



A G E N D A

City of Texarkana, Texas
Regular Meeting of the Investment Committee
Wednesday, August 5, 2015 at 2:00 P.M.
Municipal Building, 220 Texas Blvd., Texarkana, TX 75501

COMMITTEE MEMBERS

- Council Member (appointed by the Mayor) Bob Bruggeman, Mayor
- City CEO/Manager John Whitson (or designee) _____
- City CFO/Finance Director Charles L. Bassett, Jr.
- City Assistant CFO Kristin Peeples
- City Controller Jodie Lee
- WU Finance Director Jim Cornelius
- WU Accounting/Human Resources Manager Paula Jeans

OTHER ATTENDEES

- Investment Advisor - Valley View Consulting - Dick Long

A. CALL TO ORDER (General Comments)

B. MINUTES

1. Consider approval of the minutes of the Investment Committee meeting on May 4, 2015.

C. NEW BUSINESS

1. Receive a presentation of the Quarterly Investment Report for the period ending June 30, 2015, and take action as necessary.
2. Review the Collateral Report for the period ending June 30, 2015.
3. Execute Investment Report cover page.
4. Discuss the market outlook and appropriate investment strategy.
5. Discuss annual Investment Policy, B/D, and ITS review (October 2015)
6. Schedule the next Investment Committee meeting on 11/4/15.
7. Other.

D. ADJOURNMENT

Attachments:

- Minutes
- Investment Report
- Collateral Report
- Market Outlook
- Investment Policy
- Broker/Dealers & Investment Training Sources

City of Texarkana, Texas

QUARTERLY INVESTMENT REPORT

For the Quarter Ended
June 30, 2015

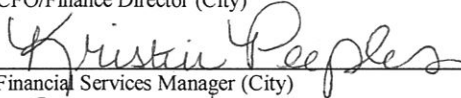
Prepared by

Valley View Consulting, L.L.C.

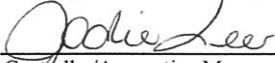
The investment portfolio of the City of Texarkana, TX is in compliance with the Public Funds Investment Act and the Investment Policy and Strategies.



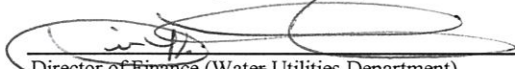
CFO/Finance Director (City)



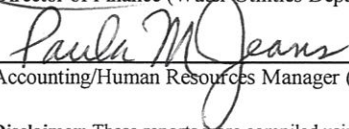
Financial Services Manager (City)



Controller/Accounting Manager (City)



Director of Finance (Water Utilities Department)



Accounting/Human Resources Manager (Water Utilities Department)

Disclaimer: These reports were compiled using information provided by the City. No procedures were performed to test the accuracy or completeness of this information. The market values included in these reports were obtained by Valley View Consulting, L.L.C. from sources believed to be accurate and represent proprietary valuation. Due to market fluctuations these levels are not necessarily reflective of current liquidation values. Yield calculations are not determined using standard performance formulas, are not representative of total return yields and do not account for investment advisor fees.

Investment Committee Meeting

May 4, 2015

Present: Charles L. Bassett, Jr., Chief Financial Officer
Jim Cornelius, Finance Director, TWU
John Whitson, City Manager
Kristin Peeples, Assistant Chief Financial Officer
Paula Jeans, Accounting/HR Manager, TWU
Jodie Lee, Controller
Bill Koch, Valley View Consulting (via conference call)
Dick Long, Valley View Consulting (via conference call)

Absent: Bob Bruggeman, Mayor

- Approved the minutes from the February 16, 2015 investment committee meeting. John Whitson made the motion to approve. Paula Jeans seconded the motion.
- Dick Long presented the investment report and market outlook for the quarter ended 3/31/15.
- All funds are collateralized above the required level at all banks.
- Valley View encouraged the City and Water Department to invest in CD's because they are yielding the best results and try to ladder out as much as possible.
- The City's portfolio is 80% MMA and 20% CD's. The Water Department portfolio is 81% MMA and 19% CD's.
- The committee decided to keep the collateral report in the investment packet.
- No further comments or questions from the committee.
- The next investment committee meeting is scheduled for August 5, 2015 at 2:00 PM.
- Jim Cornelius made the motion to adjourn the meeting. Kristin Peeples seconded the motion.

Strategy Summary:

The Federal Open Market Committee (FOMC) maintained the Fed Funds target range between 0.00% and 0.25% (actual Fed Funds traded +/-10 bps). The 2015 first quarter GDP was re-revised to -0.2%. The European Central Bank (ECB) Quantitative Easing plan continues. The June new payroll numbers recorded 223k with downward revisions of the previous two months. US stock markets maintained current levels. Greece debt default, and the referendum vote rejecting austerity plans, increased Euro uncertainty. Slower Chinese economic activity and stock market declines hamper long term outlooks. The FOMC met June 16 and 17 with no change in policy. With excess cash, continuing to ladder provides strategic advantage. Financial institution deposits generally provide the best interest earnings opportunity, if available.

City Funds		Asset Type	Ave. Yield	June 30, 2015		March 31, 2015	
				Book Value	Market Value	Book Value	Market Value
		DDA/MMA/Pools	0.28%	\$ 17,469,128	\$ 17,469,128	\$ 18,925,235	\$ 18,925,235
		CDs/Securities	0.73%	4,623,827	4,623,827	4,717,517	4,717,517
		Totals		\$ 22,092,955	\$ 22,092,955	\$ 23,642,752	\$ 23,642,752
		Total Portfolio Average	0.37%				
		Fiscal Year-to-Date Average Yield (2)	0.36%				
		Quarterly Interest Income	\$ 16,944				
		Year-to-date Interest Income	\$ 40,823				

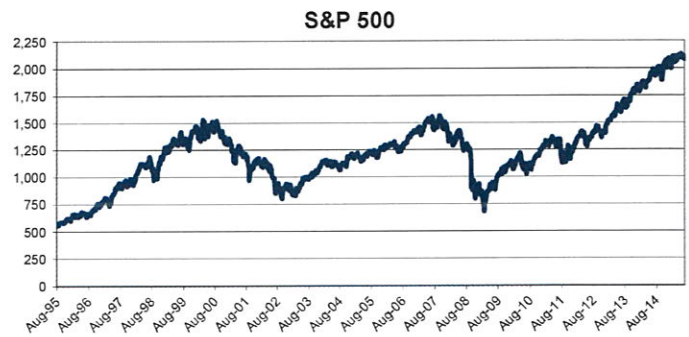
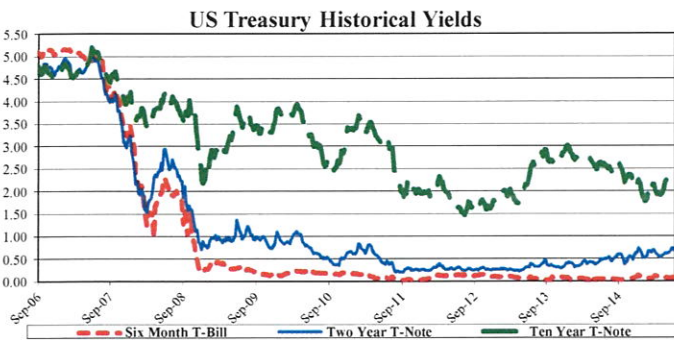
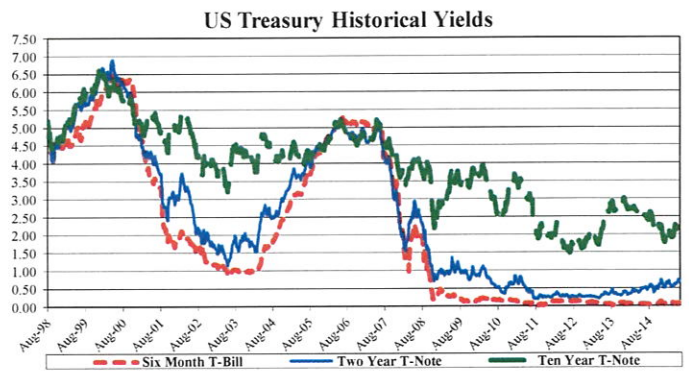
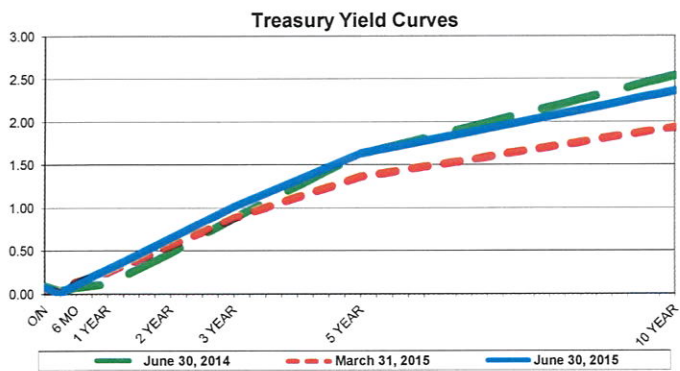
Water Utility		Asset Type	Ave. Yield	June 30, 2015		March 31, 2015	
				Book Value	Market Value	Book Value	Market Value
		DDA/MMA/Pools	0.36%	\$ 11,596,360	\$ 11,596,360	\$ 10,875,785	\$ 10,875,785
		CDs/Securities	0.79%	2,775,000	2,775,000	2,525,000	2,525,000
		Totals		\$ 14,371,360	\$ 14,371,360	\$ 13,400,785	\$ 13,400,785
		Total Portfolio Average	0.44%				
		Fiscal Year-to-Date Average Yield (2)	0.43%				
		Quarterly Interest Income	\$ 14,371				
		Year-to-date Interest Income	\$ 42,806				

	QTR		YTD
Rolling Three Mo. Treas. Yield	0.02%	Rolling Three Mo. Treas. Yield	0.02%
Rolling Six Mo. Treas. Yield	0.09%	Rolling Six Mo. Treas. Yield	0.08%
		Quarterly TexPool Yield	0.05%

(1) Average Yield calculated using quarter end report yields and adjusted book values and does not reflect a total return analysis or account for advisory fees.

