

# CITY OF LEAGUE CITY

## INVESTMENT POLICY

### 1.0 POLICY

The City will conform to all state laws and statutes which govern the investment of public funds, the Public Funds Investment Act, Chapter 2256, Texas Government Code (the Act).

It is the policy of the City of League City (the City) to invest public funds in a safe manner which will provide the highest rate of return with the maximum security while meeting the daily cash flow demands of the City. The yield on investments will emphasize a rate of return commensurate with the City's risk constraints.

### 2.0 SCOPE

This investment policy applies to all financial assets of the City at the present time, any funds to be created in the future, and any other funds held in custody by the City, unless expressly prohibited by law. These funds are accounted for in the City's Comprehensive Annual Financial Report and include the General Fund, the Enterprise Fund, the Debt Service Funds, the Special Revenue Funds, the Internal Service Funds, and the Capital Project Funds. When possible, available funds will be accumulated for investment purposes to increase the purchasing power of the City.

### 3.0 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

City Funds Included: General Fund, Utility Fund and Special Revenue Funds

**Suitability** - Any investment eligible in the Investment Policy is suitable for the Operating Fund; except as excluded in section 11 of this policy.

**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 weighted average days to maturity for the Operating Fund portfolio to less than 180 days and restricting the maximum allowable maturity to three years, the price volatility of the overall portfolio will be minimized.

**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.

**Liquidity** - the Operating Fund requires 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.

**Diversification** - Investment maturities may 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 out through three years.

**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.

(B) Construction Funds

City Funds Include: all Capital Project Funds, including Water and Wastewater Capital Improvement Funds.

**Suitability** - Any investment eligible in the Investment Policy is suitable for the Construction Funds, except as excluded in section 11 of this policy

**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 Construction Funds’ portfolio to exceed the anticipated expenditure schedule, the market risk of the overall portfolio will be minimized.

**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.

**Liquidity** - Construction 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 at least one month’s anticipated cash flow needs, or a competitive yield alternative for short term fixed maturity investments.

**Diversification** - Market conditions and the arbitrage regulations influence the attractiveness of staggering the maturity of fixed rate investments for bond proceeds. Generally, if investment rates exceed the applicable arbitrage yield for a specific bond issue, 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 changes in investment amounts. At no time shall the anticipated expenditure schedule be exceeded in an attempt to bolster yield.

**Yield** - Attaining a competitive market yield for comparable security types and portfolio restrictions is the desired objective.

(C) Debt Service Funds

**Suitability** - Any investment eligible in the Investment Policy is suitable for the Debt Service Fund, except as excluded in section 11 of this policy

**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 Funds' portfolio to not exceed the debt service payment schedule, the market risk of the overall portfolio will be minimized.

**Marketability** - Securities with active and efficient secondary markets are not required as the event of an unanticipated cash requirement is not probable.

**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 shall provide a competitive yield alternative for short term fixed maturity investments.

**Diversification** - Market conditions influence the attractiveness of fully extending maturity to the next "unfunded" payment date. Generally if investment rates exceed the applicable arbitrage yield for a specific bond issue, 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 changes in investment amounts. At no time shall the debt service schedule be exceeded in an attempt to bolster yield.

**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.

(D) Debt Service Reserve Funds

**Suitability** - Any investment eligible in the Investment Policy is suitable for the Debt Service Reserve Fund, except as excluded in section 11 of this policy. Bond and loan documentation constraints and insurance company restrictions create issue-specific considerations in addition to the Investment Policy.

**Safety of Principal** - All investments shall be of high quality securities with no perceived default risk. Market price fluctuations will however occur. Managing the Debt Service Reserve Fund's portfolio maturities to not exceed the call provisions of the bond issue, reduces the investment's market risk in the event that the City's bonds are called and the reserve fund is liquidated. No investment maturity shall exceed the final maturity of the bond issue. Annual mark-to-market requirements or specific maturity and average life limitations within the bond issues' documentation will influence the attractiveness of market risk and reduce the opportunity for maturity extension.

