CAMINO REAL REGIONAL MOBILITY AUTHORITY
BOARD RESOLUTION

WHEREAS, the City of El Paso (City), as the petitioning entity for the Camino Real Regional Mobility Authority (CRRMA), acts as the Fiscal Agent of the CRRMA and under such authority manages and invests the funds of the CRRMA; and

WHEREAS, the City and CRRMA intend for the City, as Fiscal Agent to the CRRMA, to continue to manage and invest CRRMA funds and the CRRMA therefore desires to adopt the City's recently adopted Investment Policy as the investment policy of the CRRMA, pursuant to and in accordance with the Texas Public Funds Investment Act, including Section 2256.005 of the Texas Government Code; and

WHEREAS, the CRRMA is subject to the Texas Public Funds Investment Act (TPFIA), which includes Section 2256.005 that requires the designation of an officer or employee as the Investment Officer to be responsible for the investment of its funds consistent with the investment policy adopted by the CRRMA; and

WHEREAS, the TPFIA also includes Section 2256.008, which requires the CRRMA's Investment Officer to attend training from an independent source approved by the CRRMA Board.

NOW, THEREFORE, BE IT RESOLVED BY THE CAMINO REAL REGIONAL MOBILITY AUTHORITY:

THAT, except as modified by this Board Resolution, the CRRMA hereby adopts the City of El Paso's Investment Policy dated August 2021, which is attached hereto as **ATTACHMENT 1** to this Board Resolution, as the investment policy of the CRRMA, in accordance with the Texas Public Funds Investment Act;

THAT for the sole purposes of interpretation and application of the City's Investment Policy, the CRRMA shall be treated as a division of the City of El Paso and the City of El Paso's management and investment of CRRMA funds shall be done in accordance with the Investment Policy adopted by this Board Resolution;

THAT, the CRRMA has reviewed the Investment Policy and investment strategies and that the written instrument so adopted records any changes; and

THAT, the CRRMA Board hereby designates Robert Studer as the CRRMA's Investment Officer, pursuant to the Texas Public Funds Investment Act; and

THAT, the CRRMA Board further authorizes its Investment Officer to complete the training required by the Texas Public Funds Investment Act from an independent source certified to provide such training, as approved or endorsed by either the University of North Texas Center

for Public Management, the Government Finance Officers Association of Texas, the Government Treasurers Organization of Texas, the Texas Municipal League, or the North Central Texas Council of Governments.

PASSED AND APPROVED THIS 10TH DAY OF AUGUST 2022.

CAMINO REAL REGIONAL MOBILITY AUTHORITY

Joyce A. Wilson, Chair

ATTEST:

Dorothy M. (Sissy) Byrd, Board Secretary

APPROVED AS TO CONTENT:

Raymond L. Telles
Executive Director

ATTACHMENT 1

CITY OF EL PASO INVESTMENT POLICY
DATED AUGUST 2021

RESOLUTION

WHEREAS, pursuant to Section 2256.005 of the Texas Government Code, the City is required to review its Investment Policy on an annual basis; and

WHEREAS, the City has reviewed its Investment Policy and as a result of such review desires to restate and amend the City's Investment Policy.

NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF EL PASO:

That the City hereby adopts the restated and amended City of El Paso FY2022 Investment Policy, which is attached hereto as **Exhibit "A"** and incorporated herein by reference.

ADOPTED this 31st day of August, 2021.

CITY OF EL PASO:

Oscar Leeser
Mayor

ATTEST:

Laura D. Prine
City Clerk

APPROVED AS TO FORM:

Juan S. Gonzalez
Senior Assistant City Attorney

APPROVED AS TO CONTENT:

Margarita Munoz, Comptroller
Office of the Comptroller

EXHIBIT "A"

City of El Paso

Investment Policy

August 2021

Prepared by:
Office of the Comptroller
Treasury Division

Previous Revision September 2020

The mission of the Office of the Comptroller is to provide fiscal management and financial reporting, administer treasury services and provide grant accounting information to City Management and elected officials so that they can make informed decisions regarding the provisions of City services.

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The City of El Paso

Investment Policy

1 - POLICY

It is the policy of the City of El Paso, Texas (the "City") to: (i) invest public funds in a manner which will provide maximum safety of principal and liquidity; (ii) provide the highest possible investment return; (iii) meet the daily cash flow demands of the City; and (iv) comply with the Texas Public Funds Investment Act of 1995, as may be amended ("TPFIA") and local ordinances and resolutions governing the investment of the City's public funds. Definitions and terms contained herein are defined in Section 2256.002 of TPFIA.

2 - SCOPE

The City of El Paso Investment Policy (this "Investment Policy") applies to all cash assets of the City as reported in the City's Comprehensive Annual Financial Report except for those funds of the Public Employees Retirement System (PERS) and component units which are governed by other laws, statutes, and ordinances. Except for cash in certain restricted and special funds, the City will consolidate cash and reserve balances from all funds to maximize investment earnings and to increase efficiencies with regard to investment pricing, safekeeping and administration. The City's Investment Strategy is attached as Exhibit "A" and is incorporated for all applicable purposes by reference herein. Investment income will be allocated in accordance with the City's strategy for allocating interest to participating funds as set forth in Appendix "1" to Exhibit "A."