(2) Fiscal Year-to-Date Average Yields calculated using quarter end report yields and adjusted book values and does not reflect a total return analysis or account for advisory fees.

Valley View Consulting, L.L.C. currently provides advisory services to the City.



Detail of Investment Holdings

June 30, 2015

City Funds

Description	Coupon/ Discount	Maturity Date	Settlement Date	Par Value	Book Value	Market Price	Market Value	Life (days)	Yield
Guaranty B&T MMA	0.30%	07/01/15	06/30/15	\$ 14,062,589	\$ 14,062,589	1.00	\$ 14,062,589	1	0.30%
Southside Bank MMA	0.20%	07/01/15	06/30/15	3,406,539	3,406,539	1.00	3,406,539	1	0.20%
Farmers Bank & Trust CD	0.30%	08/03/15	03/03/15	100,076	100,076	100.00	100,076	34	0.30%
Farmers Bank & Trust CD	0.30%	09/03/15	03/03/15	100,076	100,076	100.00	100,076	65	0.30%
Farmers Bank & Trust CD	0.30%	10/03/15	03/03/15	100,076	100,076	100.00	100,076	95	0.30%
Farmers Bank & Trust CD	0.30%	11/03/15	03/03/15	100,076	100,076	100.00	100,076	126	0.30%
Farmers Bank & Trust CD	0.40%	12/03/15	03/03/15	100,101	100,101	100.00	100,101	156	0.40%
Farmers Bank & Trust CD	0.40%	01/03/16	03/03/15	100,101	100,101	100.00	100,101	187	0.40%
Farmers Bank & Trust CD	0.50%	02/06/16	03/03/15	100,126	100,126	100.00	100,126	221	0.50%
Farmers Bank & Trust CD	0.90%	02/24/16	02/24/14	506,013	506,013	100.00	506,013	239	0.90%
Commercial National Bank CD	0.60%	05/05/16	05/06/15	400,000	400,000	100.00	400,000	310	0.60%
Commercial National Bank CD	0.70%	09/04/16	03/05/15	1,010,035	1,010,035	100.00	1,010,035	432	0.70%
Guaranty Bank & Trust CD	1.15%	09/15/16	09/15/14	504,313	504,313	100.00	504,313	443	1.15%
Commercial National Bank CD	0.75%	03/31/17	03/31/15	1,502,836	1,502,836	100.00	1,502,836	640	0.75%
				\$ 22,092,955	\$ 22,092,955		\$ 22,092,955	89	0.37%

Water Utility

Description	Coupon/ Discount	Maturity Date	Settlement Date	Par Value	Book Value	Market Price	Market Value	Life (days)	Yield
Wells Fargo MMA	0.41%	07/01/15	06/30/15	\$ 6,254,099	\$ 6,254,099	1.00	\$ 6,254,099	1	0.41%
Guaranty B&T MMA	0.30%	07/01/15	06/30/15	5,342,260	5,342,260	1.00	5,342,260	1	0.30%
Farmers Bank & Trust CD	0.90%	02/24/16	02/24/14	1,000,000	1,000,000	100.00	1,000,000	239	0.90%
Farmers Bank & Trust CD	0.90%	02/24/16	02/24/14	500,000	500,000	100.00	500,000	239	0.90%
Farmers Bank & Trust CD	0.70%	03/05/16	09/05/14	1,025,000	1,025,000	100.00	1,025,000	249	0.70%
Farmers Bank & Trust CD	0.50%	04/28/16	04/28/15	250,000	250,000	100.00	250,000	303	0.50%
				\$ 14,371,360	\$ 14,371,360		\$ 14,371,360	49	0.44%

Combined Portfolio

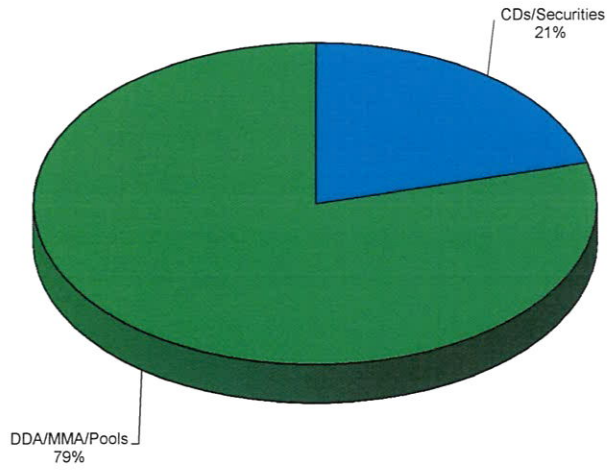
				\$ 36,464,315	\$ 36,464,315		\$ 36,464,315	73	0.40%
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(1) (2)

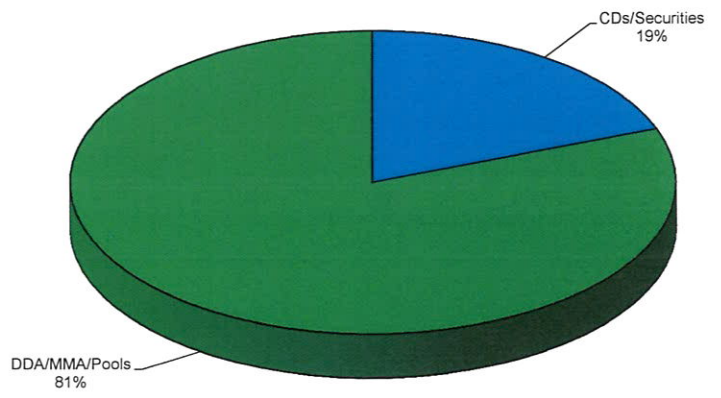
(1) **Weighted average life** - For purposes of calculating weighted average life, cash equivalent investments are assumed to have a one day maturity.

(2) **Weighted average yield to maturity** - The weighted average yield to maturity is based on adjusted book value, realized and unrealized gains/losses and investment advisory fees are not