**Marketability** - Securities with less active and efficient secondary markets are acceptable for Debt Service Reserve funds.

**Liquidity** - Debt Service Reserve Funds have no anticipated expenditures. The funds are deposited to provide annual debt service payment protection to the City's bond holders. The funds are "returned" to the City at the final debt service payment. Market conditions and arbitrage regulation compliance determine the advantage of security diversification and liquidity. Generally if investment rates exceed the applicable arbitrage yield for a specific bond issue, the City is best serviced by locking in investment maturities and reducing liquidity. If the arbitrage yield cannot be exceeded, then concurrent market conditions will determine the attractiveness of locking in maturities or investing shorter and anticipating future increased yields.

**Diversification** - Market conditions and the arbitrage regulations influence the attractiveness of staggering the maturity of fixed rate investments for Debt Service Reserve Funds. At no time shall the final debt service payment date of the bond issue be exceeded in an attempt to bolster yield.

**Yield** - Attaining a competitive market yield for comparable security types and portfolio restrictions is the desired objective.

## 4.0 PRUDENCE

Investments shall be made with judgment and care under circumstances, then prevailing, which persons of prudence, discretion, and intelligence exercise in the management of their own affairs; not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived. The standard of prudence to be used by investment officials shall be the "prudent person" standard and shall be applied in the context of managing an overall portfolio.

Investment officers acting in good faith and in accordance with this policy shall be relieved of personal liability. An investment officer shall be judged on the prudence of the overall portfolio, not any single investment transaction, over which the investment officer had control.

The City shall provide periodic training in investments for the investment personnel through courses and seminars offered by professional organizations and associations in order to insure the quality and capability of the City's investment personnel making investment decision in compliance with the Public Funds Investment Act.

## 5.0 OBJECTIVES

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

**Safety:** Investments of the City shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. To attain this objective, diversification along credit and maturity lines is required in order that potential losses on individual securities do not exceed the income generated from the remainder of the portfolio.

**Liquidity:** The investment portfolio will remain sufficiently liquid to enable the City to meet all operating requirements which might be reasonably anticipated.

**Return on Investments:** The City's investment portfolio shall be designed with the objective of attaining a rate of return throughout budgetary and economic cycles, commensurate with the City's investment risk constraints and the cash flow characteristics of the portfolio.

The strategy of the pooled fund group is to assure cash flows are matched with adequate liquidity. This may be accomplished by purchasing quality, short-term securities in a laddered structure or utilizing an investment pool. The dollar weighted average maturity of the portfolio will be 180 days or less to accomplish this goal.

## 6.0 DELEGATION OF AUTHORITY

Authority to manage the investment program is derived from the Act, specifically Sec. 2256.005 (f)-(h). Management responsibility for the investment program is hereby delegated to the Assistant City Manager/Director of Finance, the Assistant Director of Finance and the Accounting Manager, who shall establish written procedures for the operation of the investment program consistent with this investment policy, and for purposes of this policy shall be referred to herein as the Investment Officers. Procedures should include references to: safekeeping, Public Securities Association (PSA) repurchase agreements, wire transfers agreements, collateral/depository agreements and banking services contracts. Such procedures shall include explicit delegation of authority to persons responsible for investment transactions. No persons may engage in an investment transaction except as provided under the terms of this policy and the procedures established by the Investment Officers. The Investment Officers will operate under the direction of the Finance Committee (the Committee) who shall establish and approve the working investment strategy prior to actual implementation by the Investment Officers.