The fund types covered by this Investment Policy are accounted for in the books and records of the City and are as follows:

a. General Fund (which includes the Cash Reserve Fund);

b. Special Revenue Funds;

c. Capital Projects Funds;

d. Debt Service Fund;

e. Enterprise Funds;

f. Internal Service Funds

g. Fiduciary Funds

3 - GENERAL OBJECTIVES

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

3.1 - Preservation and Safety of Principal

Preservation and safety of principal are the foremost objectives of the investment program. Investments of the City 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 risk and interest rate risk.

a. Credit risk. The City will minimize credit risk, which is the risk of loss due to the failure of the security issuer or backer, by:

(i) limiting investments to the types of securities listed in Section 6.0 of this Investment Policy;

(ii) pre-qualifying the financial institutions, broker/dealers, intermediaries, and advisers with which the City will do business in accordance with Section 5.0; and

(iii) diversifying the investment portfolio so that the impact of potential losses from any one type of security or from any one individual issuer will be minimized.

b. Interest rate risk. The City will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by:

(i) structuring the investment portfolio so that securities mature in a manner that cash requirements for ongoing operations will be met, thereby avoiding the need to sell securities on the open market prior to maturity; and

(ii) investing operating funds primarily in short-term securities, money market mutual funds, or similar investment pools and limiting the average maturity of the portfolio in accordance with Section 9.2.

3.2 - Liquidity

The City's investment portfolio will remain sufficiently liquid to enable the City to meet all operating requirements that might be reasonably anticipated. To a large extent, liquidity shall be determined by the flow of revenues and expenditures predicted by the Office of the Comptroller using cash flow projections and historical data. These cash flow projections shall be at least one (1) year in length.

3.3 - Yield

The City's investment portfolio shall be designed with the objective of attaining a rate of return/yield throughout budgetary and economic cycles, commensurate with the City's investment risk constraints and the cash flow characteristics of the portfolio. Return on investment is of secondary importance compared to the preservation and safety of principal and liquidity objectives described above. The City's core investments are limited to low risk securities in anticipation of earning a fair return relative to the risk being assumed. Securities shall generally be held until maturity unless otherwise deemed appropriate by the City Manager or his/her designee.

4 - STANDARDS OF CARE

4.1 - Delegation of Authority

The authority to manage the City's investment program is derived from the TPFIA, the El Paso City Charter, City Ordinances and Resolutions. The Chief Financial Officer, Comptroller, and Treasury Services Coordinator are designated as the Investment Officers who are responsible for investment transactions; provided, however, that in the event that any or all of the positions are or becomes vacant, the persons acting in such capacity shall be designated as an Investment Officer for the interim period. All investment procedures shall be in writing and approved by the Chief Financial Officer and the City Manager.

An Investment Committee shall be responsible for monitoring, reviewing, and making recommendations regarding the City's cash management and investment program. The Investment Committee will consist of the Chief Financial Officer, Comptroller, Treasury Services Coordinator, OMB Director, and the Chief Internal Auditor. The Investment Committee will report to the City Manager on at least a quarterly basis the activities of the City's investments.

The Comptroller will oversee the activities of the Treasury Division of the Office of the Comptroller Department, and if the Treasury Services Coordinator position is vacant, shall perform, or designate a person to perform, such duties on an interim basis. The Treasury Services Coordinator shall be responsible for the day-to-day financial transactions undertaken and shall establish a system of controls to regulate the activities of subordinate officials and staff. The Treasury Services Coordinator shall designate one or more staff as a pro tempore, acting in a limited capacity defined by the Treasury Services Coordinator, in the event circumstances require timely action and the Treasury Services Coordinator is not available.

No other officers or designees may engage in an investment or banking transaction except as provided under the terms of this Investment Policy and the procedures established.

4.2 - Prudence

The City's 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 safety of capital and the yield to be derived. The standard of care to be used by Investment Officers shall be said "prudent person" standard and shall be applied in the context of managing an overall portfolio and whether the investment decision was consistent with the written investment policy of the City.

4.3 - Training

The Investment Officer(s) shall attend at least one (1) training session from an independent source approved by City Council or a designated investment committee advising the Investment Officer(s) as provided for in this Investment Policy of the City and containing at least ten (10) hours of instruction relating to the officer's responsibilities under this Investment Policy and the TPFIA. Such training session shall be taken within twelve (12) months after the Investment Officer(s) takes office or assumes duties. The Investment Officer(s) shall attend an investment training session not less than once in each two-year period that begins on the first day of the City's fiscal year and consists of two consecutive fiscal years after that date and receive not less than ten (10) hours of instruction relating

to investment responsibilities under this Investment Policy and the TPFIA from an independent source approved by the City Council or a designated investment committee advising the Investment Officer as provided for in the investment policy of the City. This training must include education in investment controls, security risks, strategy risks, market risks, diversification of investment portfolio, and compliance with TPFIA.