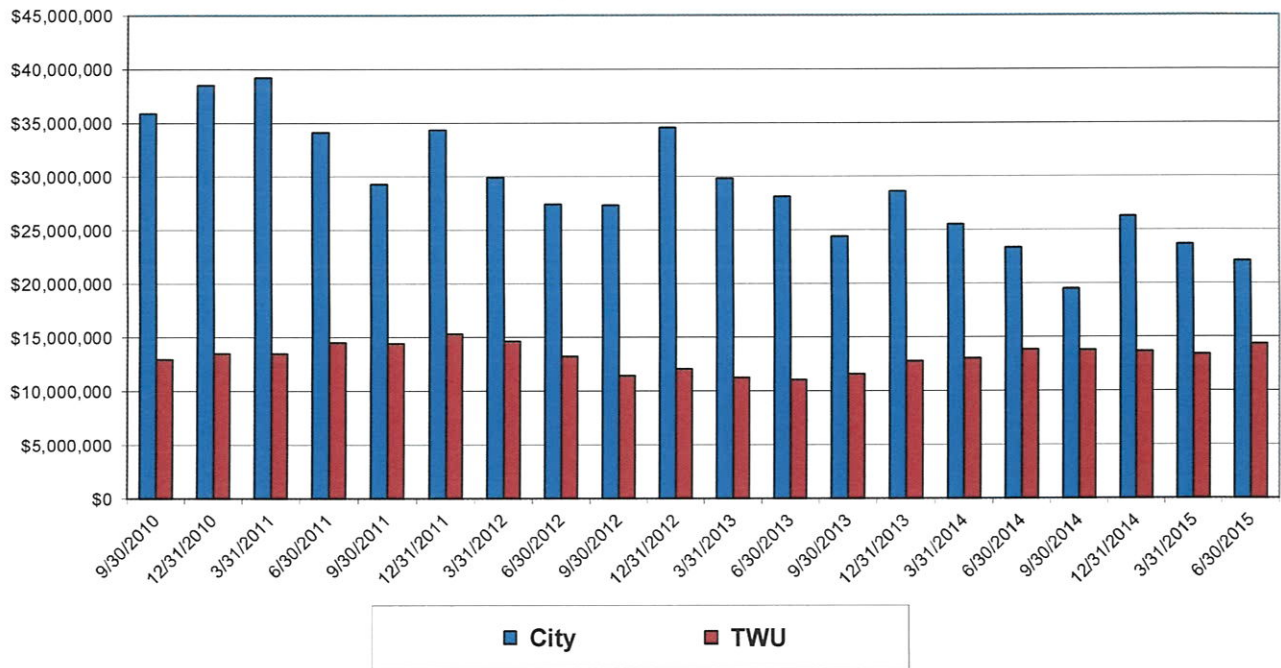
City Portfolio Composition



TWU Portfolio Composition



Quarter End Portfolio



Book Value Comparison

Description	Coupon/ Discount	Maturity Date	March 31, 2015		Purchases/ Adjustments	Sales/Adjust/ Maturities	June 30, 2015	
			Par Value	Book Value			Par Value	Book Value
Wells Fargo MMA	0.45%	07/01/15	\$ 6,247,608	\$ 6,247,608	\$ 6,492	\$ -	\$ 6,254,099	\$ 6,254,099
Guaranty B&T MMA	0.30%	07/01/15	18,222,299	18,222,299	1,182,550		19,404,849.54	19,404,850
Southside Bank MMA	0.20%	07/01/15	5,331,113	5,331,113		(1,924,574)	3,406,539	3,406,539
Farmers Bank & Trust CD	0.60%	05/01/15	502,273	502,273		(502,273)		
Farmers Bank & Trust CD	0.30%	08/03/15	100,000	100,000	76		100,076	100,076
Farmers Bank & Trust CD	0.30%	09/03/15	100,000	100,000	76		100,076	100,076
Farmers Bank & Trust CD	0.30%	10/03/15	100,000	100,000	76		100,076	100,076
Farmers Bank & Trust CD	0.30%	11/03/15	100,000	100,000	76		100,076	100,076
Farmers Bank & Trust CD	0.40%	12/03/15	100,000	100,000	101		100,101	100,101
Farmers Bank & Trust CD	0.40%	01/03/16	100,000	100,000	101		100,101	100,101
Farmers Bank & Trust CD	0.50%	02/06/16	100,000	100,000	126		100,126	100,126
Farmers Bank & Trust CD	0.90%	02/24/16	1,000,000	1,000,000			1,000,000	1,000,000
Farmers Bank & Trust CD	0.90%	02/24/16	504,133	504,133	1,880		506,013	506,013
Farmers Bank & Trust CD	0.90%	02/24/16	500,000	500,000			500,000	500,000
Farmers Bank & Trust CD	0.70%	03/05/16	1,025,000	1,025,000			1,025,000	1,025,000
Farmers Bank & Trust CD	0.50%	04/28/16			250,000		250,000	250,000
Farmers Bank & Trust CD	0.60%	05/05/16			400,000		400,000	400,000
Commercial National Bank CD	0.70%	09/04/16	1,008,256	1,008,256	1,779		1,010,035	1,010,035
Guaranty Bank & Trust CD	1.15%	09/15/16	502,855	502,855	1,458		504,313	504,313
Commercial National Bank CD	0.75%	03/31/17	1,500,000	1,500,000	2,836		1,502,836	1,502,836
TOTAL			\$ 37,043,537	\$ 37,043,537	\$ 1,847,624	\$ (2,426,847)	\$ 36,464,315	\$ 36,464,315

Market Value Comparison

Description	Coupon/ Discount	Maturity Date	March 31, 2015		Qtr to Qtr Change	June 30, 2015	
			Par Value	Market Value		Par Value	Market Value
Wells Fargo MMA	0.45%	07/01/15	\$ 6,247,608	\$ 6,247,608	\$ 6,492	\$ 6,254,099	\$ 6,254,099
Guaranty B&T MMA	0.30%	07/01/15	18,222,299	18,222,299	1,182,550	19,404,850	19,404,850
Southside Bank MMA	0.20%	07/01/15	5,331,113	5,331,113	(1,924,574)	3,406,539	3,406,539
Farmers Bank & Trust CD	0.60%	05/01/15	502,273	502,273	(502,273)		
Farmers Bank & Trust CD	0.30%	08/03/15	100,000	100,000	76	100,076	100,076
Farmers Bank & Trust CD	0.30%	09/03/15	100,000	100,000	76	100,076	100,076
Farmers Bank & Trust CD	0.30%	10/03/15	100,000	100,000	76	100,076	100,076
Farmers Bank & Trust CD	0.30%	11/03/15	100,000	100,000	76	100,076	100,076
Farmers Bank & Trust CD	0.40%	12/03/15	100,000	100,000	101	100,101	100,101
Farmers Bank & Trust CD	0.40%	01/03/16	100,000	100,000	101	100,101	100,101
Farmers Bank & Trust CD	0.50%	02/06/16	100,000	100,000	126	100,126	100,126
Farmers Bank & Trust CD	0.90%	02/24/16	1,000,000	1,000,000		1,000,000	1,000,000
Farmers Bank & Trust CD	0.90%	02/24/16	504,133	504,133	1,880	506,013	506,013
Farmers Bank & Trust CD	0.90%	02/24/16	500,000	500,000		500,000	500,000
Farmers Bank & Trust CD	0.70%	03/05/16	1,025,000	1,025,000		1,025,000	1,025,000
Farmers Bank & Trust CD	0.50%	04/28/16			250,000	250,000	250,000
Farmers Bank & Trust CD	0.60%	05/05/16			400,000	400,000	400,000
Commercial National Bank CD	0.70%	09/04/16	1,008,256	1,008,256	1,779	1,010,035	1,010,035
Guaranty Bank & Trust CD	1.15%	09/15/16	502,855	502,855	1,458	504,313	504,313
Commercial National Bank CD	0.75%	03/31/17	1,500,000	1,500,000	2,836	1,502,836	1,502,836
TOTAL			\$ 37,043,537	\$ 37,043,537	\$ (579,223)	\$ 36,464,315	\$ 36,464,315

City Fund Allocation
Book & Market Value

June 30, 2015

Fund #	Fund Name	Total	Guaranty Bond	Southside Bank MMA	0.30 Farmers	0.30 Farmers	0.30 Farmers	0.30 Farmers	0.40 Farmers
					B&T CD 3/3/15 - 8/3/15	B&T CD 3/3/15 - 9/3/15	B&T CD 3/3/15 - 10/3/15	B&T CD 3/3/15 - 11/3/15	B&T CD 3/3/15 - 12/3/15
101	GENERAL FUND - Pooled Cash	\$ 7,964,810	\$ 838,757	\$ 3,406,539	\$ 100,076	\$ 100,076	\$ 100,076	\$ 100,076	\$ 100,101
101	GENERAL FUND	3,812	3,812						
102	NARCOTICS DIVISION OPERATIONS	148,660	148,660						
103	PERSONNEL POLICY	474,213	474,213						
104	WORKER'S COMP	544,165	544,165						
107	COURT SECURITY FUND	325,175	325,175						
109	GENERAL PROPERTY & LIAB	173,305	173,305						
111	POLICE EVIDENCE ESCROW FUND	16,843	16,843						
113	ENERGY CONSERVATION REVOLVING LO,	29,633	29,633						
114	COURT TECHNOLOGY FUND	23,962	23,962						
115	TECHNOLOGY FUND	100,529	100,529						
116	TIRZ #1	576,721	576,721						
117	DONATION FUND	5,581	5,581						
118	TIRZ #2	10,100	10,100						
201	SUPPORTIVE HOUSING GRANT	2,937	2,937						
203	CDBG REVOLVING LOAN FUND	29,602	29,602						
204	HCD FUND	47,266	47,266						
206	EPA JOB TRAINING GRANT	1,971	1,971						
207	EPA REVOLVING LOAN GRANT	4,276	4,276						
208	EPA MULTI-PURPOSE GRANT	11,482	11,482						
209	HOME PROGRAM	37,284	37,284						
211	THEATRE FUND	105,579	105,579						
212	HOTEL/MOTEL TAX FD	375,985	375,985						
213	PEROT THEATRE BLDG MAINT	560,998	560,998						
215	HOUSING FUND	257,206	257,206						
217	LAW ENFORCEMENT BLOCK GRANT	48,896	48,896						
219	LAW ENFORCEMENT PROGRAM	18,772	18,772						
223	ECONOMIC DEVELOPMENT	1,157,640	653,327						
230	ROTARY SPLASH PARK FUND	79	79						
301	INTEREST & SINKING	667,648	667,648						
415	2003 BOND FUND	181,936	181,936						
417	2005 BOND FUND	725,565	725,565						
420	2009 BOND FUND	837,953	837,953						
422	TIRZ BOND FUND	2,876,734	2,876,734						
501	HEALTH FUND	251,830	251,830						
502	PUBLIC LIBRARY	40,507	40,507						
601	DRUG ESCROW	78,428	78,428						
605	FEDERAL ASSET FORFEITURE	101,856	101,856						
701	EMPLOYEE BENEFIT	800,342	800,342						
702	BENEFIT PAYMENT	997,096	997,096						
703	FLEET SERVICES	426,749	426,749						
704	CAPITAL REPLACEMENT	977,973	977,973						
810	MEMBER CITY WATER REVENUE	70,860	70,860						
TOTAL		\$ 22,092,955	\$ 14,062,589	\$ 3,406,539	\$ 100,076	\$ 100,076	\$ 100,076	\$ 100,076	\$ 100,101