The Investment Officers and those designated by the Investment Officers shall attend an investment training session no less than once in a two-year period that begins on the first day of the city's fiscal year and consists of the two consecutive fiscal years after that date, and receive not less than eight (8) hours of instruction relating to their investment responsibilities under the Act. Investment Officers shall receive ten (10) hours of initial training within twelve (12) months after taking office or assuming investment duties. Training sessions must include education in diversification of investment portfolio, investment controls, security risks, strategy risks, market risks, and compliance with the Act. Training must be provided by an independent source whose course specifically is stated as complying with training requirements under the Public Funds Investment Act. For purposes of this policy, an "independent source" from which investment training shall be obtained shall include a professional organization, an institution of higher learning or any other sponsor other than a business organization with whom the City of League City may engage in an investment transaction. Thus, these independent sources will be approved by the Finance Committee and may include training sessions sponsored by Government Treasurers Organization of Texas (GTOT), University of North Texas (UNT), Government Finance Officers Association of Texas (GFOAT), and Texas Municipal League (TML).

## **7.0 FINANCE COMMITTEE**

The Finance Committee is established by Section 2-219 of the Code of Ordinances of the City of League City.

**Meetings:** The Investment Officers or any member of the Committee shall have the power to call meetings of the Committee. Meetings shall be called no less often than quarterly, or as required by the Investment Officers, to review the investment report prepared as described in Section 18.0 of this policy.

**Responsibilities:** It shall be the responsibility of the Committee to:

- (1) Approve in writing all working investment strategies including those involving City depository and investment pool selection.
- (2) Review and adopt annually a list of authorized dealers, brokers, investment advisors, and safekeeping agents/custodians (Exhibit A) used by the City as necessary as required by the Public Funds Investment Act 2256.025
- (3) Immediately notify the Investment Officers in the event any information comes to their attention that may have a material adverse effect upon the portfolio or marketability of any of the investments purchased under the provisions of the policy.
- (4) Review the City's general portfolio activity and performance for compliance with this policy and recommend any amendments to this policy to the City Council. Also recommend any actions necessary to bring the City into compliance with the scope of the investment policy and the Act.
- (5) Advise City investment staff as to recommendations relative to said portfolio activity/performance.
- (6) Inform the City Council of unaddressed concerns with the management of the City's investment portfolio.

**Limits of liability:** The City shall provide for the defense and indemnification of any committee member who is made a party to any suit or proceeding, other than by any actions of the City, or against whom a claim is asserted by reason of their actions taken within the scope of their service as an appointed member of the committee. Such indemnity shall extend to judgments, fines, and amounts paid in settlement, of any such claim, suit or proceeding, including any appeal thereof. This protection shall extend only to members who have acted in good faith and in a manner which they reasonably believe to be in, or not opposed to, the best interest of the City.

## **8.0 ETHICS AND CONFLICTS OF INTEREST**

Members of the Committee 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. Members of the Committee shall

disclose to the Assistant City Manager/Director of Finance any material financial interests in financial institutions that conduct business within this jurisdiction, and they shall further disclose any large personal financial investment positions that could be related to the performance of the City, particularly with regard to the time of purchases and sales. The Investment Officers shall disclose to the Texas Ethics Commission and the City's Ethics Review Board and City Council any personal business relationship and any relationship with the second degree of affinity or consanguinity to an individual seeking to sell an investment to the City.

## **9.0 AUTHORIZED FINANCIAL DEALERS AND INSTITUTIONS**

The Investment Officers will maintain a list of financial institutions and regional broker/dealers selected by credit worthiness who are authorized to provide investment services to the City. No public deposit shall be made except in a qualified public depository as established by state laws.

Depository Institutions seeking to establish eligibility for the City's competitive certificate of deposit purchase programs must have its main office or a branch office in the State of Texas.

For brokers and dealers of government securities and other investments, the Committee shall select only regional broker/dealers who are licensed and in good standing with the Texas Department of Securities, the Securities and Exchange Commission, the National Association of Securities Dealers or other applicable self-regulatory organization. All broker/dealers and investment providers who desire to become a qualified bidder for investment transactions must complete a Broker/Dealer and Investment Provider Questionnaire (Exhibit B).