4.4 - Ethics and Conflicts of Interest

Investment Officers involved in the investment process shall refrain from personal business activity that could conflict or be perceived to conflict with proper execution of the investment program, or that could impair their ability to make impartial investment decisions. An Investment Officer of the City who has a personal business relationship with a business organization offering to engage in an investment transaction with the City shall file a statement disclosing that personal business interest. An Investment Officer who is related within the second degree by affinity or consanguinity, as determined by Chapter 573 of the Texas Government Code, to an individual seeking to sell an investment to the City shall file a statement disclosing that relationship. A statement required under this Section 4.4 must be filed with the Texas Ethics Commission and the City Council. For purposes of this Section 4.4, an Investment Officer has a personal business relationship with a business if:

a. the Investment Officer owns ten percent (10%) or more of the voting stock or shares of the business organization or owns five thousand dollars ($5,000) or more of the fair market value of the business organization;

b. funds received by the Investment Officer from the business organization exceeds ten percent (10%) of the Investment Officer's gross income from the previous year; or

c. the Investment Officer has acquired from the business organization during the previous year investments with a book value of two thousand five hundred dollars ($2,500) or more for the personal account of the Investment Officer.

Investment Officers, not required by this Section 4.4 to file a disclosure statement, will file a statement with the City Clerk's Office announcing no potential conflicts.

5 – AUTHORIZED FINANCIAL INSTITUTIONS, DEPOSITORIES, AND BROKER/DEALERS

5.1 - Authorized Institutions

Financial institutions (i.e., banks, savings & loans, credit unions) and securities dealers (i.e., brokers, "primary" and "secondary" dealers) with an office located in the state of Texas (preferably El Paso, Texas) may become authorized to sell/purchase negotiable securities to/from the City. Repurchase Agreements may be entered into with primary securities dealers or financial institutions with offices in Texas.

5.2 - Selection

The Investment Committee and the City Manager shall at least annually, review, revise, and adopt a list of qualified financial institutions and securities dealers that are authorized to engage in investment

transactions with the City. Additional financial institutions and securities dealers may be added on a quarterly basis after Investment Committee approval.

5.3 - List of Authorized Institutions

The Treasury Services Coordinator shall maintain an updated list of financial institutions authorized to provide investment services as well as a list of approved security broker/dealers selected by credit worthiness, who maintain an office in the State of Texas. These may include primary dealers, depository banks, or regional dealers that qualify under Securities and Exchange Commission Rule 15C3-1 (Uniform Net Capital Rule).

5.4 - Competition

Bids for investments will be solicited by the Treasury Services Coordinator, as deemed necessary and approved by the Investment Committee, from the approved list of authorized institutions using a competitive bid process in a format designed by the Investment Officer(s). The City's depository bank, once selected, may compete for City investments through the competitive bid process established. Bids for investments may be solicited orally, in writing, electronically, or a combination of these methods. Rate of return will be considered the primary factor when selecting a particular bid. The secondary factor will be location of office, preferably within El Paso, Texas.

5.5 - Requisite Information

All business organizations that desire to become qualified bidders for investment transactions must supply the Investment Officer(s) with the following:

a. audited financial statements;

b. proof of National Association of Securities Dealers certification;

c. trading resolution; and

d. proof of state registration

5.6 - Audited Financials

Current audited financial statements are required to be on file for each financial institution and broker/dealer with which the City invests.

5.7 - Receipt of Investment Policy

A written copy of this Investment Policy shall be presented to any business organization offering to engage in an investment transaction with the City. For purposes of this subsection, "business organization" means an investment pool or investment management firm under contract with the City to invest or manage the City's investment portfolio that has accepted authority granted by the City under the contract to exercise investment discretion in regards to investing the City's funds. The qualified representative of the business organization offering to engage in an investment transaction with the City shall execute a written instrument in a form acceptable to the City stating that the organization has received and reviewed the City's Investment Policy, acknowledges that the business organization has implemented reasonable procedures and controls to preclude investment

transactions that are not authorized by the City's Investment Policy, except to the extent that this authorization:

a. is dependent on an analysis of the makeup of the entire portfolio;

b. requires an interpretation of subjective investment standards; or

c. relates to investment transactions of the City that are not made through accounts or contractual arrangements over which the business organization has accepted discretionary investment authority.

5.8 - Denial of Business

No investment business may be conducted with any business organization that has not complied with the certification identified in Section 5.7 above.

6 - AUTHORIZED INVESTMENTS

Except as otherwise provided hereinafter, the City may invest in the following types of securities:

6.1 - Obligations of, or Guaranteed by, Government Entities

a. The following investments are authorized:

(i) obligations, including letters of credit, of the United States or its agencies and instrumentalities, including Federal Home Loan Banks;

(ii) direct obligations of the State of Texas or its agencies and instrumentalities;

(iii) collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by the agency or instrumentality of the United States;

(iv) other obligations, the principal and interest of which are unconditionally guaranteed or 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, including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation or by the explicit full faith and credit of the United States;

(v) 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; and

(vi) interest-bearing banking deposits that are guaranteed or insured by (a) the Federal Deposit Insurance Corporation or its successors or (b) the National Credit Union Share Insurance Funds or its successor.

b. The following are NOT authorized investments under this Section 6.1:

(i) obligations whose payment represents the coupon payments on the outstanding principal balance of the underlying mortgage-backed security collateral and pays no principal;

(ii) obligations whose payment represents the principal stream of cash flow from the underlying mortgage-backed security collateral and bears no interest;

(iii) collateralized mortgage obligations which have a stated final maturity date of greater than ten (10) years; and

(iv) collateralized mortgage obligations the interest rate of which is determined by an index that adjusts opposite to changes in a market index.