City Fund Allocation
Book & Market Value

(Continued)

June 30, 2015

Fund #	Fund Name	0.40 Farmers	0.50 Farmers	0.90 Farmers	0.60 Farmers	0.70 Commercial	1.15 GB&T CD	0.75 Commercial
		B&T CD 3/3/15 - 1/3/16	B&T CD 3/3/15 - 2/6/16	B&T CD 2/24/14 - 2/24/16	B&T CD 5/6/15 - 5/5/16	Bank CD 3/5/15 - 9/4/16	9/15/14 - 9/15/16	Bank CD 3/31/15 - 3/31/17
101	GENERAL FUND - Pooled Cash	\$ 100,101	\$ 100,126	\$ 506,013	\$ -	\$ 1,010,035	\$ -	\$ 1,502,836
101	GENERAL FUND							
102	NARCOTICS DIVISION OPERATIONS							
103	PERSONNEL POLICY							
104	WORKER'S COMP							
107	COURT SECURITY FUND							
109	GENERAL PROPERTY & LIAB							
111	POLICE EVIDENCE ESCROW FUND							
113	ENERGY CONSERVATION REVOLVING LO,							
114	COURT TECHNOLOGY FUND							
115	TECHNOLOGY FUND							
116	TIRZ #1							
117	DONATION FUND							
118	TIRZ #2							
201	SUPPORTIVE HOUSING GRANT							
203	CDBG REVOLVING LOAN FUND							
204	HCD FUND							
206	EPA JOB TRAINING GRANT							
207	EPA REVOLVINGLOAN GRANT							
208	EPA MULTI-PURPOSE GRANT							
209	HOME PROGRAM							
211	THEATRE FUND							
212	HOTEL/MOTEL TAX FD							
213	PEROT THEATRE BLDG MAINT				400,000			
215	HOUSING FUND							
217	LAW ENFORCEMENT BLOCK GRANT							
219	LAW ENFORCEMENT PROGRAM							
223	ECONOMIC DEVELOPMENT						504,313	
230	ROTARY SPLASH PARK FUND							
301	INTEREST & SINKING							
415	2003 BOND FUND							
417	2005 BOND FUND							
420	2009 BOND FUND							
422	TIRZ BOND FUND							
501	HEALTH FUND							
502	PUBLIC LIBRARY							
601	DRUG ESCROW							
605	FEDERAL ASSET FORFEITURE							
701	EMPLOYEE BENEFIT							
702	BENEFIT PAYMENT							
703	FLEET SERVICES							
704	CAPITAL REPLACEMENT							
810	MEMBER CITY WATER REVENUE							
TOTAL		\$ 100,101	\$ 100,126	\$ 506,013	\$ 400,000	\$ 1,010,035	\$ 504,313	\$ 1,502,836

**Water Fund Allocation
June 30, 2015**

Fund Name	Total	Wells Fargo		0.90 Farmers		0.90 Farmers		0.70 Farmers		0.50 Farmers	
		MMA	Guaranty Bond MMA	Bank & Trust CD - 2/24/14 - 2/24/16	Bank & Trust CD - 2/24/14 - 2/24/16	Bank & Trust CD - 9/5/14 - 3/5/16	Bank & Trust CD - 4/28/15 - 4/28/16				
Revenue	\$ 992,735	\$ 10,139	\$ 982,597	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Customer Loan	40,006		40,006								
Water Plant Construction	45		45								
Technology	1,025,543		1,025,543								
2004 Bond	35,873		35,873								
2005 Bond	186,267		186,267								
2013 Bond	123,138		123,138								
2013 Construction	28,050		28,050								
LTWSC Capital Improvement	936,047	675,609	260,437								
Capital Improvement	2,235,730	1,482,327	753,403								
Compost	807,838		447,838	360,000							
Customer Deposit	744,464	134,317	110,147	100,000		400,000					
Equipment Acquisition	912,490	673,059	239,431								
Infrastructure	1,196,584	632,225	564,359								
Personnel	1,262,610		122,610	540,000		100,000		500,000			
Reserve	702,721	680,502	22,219								
WWTP Depreciation	561,678	278,865	282,813								
Waggoner Creek CIP	2,579,539	1,687,056	117,483					525,000		250,000	
	\$ 14,371,360	\$ 6,254,099	\$ 5,342,260	\$ 1,000,000	\$ 500,000	\$ 1,025,000	\$ 250,000				

City Fund Allocation
Book & Market Value

March 31, 2015

Fund #	Fund Name	Total	Guaranty Bond	Southside Bank MMA	0.60 Farmers	0.30 Farmers	0.30 Farmers	0.30 Farmers	0.30 Farmers	0.40 Farmers	0.40 Farmers
					B&T CD 5/1/14 - 5/1/15	B&T CD 3/3/15 - 8/3/15	B&T CD 3/3/15 - 9/3/15	B&T CD 3/3/15 - 10/3/15	B&T CD 3/3/15 - 11/3/15	B&T CD 3/3/15 - 12/3/15	B&T CD 3/3/15 - 1/3/16
101	GENERAL FUND - Pooled Cash	\$ 9,428,032	\$ 2,311,068	\$ 3,404,576	\$ -	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000
101	GENERAL FUND	3,634	3,634								
102	NARCOTICS DIVISION OPERATIONS	152,077	152,077								
103	PERSONNEL POLICY	538,869	538,869								
104	WORKER'S COMP	525,766	525,766								
107	COURT SECURITY FUND	320,208	320,208								
109	GENERAL PROPERTY & LIAB	54,514	54,514								
111	POLICE EVIDENCE ESCROW FUND	16,859	16,859								
113	ENERGY CONSERVATION REVOLVING LO.	28,840	28,840								
114	COURT TECHNOLOGY FUND	16,307	16,307								
115	TECHNOLOGY FUND	120,243	120,243								
116	TIRZ #2	568,029	568,029								
117	DONATION FUND	4,561	4,561								
201	SUPPORTIVE HOUSING GRANT	42,870	42,870								
203	CDBG REVOLVING LOAN FUND	23,201	23,201								
204	HCD FUND	25,541	25,541								
205	EPA PETROLEUM GRANT	3,809	3,809								
206	EPA JOB TRAINING GRANT	1,971	1,971								
207	EPA REVOLVINGLOAN GRANT	4,364	4,364								
208	EPA MULTI-PURPOSE GRANT	11,482	11,482								
209	HOME PROGRAM	35,577	35,577								
211	THEATRE FUND	88,307	88,307								
212	HOTEL/MOTEL TAX FD	278,250	278,250								
213	PEROT THEATRE BLDG MAINT	613,795	111,522		502,273						
215	HOUSING FUND	256,479	256,479								
219	LAW ENFORCEMENT PROGRAM	18,757	18,757								
220	METRO PLANNING ORG	25,604	25,604								
223	ECONOMIC DEVELOPMENT	1,154,212	651,357								
225	EPA BROWNFIELD GRANT	1,217	1,217								
230	ROTARY SPLASH PARK FUND	71,990	71,990								
301	INTEREST & SINKING	328,042	328,042								
415	2003 BOND FUND	181,800	181,800								
417	2005 BOND FUND	725,022	725,022								
420	2009 BOND FUND	1,706,832	187,097	1,519,736							
422	TIRZ BOND FUND	2,894,261	2,487,459	406,801							
501	HEALTH FUND	262,527	262,527								
502	PUBLIC LIBRARY	48,468	48,468								
601	DRUG ESCROW	36,300	36,300								
605	FEDERAL ASSET FORFEITURE	96,699	96,699								
701	EMPLOYEE BENEFIT	1,710,998	1,710,998								
702	BENEFIT PAYMENT	45,065	45,065								
703	FLEET SERVICES	420,050	420,050								
704	CAPITAL REPLACEMENT	692,491	692,491								
810	MEMBER CITY WATER REVENUE	58,832	58,832								
TOTAL		\$ 23,642,752	\$ 13,594,122	\$ 5,331,113	\$ 502,273	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000

(Continued)

