type;
- d) State the maturity date of each investment security;
- e) Accrued interest and total earnings for reporting period;
- f) State the percentage of total portfolio that each type of investment represents; and
- g) State the compliance of the investment portfolio with the City's Investment Policy and strategy and the Public Funds Investment Act.

The City, in conjunction with its Annual Financial Audit, shall perform a compliance audit of management controls on investments and adherence to the City's Investment Policy and Investment Strategy Statement. The City's independent auditor is required to review the Quarterly Investment Reports during the annual audit of the City's Financial System and the result of the review shall be reported to the City Council by that auditor.

8. Performance Standards

The City's investment portfolio will be managed in accordance with the parameters specified within this policy. The portfolio shall be designed with the objective of obtaining a rate of return through budgetary and economic cycles, commensurate with the investment risk constraints and the cash flow requirements of the City. Weighted average yield to maturity shall be the portfolio performance standard.

**CITY OF GRAPEVINE, TEXAS
BROKER/DEALER LIST**

The following is a list of approved and authorized broker/dealers used for the City of Grapevine, Texas. Each of the firms used from this list will provide compliance materials and a complete file of those materials will be maintained by the City.

In accordance with Section 2256.025 of the Public Funds Investment Act, the list below is approved by the Investment Committee and shall be maintained by the Chief Financial Officer and corresponding staff.

Broker/Dealers:

- Cantor Fitzgerald, LP
- FHN Financial Securities Corp.
- Hilltop Securities
- J.P. Morgan Securities
- Mischler Financial Group
- Multi-Bank Securities
- SouthState/Duncan Williams Securities Corp.
- Wells Fargo Securities

Government Pools Authorized by City Council:

- Local Government Investment Cooperative (LOGIC)
- Texas Local Government Investment Pool (TexPool)

**CITY OF GRAPEVINE, TEXAS
PFIA LIST OF TRAINING SOURCES**

The following is a list of approved and authorized training sources for the City of Grapevine, Texas. Certified training should be obtained every two fiscal years from an independent source for all investment officers and delegees.

In accordance with § 2256.08 of the Public Funds Investment Act, the list below is approved by the Investment Committee and shall be maintained by the Chief Financial Officer and corresponding staff.

Training Sources:

- Government Finance Officers Association of Texas (GFOAT)
- Government Treasurers' Organization of Texas (GTOT)
- North Central Texas Council of Governments (NCTCOG)
- Texas Municipal League (TML)
- University of North Texas (UNT) – Center for Public Management



INVESTMENT STRATEGY STATEMENT

Adopted:

May 6, 1997

Most Recent Revision/Review:

September 16, 2025

PREFACE

It is the policy of the City of Grapevine (the “City”) that, giving due regard to the safety and risk of investment, all available funds shall be invested in conformance with State and Federal Regulations, applicable Bond Resolution requirements, the City’s adopted Investment Policy and adopted Investment Strategy.

In accordance with the Public Funds Investment Act, the City’s investment strategies shall address the following priorities (in order of importance):

1. Understanding the suitability of the investment to the financial requirements of the City,
2. Preservation and safety of principal,
3. Liquidity,
4. Marketability of the investment prior to maturity,
5. Diversification of the investment portfolio, and
6. Yield.

Effective investment strategy development coordinates the primary objectives of the City’s Investment Policy and cash management procedures to enhance interest earnings and reduce investment risk. Aggressive cash management will increase the available “investment period” and subsequently interest earnings. Maturity selections shall be based on cash flow and market conditions to take advantage of various interest rate cycles. The City’s investment portfolio shall be designed and managed in a manner responsive to the public trust and consistent with the Investment Policy.

Each major fund type has varying cash flow requirements and liquidity needs. Therefore, specific strategies shall be implemented considering the fund’s unique requirements. The City’s funds shall be analyzed and invested according to the following major fund types:

1. Operating Funds
2. Construction and Capital Improvement Funds
3. Debt Service Funds

I. INVESTMENT STRATEGY

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

The City's Operating Funds are as follows:

General Fund	Heritage Foundation Fund
Water and Sewer Fund	Occupancy Tax Fund
TIF 1 & 2 Operating Fund	Grant Fund
Lake Enterprise Fund	Trust and Agency Fund
Convention & Visitors Bureau Fund	Special Revenue Fund
Crime Control District Sales Tax Fund	Community Quality of Life Fund
Permanent Capital Maintenance Fund	
4B Economic Development Corp. Sales Tax Fund	
All Non-Major Governmental Funds	

1. Suitability

Any investment eligible in the Investment Policy is suitable for the Operating Funds.