6.2 - Certificates of Deposit and Share Certificates

a. A certificate of deposit or share certificate is an authorized investment under this Section 6.2 if the certificate is issued by a depository institution that has its main office or a branch office in the State of Texas and is:

(i) guaranteed or insured by the Federal Deposit Insurance Corporation or its successor or the National Credit Union Share Insurance Fund or its successor;

(ii) secured by obligations that are described by Section 6.1(a) herein above, including mortgage backed securities directly issued by a federal agency or instrumentality that have a market value of not less than the principal amount of the certificates, but excluding those mortgage backed securities of the nature described in Section 6.1(b); or

(iii) secured in any other manner and amount provided by law of deposits of the investing entity.

b. In addition to the authority to invest funds in certificates of deposit under Section 6.2(a), an investment in certificates of deposit made in accordance with the following conditions is an authorized investment:

(i) the funds are invested by the City through:

1. a broker that has its main office or a branch office in this state and is selected from a list adopted by the City in accordance with Section 5.2; or

2. a depository institution that has its main office or a branch office in this state and that is selected by the City;

(ii) the broker or the depository institution selected by the City arranges for the deposit of the funds in certificates of deposit in one or more federally insured depository institutions, wherever located, for the account of the City;

(iii) the full amount of the principal and accrued interest of each of the certificates of deposit is insured by the United States or an instrumentality of the United States; and

(iv) the City appoints the depository institution selected under Section 6.2(b)(i), a Custodian (as defined in Section 7.3) or a clearing broker/dealer registered with the Securities and Exchange Commission and operating pursuant to Securities and Exchange Commission Rule 15c3-3 as Custodian for the City with respect to the certificates of deposit issued for the account of the City.

6.3 - Repurchase Agreements

a. A fully collateralized repurchase agreement is an authorized investment if the repurchase agreement:

(i) has a defined termination date;

(ii) is secured by a combination of cash and obligations described in Section 6.1a(i) or 6.4;

(iii) requires the securities being purchased by the City or the cash held by the City to be pledged to the City, held in the City's name, and deposited at the time the investment is made with the City or with a third party selected and approved by the City; and

(iv) is placed through a primary government securities dealer, as defined by the Federal Reserve, or a financial institution doing business in Texas.

b. In this Section 6.3, "repurchase agreement" means a simultaneous agreement to buy, hold for a specified time, and sell back at a future date obligations described by Section 6.1a(i), at a market value at the time the funds are disbursed of not less than the principal amount of the funds disbursed. The term includes a direct security repurchase agreement and a reverse security repurchase agreement.

c. Notwithstanding any other law, the term of any reverse security repurchase agreement may not exceed ninety (90) days after the date the reverse security repurchase agreement is delivered.

d. Money received by the City under the terms of a reverse security repurchase agreement shall be used to acquire additional authorized investments, but the term of the authorized investments acquired must mature not later than the expiration date stated in the reverse security repurchase agreement.

e. The City in the proceedings to authorize obligations or a credit agreement, or in a credit agreement, may agree to waive sovereign immunity from suit or liability for the purpose of adjudicating a claim to enforce the credit agreement or obligation or for damages for breach of the credit agreement or obligation.

6.4 - Commercial Paper

a. Commercial paper is an authorized investment under this Section 6.4 if the commercial paper:

(i) has a stated maturity of 365 days or fewer from the date of its issuance; and

(ii) 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.

6.5 - Mutual Funds

a. A no-load money market mutual fund is an authorized investment under this Section 6.5 if the mutual fund:

(i) is registered with and regulated by the Securities and Exchange Commission;

(ii) provides the City with a prospectus and other information required by the Securities Exchange Act of 1934 (15 U.S.C. Section 78a et seq.) or the Investment Company Act of 1940 (15 U.S.C. Section 80a-1 et seq.);

(iii) complies with Securities Exchange Commission Rule 2a-7 (17 C.F.R. Section 270. 2a-7), promulgated under the Investment Company Act of 1940 (15 U.S.C. Section 80a-1 et seq.)

b. In addition to a no-load money market mutual fund permitted as an authorized investment in Section 6.5a., a no-load mutual fund is an authorized investment under this Section 6.5, if the mutual fund:

(i) is registered with the Securities and Exchange Commission;

(ii) has an average weighted maturity of less than two (2) years; and

(iii) either:

1. has a duration of one year or more and is invested exclusively in obligations approved by this Section 6.5; or

2. has a duration of less than one year and the investment portfolio is limited to investment grade securities, excluding asset-backed securities

c. The City is not authorized by this Section 6.5 to:

(i) invest in the aggregate more than fifteen percent (15%) of its monthly average fund balance, excluding bond proceeds and reserves and other funds held for debt service, in mutual funds described in Section 6.5b.;

(ii) invest any portion of bond proceeds, reserves and funds held for debt service, in mutual funds described in Section 6.5b.; or

(iii) invest its funds or funds under its control, including bond proceeds and reserves and other funds held for debt service, in any one mutual fund described in subsection a. or b. in an amount that exceeds ten percent (10%) of the total assets of the mutual fund.