Before engaging in investment transactions with any broker/dealers or investment providers, the Investment Officers shall receive from said firm a current audited financial statement and a signed Investment Policy Affidavit similar in content to Exhibit "C)". This form shall attest that the qualified representative as defined in Section 2256.002(10) of the Act has received and thoroughly reviewed the City's Investment Policy and 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. A review of the financial condition and registrations of qualified bidders will be conducted by the Committee as necessary, no less than every two years.

Individual security transactions will be accomplished through the competitive bidding process. A minimum of three bids will be received from authorized broker/dealers. The investment decision will be made with the broker/dealer offering the greatest return and quality to the City within the specified maturity window. If three bids/offers are not received within the time frame specified in the solicitation of the bid/offer, the Investment

Officer may act based upon the responses received as long as the solicitation of and failure to receive the bids/offers is documented. Evaluations of investments purchased must have the signature of at least two Investment Officers.

## **10.0 AUTHORIZED AND SUITABLE INVESTMENTS**

The City is empowered by statute to invest in the following:

(1) Obligations of, or Guaranteed by Governmental Entities except for those listed under section 11 (1-5)

- (a) Obligations of the United States or it's agencies and instrumentalities;
- (b) Direct obligations of this state or its agencies and instrumentalities;
- (c) 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;
- (d) Other obligations, the principal and interest of which are unconditionally guaranteed or insured by, or backed by the full faith and credit of, this state or the United States or their respective agencies and instrumentalities;
- (e) Obligations of municipalities located in the State of Texas with a rating no lower than AA by Standard and Poor's or equivalent rating by Moody's Investor Services.

(2) Certificates of Deposit

- (a) Issued by a federally insured depository that has its main office or a branch office in the State of Texas, guaranteed or insured by the Federal Deposit Insurance Corporation or its successor or the National Credit Union Share Insurance Fund or its successor and is selected from a list adopted by the City as required by section 2256.025 of the Public Funds Investment Act
- (b) All collateralized deposits, in excess of the FDIC, must be collateralized as described by Section 2256.009 (a) of the Act. Collateral must be held by a third party and valued on a monthly basis.

(3) Mutual Funds (Including Money Market Mutual Funds)

Securities of, or other interests in, any no load open-end management type investment company or investment trust registered under the Investment Company Act of 1940, as amended from time to time, provided that:

(a) No-load Money Market Mutual Funds

(i) include in the fund's investment objectives the maintenance of a stable net asset value of \$1 for each share.

(ii) are restricted in the investment of funds, including bond proceeds and reserves and other funds held for debt services in any one mutual fund described in subsection (a) in an amount that exceeds 10% of the total assets of the mutual fund.

(4) Government/Private Sponsored Investment Funds

The investment pool must:

(a) provide the Investment Officer with the following:

(i) offering circular that contains specific detailed information as described in the Act,

(ii) detailed monthly transaction and performance reports,

(b) be continuously rated no lower than AAA or AAA-m or an equivalent rating

(c) be marked-to-market daily and maintaining a market value ratio of between .995 and 1.005.

(d) maintain stable net asset value of \$1.

(e) maintain ongoing compliance with the Act.

(5) Banker's Acceptances

(a) Issued within the U.S. depository institutions with a

short-term rating of not less than A1 or P1 or an equivalent rating by at least one nationally recognized credit rating agency;

- (b) Have a stated maturity of less than 270 days from the date of issuance;
- (c) And will be liquidated in full at maturity.

If an investment's rating is downgraded below the minimum required by policy, the Investment Officers shall take the appropriate action to move the funds to an authorized investment with acceptable ratings.