City Fund Allocation (Continued) March 31, 2015
 Book & Market Value

Fund #	Fund Name	0.50 Farmers		0.90 Farmers		0.70 Commercial		1.15 GB&T CD		0.75 Commercial	
		B&T CD 3/3/15 - 2/6/16	B&T CD 2/24/14 - 2/24/16	Bank CD 3/5/15 - 9/4/16	Bank CD 3/5/15 - 9/15/14 - 9/15/16	Bank CD 3/31/15 - 3/31/17	Bank CD 3/31/15 - 3/31/17				
101	GENERAL FUND - Pooled Cash	\$ 100,000	\$ 504,133	\$ 1,008,256	\$ -	\$ 1,500,000					
101	GENERAL FUND										
102	NARCOTICS DIVISION OPERATIONS										
103	PERSONNEL POLICY										
104	WORKER'S COMP										
107	COURT SECURITY FUND										
109	GENERAL PROPERTY & LIAB										
111	POLICE EVIDENCE ESCROW FUND										
113	ENERGY CONSERVATION REVOLVING LO.										
114	COURT TECHNOLOGY FUND										
115	TECHNOLOGY FUND										
116	TIRZ #2										
117	DONATION FUND										
201	SUPPORTIVE HOUSING GRANT										
203	CDBG REVOLVING LOAN FUND										
204	HCD FUND										
205	EPA PETROLEUM GRANT										
206	EPA JOB TRAINING GRANT										
207	EPA REVOLVINGLOAN GRANT										
208	EPA MULTI-PURPOSE GRANT										
209	HOME PROGRAM										
211	THEATRE FUND										
212	HOTEL/MOTEL TAX FD										
213	PEROT THEATRE BLDG MAINT										
215	HOUSING FUND										
219	LAW ENFORCEMENT PROGRAM										
220	METRO PLANNING ORG										
223	ECONOMIC DEVELOPMENT						502,855				
225	EPA BROWNFIELD GRANT										
230	ROTARY SPLASH PARK FUND										
301	INTEREST & SINKING										
415	2003 BOND FUND										
417	2005 BOND FUND										
420	2009 BOND FUND										
422	TIRZ BOND FUND										
501	HEALTH FUND										
502	PUBLIC LIBRARY										
601	DRUG ESCROW										
605	FEDERAL ASSET FORFEITURE										
701	EMPLOYEE BENEFIT										
702	BENEFIT PAYMENT										
703	FLEET SERVICES										
704	CAPITAL REPLACEMENT										
810	MEMBER CITY WATER REVENUE										
	TOTAL	\$ 100,000	\$ 504,133	\$ 1,008,256	\$ 502,855	\$ 1,500,000					

Water Fund Allocation
 March 31, 2015

Book & Market Value	Total	Revenue	Customer Loan	Water Plant Construction	Technology	2004 Bond	2004 Construction	2005 Bond	2013 Bond	2013 Construction
Wells Fargo MMA	\$ 6,247,608	\$ 10,128	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Guaranty Bond MMA	4,628,178	970,277	39,976	45	846,634	32,935	2,911	88,977	49,529	28,014
2/24/2016	1,000,000									
2/24/2016	500,000									
3/5/2016	1,025,000									
	\$ 13,400,785	\$ 980,405	\$ 39,976	\$ 45	\$ 846,634	\$ 32,935	\$ 2,911	\$ 88,977	\$ 49,529	\$ 28,014

**Water Fund Allocation
March 31, 2015**

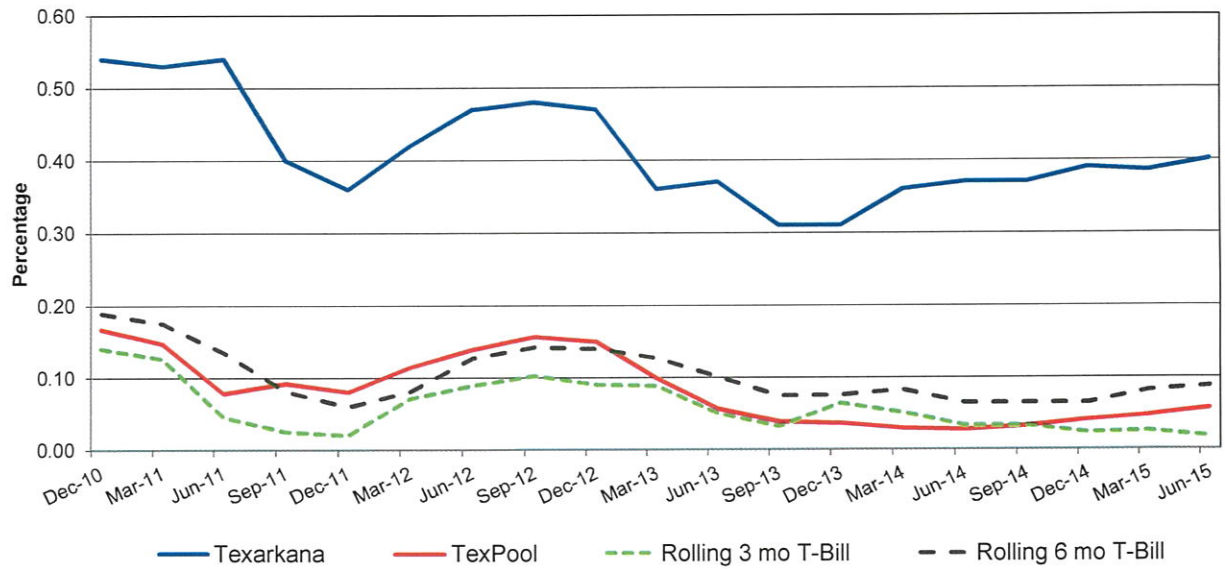
Book & Market Value	LTWSC Capital Improvement	Capital Improvement	Compost	Customer Deposit	Equipment Acquisition	Infrastructure	Personnel	Reserve	WWTP Depreciation	Waggoner Creek CIP
Wells Fargo MMA	\$ 674,907	\$ 1,480,786	\$ -	\$ 134,176	\$ 672,359	\$ 631,568	\$ -	\$ 679,807	\$ 278,575	\$ 1,685,302
Guaranty Bond MMA	24,117	594,672	396,985	130,747	176,239	463,404	114,380	22,203	297,087	349,046
2/24/2016			360,000	100,000		540,000				
2/24/2016				400,000		100,000				
3/5/2016						500,000				525,000
\$	699,024	\$ 2,075,458	\$756,985	\$ 764,923	\$ 848,598	\$ 2,234,972	\$ 114,380	\$ 702,009	\$ 575,662	\$ 2,559,347

Collateral Position
June 30, 2015

	CITY				WATER UTILITY		
	Guaranty B&T	Southside Bank	Farmers B&T	Commercial National Bank	Wells Fargo	Farmers B&T	Guaranty B&T
Collateral Value	\$ 15,197,260	\$ 3,684,860	\$ 3,200,000	\$ 3,270,130	\$ 6,819,499	\$ 3,650,000	\$ 5,904,850
+ FDIC Insurance	250,000	250,000	250,000	250,000	250,000	250,000	250,000
Total Enhancement	\$ 15,447,260	\$ 3,934,860	\$ 3,450,000	\$ 3,520,130	\$ 7,069,499	\$ 3,900,000	\$ 6,154,850
Total Deposits	\$ 14,566,902	\$ 3,406,539	\$ 1,206,643	\$ 2,912,870	\$ 6,254,099	\$ 2,775,000	\$ 5,342,260
Excess Coverage	\$ 880,358	\$ 528,321	\$ 2,243,357	\$ 607,260	\$ 815,399	\$ 1,125,000	\$ 812,590
Percentage Coverage	106%	116%	286%	121%	113%	141%	115%
Collateral Type:							
Treasuries							
Agency Bullets							
Agency Callable							
Agency LOC							
Munis	\$ 3,684,860	\$ 3,200,000		\$ 3,650,000		\$ 422,496	
Mortgage Backed Securities	\$ 15,197,260			\$ 1,789,420	\$ 6,819,499	\$ 5,482,355	
Real Estate Mortgage Investment Conduits/ Collateralized Mortgage Obligations (1)			\$ 1,480,711				

(1) The Public Funds Collateral Act requires all REMIC/CMOs to have an expected weighted average life of 10 years or less and not constitute a high-risk security as determined by a 300 basis point market movement stress test.