6.6 - Investment Pools

a. The City may invest its funds and funds under its control through an eligible investment pool if the City Council by rule, order, ordinance, or resolution, as appropriate, authorizes investment in the particular pool. An investment pool shall invest the funds it receives from the City in authorized investments permitted by Section 6.0. An investment pool may invest its funds in money market mutual funds to the extent permitted by and consistent with this Section 6.6 and the investment policies and objectives adopted by the investment pool.

b. To be eligible to receive funds from and invest funds on behalf of the City under this Section 6.6, an investment pool must furnish to the Investment Officer(s) or other authorized representative of the City, an offering circular or other similar disclosure instrument that contains, at a minimum, the following information:

(i) the types of investments in which money is allowed to be invested;

(ii) the maximum average dollar-weighted maturity allowed, based on the stated maturity date, of the pool;

(iii) the maximum stated maturity date any investment security within the portfolio has;

(iv) the objectives of the pool;

(v) the size of the pool;

(vi) the names of the members of the advisory board of the pool and the dates their terms expire;

(vii) the custodian bank that will safe keep the pool's assets;

(viii) whether the intent of the pool is to maintain a net asset value of one dollar and the risk of market price fluctuation;

(ix) whether the only source of payment is the assets of the pool at market value or whether there is a secondary source of payment, such as insurance or guarantees, and a description of the secondary source of payment;

(x) the name and address of the independent auditor of the pool;

(xi) the requirements to be satisfied for an entity to deposit funds in and withdraw funds from the pool and any deadlines or other operating policies required for the entity to invest funds in and withdraw funds from the pool;

(xii) the performance history of the pool, including yield, average dollar-weighted maturities, and expense ratios; and

(xiii) the pool's policy regarding holding deposits in cash.

c. To maintain eligibility to receive funds from and invest funds on behalf of the City, an investment pool must furnish to the Investment Officer(s) or other authorized representative of the City:

(i) investment transaction confirmations; and

(ii) a monthly report that contains, at a minimum, the following information:

1. the types and percentage breakdown of securities in which the pool is invested;

2. the current average dollar-weighted maturity, based on the stated maturity date, of the pool;

3. the current percentage of the pool's portfolio in investments that have stated maturities of more than one (1) year;

4. the book value versus the market value of the pool's portfolio, using amortized cost valuation;

5. the size of the pool;

6. the number of participants in the pool;

7. the custodian bank that is safekeeping the assets of the pool;

8. listing of daily transaction activity of the entity participating in the pool;

9. the yield and expense ratio of the pool, including a statement regarding how yield is calculated;

10. the portfolio managers of the pool; and

11. any changes or addenda to the offering circular.

d. The City by contract may delegate to an investment pool the authority to hold legal title as custodian of investments purchased with its local funds.

e. In this Section 6.6, for purposes of an investment pool for which a $1.00 net asset value is maintained, "yield" shall be calculated in accordance with regulations governing the registration of open-end management investment companies under the Investment Company Act of 1940, as promulgated from time to time by the federal Securities and Exchange Commission.

f. To be eligible to receive funds from and invest funds on behalf of the City, a public funds investment pool that uses amortized cost or fair value accounting must mark its portfolio to market daily, and, to the extent reasonably possible, stabilize at a one dollar ($1.00) net asset value, when rounded and expressed to two decimal places. If the ratio of the market value of the portfolio divided by the book value of the portfolio is less than 0.995 or greater than 1.005, the governing body of the public funds investment pool shall take action as the body determines necessary to eliminate or reduce to the extent reasonably practicable any dilution or unfair result to existing participants, including a sale of portfolio holdings to attempt to maintain the ratio between 0.995 and 1.005. In addition to the requirements of its investment policy and any other forms of reporting, a public funds investment pool that uses amortized cost shall report yield to its investors in accordance with regulations of the federal Securities and Exchange Commission applicable to reporting by money market funds.

g. To be eligible to receive funds from and invest funds on behalf of the City, a public funds investment pool must have an advisory board composed:

(i) equally of participants in the pool and other persons who do not have a business relationship with the pool and are qualified to advise the pool, for a public funds investment pool created under Chapter 791 of the Government Code and managed by a state agency; or

(ii) of participants in the pool and other persons who do not have a business relationship with the pool and are qualified to advise the pool, for other investment pools.

h. To maintain eligibility to receive funds from and invest funds on behalf of the City, an investment pool must be continuously rated no lower than AAA or AAA-m or at an equivalent rating by at least one nationally recognized rating service.

i. If the investment pool operates an Internet website, the information in a disclosure instrument or report described in Sections 6.6(b), (c)(ii), and (f) must be posted on the website.

j. To maintain eligibility to receive funds from and invest funds on behalf of an entity under this Section 6.6, an investment pool must make available to the City an annual audited financial statement of the investment pool in which the City has funds invested.

k. If an investment pool offers fee breakpoints based on fund balances invested, the investment pool in advertising investment rates must include either all levels of return based on the breakpoints provided or state the lowest possible level of return based on the smallest level of funds invested.

7 - COLLATERALIZATION/LIMITS/CUSTODY

7.1 - Collateralization

Collateralization will be required for deposits of public funds in demand deposit accounts, certificates of deposit, and repurchase agreements. In accordance with Texas Government Code Chapter 2257.022 "Amount of Collateral", the total value of eligible security to secure a deposit of public funds must be in an amount not less than the amount of the deposit of public funds:

a. Increased by the amount of any accrued interest; and

b. Reduced to the total extent that the United States or an instrumentality of the United States insures the deposit.