## **11.0 NON-APPROVED INVESTMENTS**

The following are not authorized under this Investment Policy:

- (1) The city shall not by action of its Investment Officials directly enter into Repurchase Agreements. The City may however utilize repurchase agreements through a secondary source, i.e. an Investment Pool.
- (2) The city shall not by action of its Investment Officials purchase Commercial Paper. The city may however utilize Commercial Paper through a secondary source, i.e. an investment Pool.
- 3) Obligations whose payment represents the coupon payment on the outstanding principal balance of the underlying mortgage-backed security collateral and pays no principal (Interest only bonds)
- (4) Obligations whose payment represents the principal stream of cash flow from the underlying mortgage-backed security collateral and bears no interest (Principal only bonds)
- (5) Collateralized mortgage obligations that have a weighted average life of greater than 10 years
- 6) Collateralized mortgage obligations the interest rate which is determined by an index that adjusts opposite to the changes in a market index. (Inverse floaters)

## **12.0 COLLATERALIZATION**

Collateralization will be required on two types of investments: certificates of deposit and repurchase (and reverse) agreements. In order to anticipate market changes and provide a level of security for all funds, the collateralization level will be 102% of the market value of principal and accrued interest.

The City chooses to limit collateral to obligations of the United States or its agencies and instrumentalities as delineated in Sec 2256.009(a) (1) of the Act.

Collateral will always be held by an independent third party with whom the entity has a current custodial agreement. A clearly marked evidence of ownership (safekeeping receipt) must be supplied to the City and retained.

The right of custodial substitution is granted.

### **13.0 SAFEKEEPING AND CUSTODY**

All securities purchased by the City under this policy shall be designated as assets of the City, shall be conducted on a delivery-versus-payment (DVP) basis or commercial book entry system as utilized by the Federal Reserve and shall be protected through the use of a third-party custody/safekeeping agent.

### **14.0 DIVERSIFICATION**

Diversification by investment type shall be maintained by ensuring an active and efficient secondary market in portfolio investments and by controlling the market and opportunity risks associated with specific investment types.

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

The City will endeavor to diversify the placing of investments among various broker/dealers.

### **15.0 MAXIMUM MATURITIES**

To the extent possible, the City will attempt to match its investments with anticipated cash flow requirements. The City will not directly invest in securities maturing more than 3 years from the date of purchase. The dollar weighted average maturity for the portfolio will not exceed 180 days.

### **16.0 INTERNAL CONTROL**

In conjunction with the annual financial audit, the City's external auditor shall perform a compliance audit of the effectiveness of management controls on investments and adherence to the established investment policies as set forth in this document at least every two years

### **17.0 PERFORMANCE STANDARDS**

The investment portfolio shall be designed with the objective of obtaining a rate of return

throughout budgetary and economic cycles, commensurate with the investment risks, constraints, and the cash flow needs.

Given the City's investment strategy, the basis used by the Investment Officers to determine whether market yields are being achieved shall be the yield of an equally weighted, rolling three-month treasury bill portfolio.

## **18.0 REPORTING**

The Investment Officers in conjunction with the Finance Committee shall submit to the City Council a signed investment report no less than on a quarterly basis. The report will contain sufficient information to provide for a comprehensive review of investment activity, current investment instruments, independent and timely pricing information, and performance for that period. The investment report also shall address any variations noted from the investment strategy of the City. For each pooled fund group, the report shall present for the reporting period the beginning market value and the ending market value. The investment report shall present the book value and market value for each investment at the end of the reporting period. The market value for a security in the portfolio may be obtained from any of the city's approved broker/dealers other than the broker/dealer that sold the investment to the city. The report shall also state the maturity date for each investment, the allocation of each investment to a fund or pool, any accrued interest, and the compliance with the Investment Policy and the Act. Additionally, timely transaction data will be available, upon request, and kept on file, of all transactions to record and document investment activity. Other information may be included in the report, such as recommendations to amend current specific investment strategies, and analysis of current market conditions. A formal review of the quarterly reports by an independent auditor will be performed in conjunction with the City's annual audit.