Total Portfolio Performance





Market Outlook

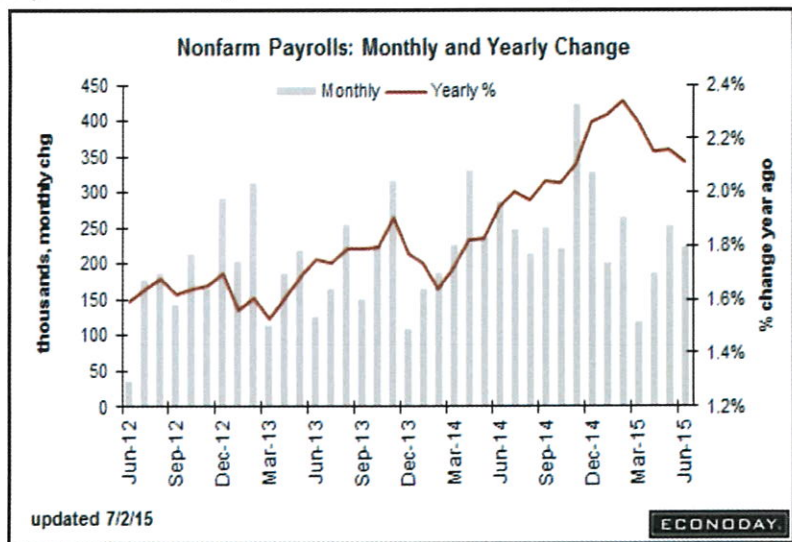
July 2, 2015

Happy Birthday America! The domestic economic reports indicate that the U.S. is on a slow but fairly steady path to a brighter future. But if you are living in Greece, Puerto Rico or China, the future outlook is a little more somber. The conditions and the news headlines from these regions are causing some investor angst globally, but the uncertainty regarding the final resolution of each situation is not yet completely factored in. Greece is running out of cash and its citizens are facing a critical decision this weekend – do they stay with the European Union (EU) and play by the rules that the other members dictate to pay back their debt or do they leave to go it alone. Either way, the pain that the Greek citizen will feel will be unlike any that most U.S. citizens have known during this latest economic crisis. Many fear that if Greece leaves the EU, other weak EU members will choose the same path and weaken the European region. However, it is unlikely that the picture of life in Greece after an exit will be a tempting display of life after exit. China is another country that is feeling the pain of economic downturn and the central bank has lowered interest rates in an attempt to stem the tide. Chinese stocks have been extremely volatile and China's central bank appears to be trying to support the markets. With the unreliability of Chinese economic releases, it is unclear about how deep the downturn has been and whether the “good times” in China were really as good as reported. It has reached a point when China cannot disguise the fact that their economy is faltering. Puerto Rico has announced that they will likely default on a large loan payment this summer and should be considered insolvent. Because Puerto Rico is a U.S. territory (not a state), it is more difficult to declare bankruptcy and to garner support from the U.S. government. The biggest implication of a large-scale Puerto Rican default is the impact that it may have on domestic mutual funds and pension funds that have considered Puerto Rico as an “American” holding in their portfolios with a commensurate risk profile.

The Employment reports for June indicate that job creation continues to be moving in the right direction. The June report showed that 223,000 jobs were added, but there were downward adjustments made to

reports in May (revised to +254,000 versus the previously reported +280,000) and April (revised to +187,000 from the previously reported +221,000). The first quarter of 2015 had an average of 195,000 jobs added each month and the second quarter has averaged 221,000 jobs added each month. These are considered to be relatively strong gains. The Unemployment Rate fell to 5.3% from last month's report of 5.5%. Digging into the report, the bulk of unemployment is for the 16- to 24-year old potential worker. In this age span, the 16-19 year-olds face unemployment of

18.1%, while the 20-24 year-olds are experiencing a 9.9% unemployment rate. Moving to the 25-54 year-old range, the unemployment rate is 4.4% and the 55+ year-old range is at 3.7%. When looking at these statistics, it appears that in the age-ranges when consumers are supporting households and purchasing durable goods, unemployment does not appear to be a significant problem. This should be a good indicator of future consumption of homes, cars, appliances, etc. While improvement in the unemployment rate is a positive, the economy is still not experiencing an uptick in the Average Hourly Earnings Rate, which was flat in June. Year-over-year, the Average Hourly Earnings Rate is up 2.0%, and still in the target range of the Federal Open Market Committee (FOMC).

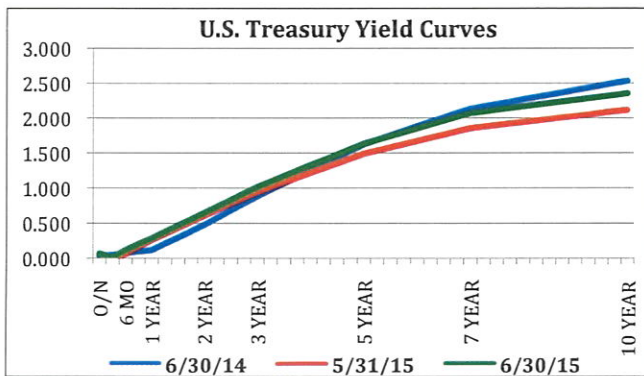


The housing sector improved again in May/June. In June, homebuilders recorded their most optimistic assessment of the market since the recovery began and Housing Starts and Permits reports support this optimism. Existing Home Sales rose 5.1% in May after falling 2.3% in April and May's report was the strongest in nearly two years. The biggest constraint on continued sales is the declining supply (at 5.1 months versus April's 5.2 months) and the rising prices (+7.9% year-over-year). First time buyers came in very strong, making up 32% of all sales. This is a very positive indicator that consumers are feeling more secure in taking on a large and long-term obligation. New Home Sales rose 2.2% in May after rising an impressive +8.1% in April. Supply is most critical in this sector, with only 4.5 months of supply available as compared to 4.6 months in April. Prices of New Homes fell 2.9%, but the mismatch between supply and new demand could begin to force prices higher. Construction Spending rose 0.8% in May after showing an increase of 2.1% in April, a sign that builders are attempting to meet the demand. The only negative indicator was the S&P Case Shiller report of home prices in the 20 metropolitan areas for May. Although the report indicated a 0.3% rise overall, there were price contractions reported in eight of the twenty cities.



The production side of the economy remains weak. The final reading of Gross Domestic Product (GDP) for the first quarter of 2015 came in at negative 0.2%, which was an improvement from the initial reading of negative 0.7%. Next month the advance reading of second quarter GDP will be released and the market is expecting an improvement, which would prove that the first quarter had negative results due to transitory factors. The headline numbers for most of the production indicators were negative, but many were impacted by a decline in airplane orders (which tend to whipsaw reports) and orders for energy-related equipment (resulting from a decline in gas prices). Once these two sectors are filtered out, the production reports for other sectors are not as negative. Purchasing managers for both manufacturing and service sectors remain optimistic. The Producer Price Index (PPI) rose 0.5% in May (following a decline of 0.4% in April) and the Consumer Price Index rose 0.4% in May after rising 0.1% in April. On the consumption front, Retail Sales rose 1.2% in May after rising 0.2% in April. Consumer Sentiment and Consumer Confidence reports indicate that consumers remain positive and reached the highest levels of the recovery.

The FOMC met on June 16th to 17th and both the announcement and Chair Janet Yellen's subsequent press conference implied that the FOMC remained cautiously optimistic that economic recovery would continue. When polled, fifteen of the FOMC members expect that the Fed Funds Rate will be increased during 2015. The announcement mentioned global economic stress, but was vague as to whether any further deterioration abroad would deter a Fed Funds Rate increase in the near term.



Current Government Security Investment Pool rates remained static, ranging in the +/-0.05% to +/-0.11% area in June. Certificate of Deposit rates finished June with the 2-year between 0.60% and 0.65%, slightly lower than in May. U.S. Treasury and Agency rates moved up and down during the month. The 1-year Treasury hit a high of 0.30%, but fell back to 0.26% (where it started the month). The two-year rose to 0.75% before falling back to 0.64% by the end of June (it started the month at 0.61%).

Disclaimer: This material, based on data believed to be reliable, but not independently verified, is not intended to constitute an offer, solicitation or recommendation regarding any securities transaction or a guarantee of market conditions and is for informational purposes only. For use by the intended recipient only.

CITY OF TEXARKANA, TEXAS
INVESTMENT POLICY



OCTOBER 27, 2014

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CITY OF TEXARKANA, TEXAS
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INTRODUCTION

The purpose of this document is to set forth specific investment policy and strategy guidelines for the City of Texarkana, Texas (the "City") in order to achieve the goals of safety, liquidity, public trust, and yield for all investment activity. The City Council of the City shall review and adopt, by resolution, its investment strategies and policy not less than annually. The resolution shall include a record of changes made to either the Investment Policy or strategy. This Policy serves to satisfy the statutory requirement, specifically the Public Funds Investment Act and Public Funds Collateral Act, Texas Government Code Chapter 2256 and Chapter 2257 (the "PFIA" and "PFCA" respectively) to define, adopt, and review a formal investment strategy and policy.

INVESTMENT STRATEGY

The City maintains two distinct portfolios (the City and the Water Utilities Department), which independently utilize four specific investment strategy considerations, designed to address the unique characteristics of the fund groups represented in the portfolios:

- A. Investment strategies for operating funds and combined pools containing operating funds have as their primary objectives to preserve principal and assure that anticipated cash flows are matched with adequate investment liquidity. The secondary objective is to create a portfolio structure, which will experience minimal volatility during economic cycles. This may be accomplished by maintaining adequate liquid balances and utilizing high quality, short-to-medium term investments, which will complement each other in a laddered or barbell maturity structure, and can be easily liquidated if the need arises. Any investment authorized by this Policy is suitable for these funds. The dollar weighted average maturity of 365 days or less will be calculated using the stated final maturity date of each investment. The maximum stated final maturity shall

be three years. The yield objective shall be a comparable maturity rolling Treasury portfolio.