Collateralization % coverage will be outlined in the Collateral Agreement as part of the City's Depository Agreement Contract with the awarded Banking Institution. All other on demand deposit accounts that are not included in the City's Depository Agreement Contract will be required to adhere to the collateralization % coverage stated in the awarded depository contract.

7.2 - Limits

The City chooses to limit the type of collateral required to the eligible security instruments identified in Section 6.1 hereinabove.

7.3 - Custody

Collateral will always be held by an independent third party Custodian with whom the City has a current custodial agreement. A clearly marked evidence of ownership (e.g., safekeeping receipt) must be supplied to the City and retained. The right of collateral substitution may be granted to the Custodian with prior written approval of the Investment Officer(s).

The Custodian shall be approved by the City and be:

a. a state or national bank that is designated by the State Comptroller as a State depository and has its main office or branch office in the State of Texas and has a capital stock and permanent surplus of $5 million or more;

b. the Texas Treasury Safekeeping Trust Company;

c. a Federal Reserve Bank or a branch of the Federal Reserve Bank; or

d. a federal home loan bank.

e. a financial institution authorized to exercise fiduciary powers and that is designed by the State Comptroller as a custodian pursuant to Government Code 404.031(e)

8 - SAFEKEEPING AND CUSTODY

8.1 - Delivery vs. Payment

All security transactions, including collateral for repurchase agreements, entered into by the City shall be conducted on a delivery-versus-payment (DVP) basis to ensure that securities are deposited in an eligible financial institution prior to the release of funds.

8.2 - Safekeeping

Securities will be held by a third party custodian designated by the Treasury Services Coordinator as evidenced by safekeeping receipts in the City's name. The safekeeping institution shall provide, annually, a copy of their most recent report on internal controls (Reporting on Controls at a Service Organization as per Statement on Standards for Attestation Engagements No. 16, or SSAE 16 issued by the American Institutes of Certified Public Accountants or AICPA).

8.3 - Electronic Funds Transfer

The City may use electronic means to transfer or invest all funds collected or controlled by the City.

9 - INVESTMENT PARAMETERS

9.1 - Portfolio Diversification

Risk of principal loss in the portfolio as a whole shall be minimized by diversifying investment types according to the following limitations:

Investment Type	% of Portfolio
U.S. Treasury Notes/Bonds/Bills	100%
Local Government Investment Pools	80%
U.S. Agencies	75%
Municipal Bonds	75%
Certificates of Deposit	50%
Repurchase Agreements	50%
Money Market Mutual Funds	15%
Commercial Paper	15%
Share Certificates	5%

This Investment Policy incorporates the City's Investment Strategy and as such, will allow for diversification of investments to the extent practicable considering yield, collateralization, investment costs, and available bidders. Diversification by investment institutions shall be determined by an

analysis of yield, collateralization, investment costs, and available bidders. Diversification by types of securities and maturities may be as allowed by this Investment Policy and the TPFIA.

9.2 - Maximum Maturities

To the extent possible, the City will attempt to match its investments with anticipated cash flow requirements. However, the maximum maturities for any single investment shall not exceed three (3) years. The maximum dollar-weighted average maturity for the City's overall investment portfolio will not exceed two (2) years.

9.3 - Effect of Loss of Required Rating

This Investment Policy requires certain minimum ratings of certain investments. At least weekly, the Treasury Services Coordinator will review the ratings of each of the investments in the City's portfolio that require a minimum rating and will notify the Investment Committee of any negative changes. In the event an investment does not meet that minimum rating during the period that the investment is being held by the City, that investment does not qualify as an authorized investment. The City shall take all prudent measures that are consistent with this Investment Policy to liquidate an investment that does not have the minimum rating.

9.4 – Divestiture of Unauthorized Investments

In the event that the City assumes possession of investments not authorized by this Investment Policy, whether as the result of a donation, the settlement of an obligation to the City, or as a result of any other circumstance, transaction, or event, the City's Investment Officers shall proceed with the orderly liquidation of such investments. The proceeds from such liquidation will be recorded in the books and records of the City in accordance with the City's policy or policies corresponding to the original purpose related to the receipt of the unauthorized investment.

9.5 – Investment of Bond Proceeds and Pledged Revenue

a. In this section, "pledged revenue" means money pledged to the payment of or as security for:

(i) Bonds or other indebtedness issued by the City

(ii) Obligations under a lease, installment sale, or other agreement of the City; or

(iii) Certificates of Participation in a debt or obligation described by subdivision (i) or (ii)

b. The Investment Officer or Officers may invest bond proceeds or pledged revenue only to the extent permitted by Section 2256.0208 of the TPFIA in accordance with:

(i) Statutory provisions governing the debt issuance or the agreement, as applicable; and

(ii) The City's Debt Policy regarding the debt issuance or the agreement, as applicable