## **19.0 EXISTING INVESTMENTS**

The City shall monitor changes in the credit ratings of existing investments quarterly or in the event of any significant market changes. The City shall use Credit Rating Agencies (i.e. Moody's, Standard and Poor's or Fitch) broker/dealers or through online or printed publications (i.e. the Wall Street Journal, Bloomberg).

Any investments currently held that do not meet the guidelines of this policy shall be reviewed to determine ability to liquidate due to material adverse changes in the value since time of purchase, and holding the security to maturity does not negatively affect disbursements or cash flow, a recommendation of holding said security to maturity is acceptable. At all times, liquidations shall be effected taking into account the prudent person standard described in Section 3.0 of this policy.

## **20.0 INVESTMENT POLICY ADOPTION**

This policy, which includes strategies for a pooled fund investment group, shall be adopted by resolution of the City Council, and any modifications made thereto must be approved by the City Council. City Council shall take formal action to review the investment policy and strategies on an annual basis.

**City of League City  
Broker/Dealer and Investment Providers**

**Broker/Dealers**

Coastal Securities, Inc	Houston, TX	(800) 681-4121
Duncan Williams	Houston, TX	(866) 394-0236
Wells Fargo Securities	Houston, TX	(713) 319-1114
SAMCO Capital Markets, Inc	Dallas, TX	(214) 765-1449
Hilltop Securities	Austin, TX	(800) 842-8008
Ladenburg Thalmann	Houston, TX	(800) 540-7000

**Local Government Investment Pools**

TexPool Participant Services	Houston, TX	(866) 839-7665
TexSTAR Participant Services	Dallas, TX	(800) 839-7827
Texas Class Participant Services	Austin, TX	(800) 707-6242
Lone Star Investment Pool	Austin, TX	(512) 467-3593

**Banks**

Amegy Bank	Houston, TX	(888) 462-6349
Bank of America	Houston, TX	(713) 756-2950
Capital One	Houston, TX	(800) 655-2265
Comerica Bank	League City, TX	(281) 823-4200
Hometown Bank	League City, TX	(281) 554-3265
JPMorgan Chase	Houston, TX	(713) 216-1102
Prosperity Bank	Houston, TX	(713) 693-9250
Texas First Bank	League City, TX	(281) 332-6900
Wells Fargo Bank	Houston, TX	(713) 319-1513

**Safekeeping Agents/Custodians**

JPMorgan Chase Bank	Houston, TX	(713) 216-1102
Wells Fargo Bank	Houston, TX	(713) 652-4302

**Broker/Dealer and Investment Provider Questionnaire**

1. Name of Firm: \_\_\_\_\_

2. Address: (Local) \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

2a. Address: (National) \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

3. Phone Number: (Local) \_\_\_\_\_ (National) \_\_\_\_\_

4. Email Address: \_\_\_\_\_

5. Primary representative/manager/partner-in-charge:

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Phone: \_\_\_\_\_

6. Are you a primary dealer in U. S. Government securities?

[ ] Yes [ ] No

7. If so, for how long has your firm been a primary dealer? \_\_\_\_\_years

8. What was your firm's total volume in U.S. Government and agency securities trading last year?

5. Firm-Wide \$ \_\_\_\_\_ Number of Transactions \_\_\_\_\_

Local Office \$ \_\_\_\_\_ Number of Transactions \_\_\_\_\_

10. Which instruments are offered regularly by your local desk?

- |                                               |                                           |
|-----------------------------------------------|-------------------------------------------|
| <input type="checkbox"/> T-bills              | <input type="checkbox"/> BAs (domestic)   |
| <input type="checkbox"/> Treasury notes/bonds | <input type="checkbox"/> BAs (foreign)    |
| <input type="checkbox"/> Agencies (specify)   | <input type="checkbox"/> Commercial paper |
| <input type="checkbox"/> Bank CDs             | <input type="checkbox"/> S & L CDs        |
| <input type="checkbox"/> Instrumentalities    | <input type="checkbox"/> Other (specify)  |

11. Identify all personnel who will be trading with or quoting securities to our government's employees. Please indicate which agents of your firm's local offices currently are licensed, certified or registered and by whom.