- B. Investment strategies for debt service funds shall have as the primary objectives the preservation of principal and the assurance of investment liquidity adequate to cover the debt service obligation on the required payment date. Investments purchased shall not have a stated final maturity date which exceeds the next unfunded debt service payment date. Any investment authorized by this Policy is suitable for these funds. The yield objective shall be a short-term, government portfolio local government pool.

- C. Investment strategies for debt service reserve funds shall have as the primary objectives to preserve principal and to generate a dependable revenue stream to the appropriate debt service fund from investments with a low degree of volatility. Investments shall be of high quality and, except as may be required by the bond ordinance specific to an individual issue, of short-to-intermediate term maturities. Maximum maturity shall be the shorter of the first call date or five years. Volatility shall be further controlled through the purchase of securities carrying the highest coupon available, within the desired maturity and quality range, without paying a premium, if at all possible. Any investment authorized by this Policy is suitable for these funds. The yield objective shall be a comparable maturity rolling Treasury portfolio.

- D. Investment strategies for special projects or special purpose fund portfolios will have as their primary objectives to preserve principal and to assure that anticipated cash flows are matched with adequate investment liquidity. These portfolios should include at least 10% in cash equivalent investments to allow for flexibility and unanticipated project outlays, and by utilizing high quality, short-to-medium term investments, which will complement each other in a laddered or barbell maturity structure, and can be easily liquidated if the need arises. Any investment authorized by this Policy is suitable for these funds. The stated final

maturity dates of securities held should not exceed the estimated project completion date. The yield objective shall be a comparable maturity rolling Treasury portfolio.

INVESTMENT POLICY

A. SCOPE

This Investment Policy applies to all financial assets of the City including the Water Utilities Department. These funds are accounted for in the City's Comprehensive Annual Financial Report (CAFR) and include:

- General Fund
- Special Revenue Funds
- Debt Service Funds
- Capital Projects Funds
- Proprietary Funds
- All Other Funds

This Policy shall not govern the Firemen's Relief and Pension Fund which is under the management and supervision of the City of Texarkana, Texas Firemen's Relief and Pension Fund Board of Trustees.

B. OBJECTIVES

The City shall manage and invest its cash with four objectives, listed in order of priority: Safety, Liquidity, Public Trust, and Yield. 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.

The City shall maintain a comprehensive cash management program which includes collection of accounts receivable, vendor payment in accordance with invoice terms, and prudent investment of available cash. Cash management is defined as the process of managing monies in order to ensure maximum cash availability and maximum yield on short-term investment of pooled idle cash.

1. Safety

The primary objective of the City's investment activity is the preservation of principal in the overall portfolio. Each investment transaction shall be conducted in a manner to avoid principal losses, whether from investment defaults or erosion of market value.

2. Liquidity

The City's investment portfolio shall be structured such that the City is able to meet all obligations in a timely manner. This shall be achieved by maintaining adequate cash equivalent balances, matching investment maturities with forecasted cash flow requirements, and by investing in securities with active secondary markets.

3. 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 which might impair public confidence in the City's ability to govern effectively.

4. Yield

The City's cash management portfolio shall seek to augment returns above this threshold consistent with risk limitations identified herein and prudent investment policies.

C. RESPONSIBILITY AND CONTROL

1. Investment Committee

An Investment Committee, consisting of one City Council Member appointed by the Mayor, City Chief Executive Officer/Manager (or his designee), Chief Financial Officer/Finance Director (City), Director of Finance (Water Utilities Department), Accounting/Human Resources Manager (Water Utilities Department), ~~and Financial Services Manager~~Assistant Chief Financial Officer (City), ~~and Controller/Accounting Manager~~ (City) shall meet as needed to determine operational strategies and to monitor

results. The Investment Committee shall include in its deliberation such topics as: performance reports, economic outlook, portfolio diversification, maturity structure, potential risk to the City's funds, authorized broker/dealers, eligible investment training sources, and the target rate of return on the investment portfolio.

2. Delegation of Authority and Training

Authority to manage the City's investment program is derived from the City Charter. The Chief Financial Officer/Finance Director, ~~Financial Services Manager~~Assistant Chief Financial Officer, and Controller/~~Accounting Manager~~ are designated as Investment Officers and are responsible for investment decisions and activities for the City portfolio. The Director of Finance and Accounting/Human Resources Manager are designated as Investment Officers and are responsible for investment decisions and activities for the Water Utilities Department portfolio. The Chief Financial Officer/Finance Director and Director of Finance shall establish written procedures for the operation of their respective investment program, consistent with this Investment Policy. In order to ensure qualified and capable investment management, the Investment Officers shall attend training sessions relating to the Officer's responsibility under the PFIA within 12 months after assuming duties and receive at least 10 hours of training, and additional training sessions not less than once every 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 at least 108 hours of training ~~at those sessions~~. Independent sources for sSuch training ~~from an independent source~~ shall be approved by the Investment Committee.

3. Internal Controls

The Chief Financial Officer/Finance Director and Director of Finance, or their respective designee, are responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the City are protected from loss, theft or misuse. The internal control structure shall be designed to provide reasonable assurance that these objectives are met. The concept of reasonable assurance recognizes that (1) the cost of a control should not exceed the benefits likely to be

derived; and (2) the valuation of costs and benefits requires estimates and judgments by management.

Accordingly, the Chief Financial Officer/Finance Director and Director of Finance shall establish a process for annual independent review by an external auditor in conjunction with the annual audit, to assure compliance with policies and procedures. The internal controls shall address the following points:

- A. Control of collusion.
- B. Separation of transaction authority from accounting and record keeping.
- C. Custodial safekeeping.
- D. Avoidance of physical delivery securities.
- E. Clear delegation of authority to subordinate staff members.
- F. Written confirmation for telephone (voice) transactions for investments and wire transfers.

4. Prudence

The standard of prudence to be applied by the Investment Officers shall be the "prudent person" rule, which states: "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." In determining whether an Investment Officer has exercised prudence with respect to an investment decision, the determination shall be made taking into consideration:

- A. The investment of all funds, or funds under the City's control, over which the Officer had responsibility rather than a consideration as to the prudence of a single investment.

- B. Whether the investment decision was consistent with the written Investment Policy of the City.

An Investment Officer, acting in accordance with written procedures and exercising due diligence, shall not be held personally responsible for a specific investment's credit risk or market price changes, provided that these deviations are reported immediately and that appropriate action is taken to control adverse developments.

5. Ethics and Conflicts of Interest

Investment Officers shall refrain from personal business activity that could conflict with proper execution of the investment program, or which could impair the ability to make impartial investment decisions. Investment Officers shall disclose to the City Manager any material financial interest in financial institutions that conduct business with the City and they shall further disclose positions that could be related to the performance of the City's portfolio. Investment Officers shall subordinate their personal financial transactions to those of the City, particularly with regard to timing of purchases and sales.

An Investment Officer of the City who has a personal business relationship with an organization seeking to sell an investment to 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 to an individual seeking to sell an investment to the City shall file a statement disclosing that relationship. A statement required under this subsection must be filed with the Texas Ethics Commission and the City Council.

D. REPORTING

1. Quarterly Reporting

The Chief Financial Officer/Finance Director shall submit a quarterly investment report in compliance with the PFIA and signed by all Investment Officers.

2. Annual Report

Within a reasonable time after the end of the fiscal year, the Chief Financial Officer/Finance Director shall present an annual report on the investment program and investment activity. This report may be presented as a component of the fourth quarter report to the City Manager and City Council.

3. Methods

The quarterly investment report shall include a succinct management summary that provides a clear picture of the status of the current investment portfolio and transactions made over the last quarter. This management summary will be prepared in a manner which will allow the City to ascertain whether investment activities during the reporting period have conformed to the Investment Policy. The report will be prepared in compliance with the PFIA. The report will be provided to the City Manager and City Council. The report will include the following:

- A. A listing of individual investments held at the end of the reporting period. This list will include the name of the fund or pooled group fund for which each individual investment was acquired.
- B. Unrealized gains or losses resulting from appreciation or depreciation by listing the beginning and ending book and market value of securities for the period. Market values shall be obtained from financial institutions or portfolio reporting services independent from the investment provider.
- C. Additions and changes to the market value during the period.
- D. Fully accrued interest for the reporting period.
- E. Average weighted yield to maturity of portfolio on City investments as compared to applicable benchmarks.

- F. Listing of investments by maturity date.
- G. The percentage of the total portfolio which each type of investment represents.
- H. Statement of compliance of the City's investment portfolio with State Law and the Investment Strategy and Policy approved by the City Council.

In conjunction with the annual audit, a formal annual review of these reports will be performed by an independent auditor with the results reported to the City Council as part of the overall audit report.

E. INVESTMENT PORTFOLIO

1. Active Portfolio Management

The City shall pursue an active versus a passive portfolio management philosophy. That is, investments may be sold or redeemed before they mature if market conditions present an opportunity for the City to benefit from the trade. The Investment Officers will routinely monitor the contents of the portfolio, the available markets, and the relative value of competing instruments, and will adjust the portfolio accordingly.