10 - MONITORING AND REPORTING

10.1 - Content of Report

The Investment Officer(s) shall submit, not less than quarterly, a report to the City Manager, Mayor and City Council, with a copy provided to the City Clerk. Said report shall:

a. describe in detail the investment position of the City on the date of the report;

b. be prepared jointly by all Investment Officers of the City;

c. be signed by each Investment Officer of the City (signatures may be electronic if such method is deemed most prudent by the Investment Officers given then current circumstances and events);

d. contain a summary statement of each pooled fund group that states the:

(i) beginning market value for the reporting period;

(ii) ending market value for the period; and

(iii) fully accrued interest for the reporting period;

e. state the book value and market value of each separately invested asset at the end of the reporting period by the type of asset and fund type invested;

f. state the maturity date of each separately invested asset that has a maturity date;

g. state the account or fund or pooled group fund in the City for which each individual investment was acquired; and

h. state the compliance of the investment portfolio of the City as it relates to:

(i) the Investment Strategy expressed in the City's investment policy; and

(ii) relevant provisions of Chapter 2256 of the Government Code.

i. be submitted within forty-five (45) days after the end of the period.

10.2 - Annual Audit

If the City invests in other than money market mutual funds, investment pools or accounts offered by its depository bank in the form of certificates of deposit, or money market accounts or similar accounts, the reports prepared by the Investment Officer(s) under this Section 10.0 shall be formally reviewed at least annually by an independent external auditor, and the result of the review shall be reported to the City Council by that auditor.

10.3 - Compliance Audit

In conjunction with the City's annual financial audit, the external auditor shall perform a compliance audit of management controls on investments and adherence to the City's established investment policy. This audit shall provide reasonable assurance that assets are safeguarded against loss from unauthorized use or disposition and that those transactions are executed in compliance with policies and procedures established by this Investment Policy.

10.4 – Market Price monitoring

Independent market pricing will be gathered at least monthly by the Treasury Services Coordinator. The market value and any unrealized gain or loss of the City's portfolio will be calculated on at least the same frequency.

11 - INVESTMENT POLICY ADOPTION

This Investment Policy is intended to amend and restate the existing City Investment Policy. The City's Investment Policy shall be reviewed and adopted annually by resolution of the City Council. Any modifications must first be approved by the Investment Committee and City Manager; secondly, be approved and recommended to City Council for approval by the City's Financial Oversight and Audit Committee that is assigned oversight of financial matters, and subsequently adopted by City Council.

EXHIBIT A - INVESTMENT STRATEGY

The City's investment strategy establishes the investment objectives of each of the fund types identified in the City's Investment Policy based on the needs and characteristics of each of the funds. These encompass the following criteria in order of importance:

a. understanding of the suitability of the investment to the financial requirements of the entity;

b. preservation and safety of principal;

c. liquidity;

d. marketability of the investment if the need arises to liquidate the investment before maturity;

e. diversification of the investment portfolio; and

f. yield.

The City is not in the investment business as a primary means of earning revenue. Therefore, the City will not participate in active buy/sell management of the portfolio. The Investment Officer(s) will invest for specific maturities to meet the cash needs of the City. The cash available and the cash requirements for the City will be determined on a day-to-day basis by the Office of the Comptroller Department and reported to the Investment Officer(s). Cash required within ten (10) days will be invested in overnight repurchase agreements, an approved mutual fund, or an approved investment pool in order to assure immediate liquidity. Interest earned on "overnight" investments listed above will be included in the total of interest revenue to be allocated to those primary funds having both an investable equity in pooled cash and a right to earn interest based on the City's Investment Policy. To enhance liquidity, investments will be purchased but not individually or formally associated with a specific primary fund's equity in pooled cash. Any cash in excess of immediate needs (more than 10 days) will be invested in longer term investments based on the needs and restrictions associated with specific fund's equity in pooled cash, and upon prudent consideration of current market yields and trends. Interest revenue will be allocated to those funds designated by this policy based on the allocation strategy at Appendix 1 to this Exhibit.

SPECIFIC CITY FUNDS

a. General Fund

The General Fund is the primary operating fund of the City in which most activity occurs. Cash requirements are large and immediate. Investments will be made with highly liquid instruments to mature on specific dates particularly to meet payroll requirements. These investments will most frequently be of durations of less than six (6) months. Specific investments identified as appropriate are, but not limited to, U.S Treasury bills, U.S. Treasury notes, repurchase agreements, certificates of deposit, and investments in mutual funds. Cash reserves in the General Fund are established by Section 7.4 of the City Charter and are to be maintained in an amount no less than five percent (5%) of the prior year's adopted general fund operating expenditure budget. The interest on this cash reserve shall be transferred to the City's Capital Acquisition Sub fund that is a definable component

of the Capital Project Fund. This cash reserve is also available for short-term lending to other funds of the City for periods not greater than one (1) year. For emergency liquidity purposes, up to twenty-five percent (25%) of the cash reserve shall be in investments with maturities no greater than one (1) year. Specific investments identified as appropriate for maturities no greater than one (1) year are, but not limited to, treasury bills, treasury notes, repurchase agreements, certificates of deposits, and mutual funds. The remaining seventy-five (75%) of the fund shall be in investments with maturities greater than one (1) year. In order to maximize yield, these investments may be in treasury bonds. If funds lent from this fund earn interest in another fund, the interest shall be transferred to the cash reserve balance, and then transferred to the City's Capital Acquisition Sub fund.