Name: \_\_\_\_\_ Licensed Yes or No \_\_\_\_\_

Title: \_\_\_\_\_ Phone number: \_\_\_\_\_

Email \_\_\_\_\_

Name: \_\_\_\_\_ Licensed Yes or No \_\_\_\_\_

Title: \_\_\_\_\_ Phone number: \_\_\_\_\_

Email \_\_\_\_\_

Name: \_\_\_\_\_ Licensed Yes or No \_\_\_\_\_

Title: \_\_\_\_\_ Phone number: \_\_\_\_\_

Email \_\_\_\_\_

**\*Attach resumes of all of the above persons. Include license information and employment background.**

12. Which of the above personnel have read our government's investment policies?

13. Please identify your public-sector clients in our geographical area who are most comparable to our government.

Entity: \_\_\_\_\_ Contact person: \_\_\_\_\_

Phone: \_\_\_\_\_ Client since: \_\_\_\_\_

Email: \_\_\_\_\_

Entity: \_\_\_\_\_ Contact person: \_\_\_\_\_

Phone: \_\_\_\_\_ Client since: \_\_\_\_\_

Email: \_\_\_\_\_

Entity: \_\_\_\_\_ Contact person: \_\_\_\_\_

Phone: \_\_\_\_\_ Client since: \_\_\_\_\_

Email: \_\_\_\_\_

14. Have any of your public-sector clients ever sustained a loss on a securities transaction arising from a misunderstanding or misrepresentation of the risk characteristics of the instrument? If so, explain.
15. Have any of your public-sector clients ever reported to your firm, its officers, or employees, orally or in writing, that they sustained a loss (in a single year) exceeding 10 percent of original purchase price on any individual security purchased through your firm? If so, explain.
16. Has your firm ever been subject to a regulatory or state or federal agency investigation for alleged improper, fraudulent, disreputable or unfair activities related to the sale of government securities or money market instruments? Have any of your employees ever been so investigated? Explain.
17. Please explain your normal custody and delivery process. Who audits these fiduciary systems?
18. Please provide certified financial statements and other indicators regarding your firm's capitalization.
19. Describe the capital line and trading limits that support/limit the office that would conduct business with our government.
20. Do you participate in the SIPC (Securities Investor Protection Corporation) insurance program? If not, explain why.
21. Has your firm consistently complied with the Federal Reserve Bank's capital adequacy guidelines? As of this date, does your firm comply with the guidelines? Has your capital position ever fallen short? By what factor (1.5x, 2x, etc.) Does your firm presently



**CITY OF LEAGUE CITY  
INVESTMENT POLICY AFFIDAVIT**

Name of Organization: \_\_\_\_\_

Address: \_\_\_\_\_

Telephone #: (     ) \_\_\_\_\_ Fax #: (     ) \_\_\_\_\_

Email: \_\_\_\_\_

I hereby certify that I am the qualified representative as defined in Section 2256.002(10) of the Act of the above named business organization seeking to sell an authorized investment to the City of League City, Texas.

I have received and have thoroughly reviewed the City of League City Investment Policy.

I acknowledge that the above named business organization of which I am a qualified representative has implemented reasonable procedures and controls in an effort to preclude investment transactions conducted between the City of League City and the organization that are not authorized by the entity's investment policy, except to the extent that this authorization is dependent on an analysis of the makeup of the entity's entire portfolio or requires an interpretation of subjective investment standards..

I acknowledge that this instrument is transacted to comply with Chapter 2256, Government Code.

Signed this \_\_\_\_\_ day of \_\_\_\_\_ 20 \_\_\_\_\_

Name \_\_\_\_\_

Title \_\_\_\_\_