2. Safety of Principal

All investments shall be of highest credit quality securities with no perceived default risk. Market price fluctuations will occur. By managing the weighted average days to maturity for the Operating Fund portfolio to less than 360 days and restricting the maximum allowable maturity to 5 years, the price volatility of the overall portfolio will be minimized.

3. Liquidity

The Operating Funds require the greatest short-term liquidity of any of the fund types. Short-term investment pools and money market mutual funds shall provide daily liquidity and may be utilized as a competitive yield alternative to fixed maturity investments.

4. Marketability

Securities with active and efficient secondary markets are necessary in the event of an unanticipated cash requirement. Historical market "spreads" between the bid and offer prices of a particular security-type of less than a quarter of a percentage point shall define an efficient secondary market.

5. Diversification

Investment maturities shall be staggered throughout the budget cycle to provide cash flow based on the anticipated operating needs of the City. Market cycle risk will be reduced by diversifying the appropriate maturity structure.

6. Yield

Attaining a competitive market yield for comparable security-types and portfolio restrictions is the desired objective. The yield of rolling one-year Treasury bill portfolio shall be the minimum yield objective.

B. Construction and Capital Improvement

The City's Construction and Capital Improvement related activities include:

- Streets
- General Facilities
- Equipment
- Recreation
- Street Maintenance and Capital Replacement
- Tax Increment Financing Districts #1 and #2
- Community Quality of Life Fund
- Convention & Visitors Bureau

1. Suitability

Any investment listed as eligible in the Investment Policy is suitable for Construction and Capital Improvement Funds

2. Safety of Principal

All investments shall be of highest credit quality securities with no perceived default risk. Market price fluctuations will, however, occur. By managing the Construction and Capital Improvement Fund's portfolio to the anticipated expenditure schedule market risk shall be reduced.

3. Liquidity

The City's funds used for construction and capital improvement programs have reasonably predictable draw down schedules. Therefore, investment maturities shall generally follow the anticipated cash flow requirements. Investment pools and money market mutual funds shall provide readily available funds generally equal to one month's anticipated cash flow needs. A flexible repurchase agreement may be utilized if disbursements are allowed in the amount necessary to satisfy any expenditure request.

4. Marketability

Securities with active and efficient secondary markets are necessary in the event of an unanticipated cash requirement. Historical market "spreads" between the bid and offer prices of a particular security-type of less than a quarter of a percentage point shall define an efficient secondary market.

5. Diversification

Market conditions and 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 City is 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 amounts. At no time shall the anticipated expenditure schedule be exceeded in an attempt to bolster yield with any City funds.

6. Yield

Achieving a positive spread to the applicable arbitrage yield is the desired objective for bond proceeds. Non-bond proceed construction and capital project funds will target a rolling portfolio of six-month Treasury bills.

C. Debt Service Funds

The City's Debt Service Fund includes:

Debt Service Fund - General Obligations

Debt Service Fund - Tax Increment Financing Districts #1 and #2

1. Suitability

Any investment listed as eligible in the Investment Policy is suitable for the Debt Service Funds.

2. Safety of Principal

All investments shall be of high quality securities with no perceived default risk. Market price fluctuations will however occur. By managing the Debt Service Fund's portfolio 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. Therefore, investment maturities shall 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. A flexible repurchase agreement may be utilized if disbursements are allowed in the amount necessary to satisfy any debt service payment.

4. Marketability

Securities with active and efficient secondary markets are less necessary, as the event of an unanticipated cash requirement is not probable.

5. Diversification

Market conditions influence the attractiveness of fully extending maturity to the next "unfunded" payment date. Generally, if investment rates are trending down, the City is best served by locking in most investments. If interest rates are flat or trending up, then concurrent market conditions will determine the attractiveness of extending maturity or investing in shorter- term alternatives. 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 security-types and portfolio restrictions is the desired objective. The yield of an equally weighted, rolling three-month Treasury bill portfolio shall be the minimum yield objective.