b. Special Revenue Funds

Special Revenue Funds are used to fund special operating accounts and finance capital projects and include but are not limited to, projects funded by Federal and State grants. There will rarely be an investable equity balance in these funds. However, should the nature of the grants provide for "up front" funding and require allocation of interest income to the cash balances in the grants, specific investments identified as appropriate are the same as those identified above for the General Fund.

c. Capital Projects Funds

Capital Projects Funds are generally funded by debt instruments and other revenue sources issued or obtained by the City. Investment activity for each debt instrument may be segregated if required by law to determine if any arbitrage rebate liability may exist. Investments will be based on cash flow estimates recommended by the City's Capital Improvement Plan Director, with the approval of the Chief Financial Officer. Based on these approved recommendations, the Chief Financial Officer will estimate cash requirements and maturities for each project. The Investment Officers will then make investments to meet the cash flow requirements for each project. Interest earnings first will be recorded in the Capital Projects Fund. If interest proceeds remain in the Capital Projects funds after the project(s) is completed, these proceeds may be transferred to the Debt Service Fund to extinguish the debt whose proceeds are being invested in accordance with bond covenants. Specific investments identified as appropriate are, but not limited to, treasury bills, treasury notes, repurchase agreements, certificates of deposit, mutual funds, investment pools, and treasury bonds.

d. Debt Service Fund

A Debt Service Fund is established by the City to record revenues and expenditures related to the extinguishment of the debt through timely payment of principal and interest. The primary source of money is from property taxes and specifically pledged revenues. Investments will have a maturity of no more than one (1) year in order to meet the periodic payments as required. Specific investments identified as appropriate are, but not limited to, investment pools, mutual funds, treasury bonds, treasury bills, and certificates of deposit.

e. Enterprise Funds

Enterprise Funds are for the operational and capital needs of the El Paso International Airport (except the Passenger Facility Charge), the Mass Transit Department (Sun Metro), the International Bridges, Tax Office and Environmental Services Department. Investments may be of longer maturities based on projected cash flow requirements. Specific investments identified as appropriate are, but not limited to, investment pools, mutual funds, treasury bonds, treasury bills, and certificates of deposit.

f. Internal Service Funds

Internal Service Funds are extensions of the General Fund which are to be operated with minimal cash reserves for exigencies and, therefore, should have minimal cash balances. An Internal Service Fund that accumulates and maintains a positive cash balance in excess of One Hundred Thousand Dollars ($100,000) will be allocated investment earnings.

g. Fiduciary Funds

Investments related to Fiduciary Funds will be made by the City as specified in the Fiduciary Fund's agreement, if applicable. Daily earnings on Fiduciary Funds will be credited to the General Fund to offset the cost of maintaining these funds.

APPENDIX 1 TO EXHIBIT A - STRATEGY FOR ALLOCATING INTEREST TO PARTICIPATING FUNDS

ALLOCATION OVERVIEW

Allocable interest income is the interest received for the period adjusted for accretion/amortization of investments purchased at a discount/premium as well as any bank charges incurred while pursuing a strategy of maximizing the yield on available cash. Allocable interest will be distributed ratably to particular funds based on the ratio of a fund's net pooled cash to the total net pooled cash of all participating funds. A participating fund is one that is eligible to earn interest revenue as discussed below because the fund maintains an overall positive net cash position for the period. The interest allocation is credited to the funds by a journal entry to debit Pooled Cash and credit Investment Interest Revenue.

For Enterprise Funds, "net cash" in pooled cash is the average daily balance maintained for the period by the combined Enterprise Funds by type. A fund's deficit in cash will be offset with its related funds' surpluses in cash. To the extent that there is an overall deficit for the combined funds the Enterprise Fund will be excluded from the interest allocation for that period.

FISCAL PROJECTS – DISCUSSION OF ELIGIBILITY TO PARTICIPATE IN THE ALLOCATION OF INTEREST

FUND	DISCUSSION
General Fund	All components of the General Fund group earn interest. The Cash Reserve fund earnings are transferred to the Capital Acquisitions fund in the Capital Projects group.
Capital Projects	All components of the Capital Projects group earn interest if the Capital Projects have sufficient cash balances to warrant allocation. If capital projects are funded with bonded debt whose covenants require interest earnings to be transferred to the Debt Service fund, investment revenue is recorded in Capital Projects and then transferred to Debt Service.
Internal Service	Components earn interest if the fund maintains a positive cash balance in excess of One Hundred Thousand Dollars ($100,000).
Special Revenue	Certain Special Revenue funds are eligible. Only those grants with covenants requiring allocation of interest earnings are eligible.
Agency Funds (unless specifically designated)	None are eligible to earn interest.
Regional Mobility Authority Fund	Eligible to earn interest until written notice is provided to the Camino Real Regional Mobility Authority as required by resolution dated June 19, 2007.
Debt Service	All are eligible to earn interest.
Enterprise Funds	All are eligible to earn interest except the Passenger Facility Charge monies in the Airport Enterprise fund which are kept separate in interest bearing accounts as mandated by Federal regulations.
Pension Funds	None are eligible to earn interest.
Component Units	None are eligible to earn interest.
Private-Purpose Trusts	Certain donations and bequests are eligible to earn interest.