2. Performance

It is the City's policy to purchase investments with maturity dates coinciding with cash flow requirements. Using this strategy, the City attempts to purchase the highest yielding allowable investments available at the time of purchase. The City shall encourage a competitive environment for all investment activities including investment pool and mutual fund selections, financial institution deposit placements, securities transactions, and other investment-related proceedings. Weighted-average-yield-to-maturity shall be the portfolio's performance measurement standard.

3. Investments

Assets of the City may be invested in the following instruments; provided, however, that at no time shall assets of the City be invested in any instrument or security not authorized at the time of purchase for investment under the PFIA, as the PFIA may from time to time be amended. The City is not required to liquidate investments that were authorized investments 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.

a). Authorized

1. Obligations issued, guaranteed, or insured by the United States of America, its agencies and instrumentalities, which have a liquid market with a readily determinable market value, including letters of credit.
2. Direct obligations of the State of Texas, its agencies and instrumentalities.
3. 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, 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.
4. Obligations of the States, agencies thereof, Counties, Cities, and other political subdivision of any state having been rated as investment quality by a nationally recognized investment rating firm, and having received a rating of not less than "A" or its equivalent.
5. Certificates of Deposit, and other forms of deposit, of state and national banks, savings banks, or state or federal credit unions that

has a main or branch office in Texas, guaranteed or insured by the Federal Deposit Insurance Corporation (or its successor) or the National Credit Union Share Insurance Fund (or its successor), or secured by obligations described in G. 3. Collateral Defined. Bids/quotes for certificates of deposit may be solicited in the following ways: orally, in writing, electronically, or in any combination of the above methods.

6. Fully collateralized direct repurchase agreements with a defined termination date secured by cash or obligations of the United States or its agencies and instrumentalities. Securities purchased must be pledged to the City, held in the City's account, and deposited at the time of the investment with the City, and placed through a primary government securities dealer, as defined by the Federal Reserve, or a financial institution doing business in Texas. Such agreements may include direct security repurchase agreements and reverse security repurchase agreements with terms of 90 days or less after the delivery date. Funds received by the City under a reverse security agreement shall be used to acquire additional authorized investments, but those investments must mature no later than the expiration date stated in the reverse security repurchase agreement.
7. Local Government Investment Pools, if the pool is specifically approved by the Council and the pool invests only in investments authorized by the PFIA. A 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. In order to be eligible to receive City funds a pool must comply with all PFIA requirements.
8. "Money Market" mutual funds that have a rating of AAA by least one nationally recognized rating firm and are "no-load" funds. A "money

market” mutual fund must maintain a \$1 share value and include only short-term, highly liquid, and relatively low risk debt instruments. Must be registered with and regulated by the Securities and Exchange Commission. The City cannot own more than 10% of the mutual fund’s total assets.

9. Guaranteed Investment contracts are allowed investments for bond proceeds only, if such contracts have a defined termination date, are secured by U.S. Government direct or agency obligations approved by the PFIA, in an amount equal to the bond proceeds, if security is pledged to the City and deposited with the City or a third party, and if the investment term is limited to five years from the date of bond issuance. In addition, specific provisions under PFIA Section 2256.015(c) 1-5 must be met to allow investment in these contracts.

b. Not Authorized

The City’s authorized investment options are more restrictive than those allowed by State law. State law specifically prohibits investment in the following investment securities, or investment in specific instruments at levels higher than those listed below:

- 1) Obligations whose payment represents the coupon payments on the outstanding principal balance of the underlying mortgage-backed security collateral and pays no principal.
- 2) Obligations whose payment represents the principal stream of cash flow from the underlying mortgage-backed security collateral and bears no interest.
- 3) Collateralized mortgage obligations that have a stated final maturity date of greater than 10 years.

- 4) Collateralized mortgage obligations the interest rate of which is determined by an index that adjusts opposite to the changes in a market index.

4. Holding Period

The City intends to match the holding periods of investment funds with liquidity needs of the City.

5. Risk and Diversification

The City recognizes that investment risks can result from issuer defaults, market price changes or various technical complications leading to temporary illiquidity. Risk is controlled through portfolio diversification which shall be achieved by the following general guidelines:

- a) Risk of issuer default is controlled by limiting investments to those instruments allowed by the PFIA, which are described herein.
- b) Risk of market price changes shall be controlled by avoiding over-concentration of assets in a specific maturity sector, maintenance of adequate liquidity, and limitation of appropriate average maturity.
- c) Risk of temporary illiquidity shall be controlled by monitoring the rating of each issuer, as applicable, at least quarterly, and taking all prudent measures that are consistent with this Policy to liquidate an investment that does not have the minimum rating.

F. SELECTION OF FINANCIAL INSTITUTIONS AND BROKER/DEALERS

1. Depository

In compliance with State legislation, a Primary Depository shall be selected through the City's banking services procurement process, which shall include a formal request for application (RFA). In selecting a Primary Depository, the credit worthiness of institutions shall be considered, and the Chief Financial Officer/Finance Director shall conduct a comprehensive review of prospective depositories' credit characteristics and financial history. In addition, the City may establish non-primary banking relationships based on deposit and unique service capabilities.

Institutions seeking to establish eligibility for the City's depository shall submit for review financial statements, evidence of federal insurance and other information as required by the Chief Financial Officer/Finance Director.

Any institution designated as a depository by the City will provide collateral in accordance with this Policy and applicable State law. The City reserves the right, in its sole discretion, to accept or reject any form of insurance or collateralization pledged towards depository deposits. Institutions serving as a depository will be required to sign a Depository/Collateral Agreement with the City. The collateralized deposit 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:

- The agreement must be in writing;
- The agreement has to be executed by the Depository and the City contemporaneously with the acquisition of the asset;

- The agreement must be approved by the Board of Directors or designated committee of the Depository and a copy of the meeting minutes must be delivered to the City; and
- The agreement must be part of the Depository's "official record" continuously since its execution.

2. Broker/Dealers

For broker/dealers, the City shall select only those dealers reporting to the Market Reports Division of the Federal Reserve Board of New York, also known as the "Primary Government Security Dealers", unless analysis reveals that other firms are adequately financed to conduct public business. All broker/dealers shall provide the City with references from public entities which they are currently serving. The Investment Committee shall adopt and annually review a list of qualified broker/dealers authorized to engage in investment transactions with the City.

All investment providers, financial institutions and broker/dealers who desire to become qualified bidders for investment transactions must supply the following, as appropriate:

- audited financial statements
- proof of Financial Industry Regulatory Authority (FINRA) certification
- proof of state registration
- certification of having received and thoroughly reviewed the City's Investment Policy, signed by a qualified representative of the organization, acknowledging that the organization has implemented reasonable procedures and controls in an effort to preclude imprudent 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 entity's entire portfolio or requires an interpretation of subjective investment standards.

G. SAFEKEEPING AND CUSTODY

1. Insurance or Collateral

All non-insured deposits and repurchase agreement investments of City funds shall be secured as required by State legislation. In order to anticipate market changes and provide a level of security for all funds, the minimum collateralization level will be 102% of market value of principal plus accrued interest on the deposits or repurchase agreement investments less any amount insured. Evidence of the pledged collateral shall be maintained by the Chief Financial Officer/Finance Director or Director of Finance (for their respective portfolios), or a third party financial institution. Repurchase agreements shall be documented by a specific agreement noting the eligible collateral pledge in each agreement. Collateral shall be reviewed at least monthly to assure that the market value of the pledged securities is adequate.

2. Custodial Agreement

Collateral pledged to secure deposits of the City shall be held by a custodian institution in accordance with a Custodial Agreement which clearly defines the procedural steps for gaining access to the collateral should the City determine that the City's funds are in jeopardy. The custodian institution shall be the Federal Reserve Bank or an institution not affiliated with the firm pledging the collateral.

3. Collateral Defined

The City shall accept only the following as collateral:

- a) FDIC and NCUSIF insurance coverage.

- b) A bond, certificate of indebtedness, or note of the United States or its agencies and instrumentalities, or other evidence of indebtedness that is guaranteed as to the principal and interest by the United States or its agencies and instrumentalities.
- c) Obligations, the principal and interest on which are unconditionally guaranteed or insured by the State of Texas or its agencies and instrumentalities.
- d) A bond of a county, city or other political subdivision of the State of Texas having been rated as investment grade (investment rating no less than "A" or its equivalent) by a nationally recognized rating agency, with a remaining maturity of ten (10) years or less.

The use of a letter of credit issued to the City by a Federal Home Loan Bank may be considered by the City to meet the required bank depository collateral requirements.

4. Subject to Audit

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

5. Delivery vs. Payment

Securities shall be purchased using the delivery versus payment method. That is, funds shall not be wired or paid until verification has been made that the correct security was received by the City or its safekeeping agent. The security shall be held in the name of the City or held on behalf of the City. The safekeeping agent's records shall assure the notation of the City's ownership of or explicit claim on the securities. The original copy of all safekeeping receipts shall be delivered to the City.

H. INVESTMENT POLICY ADOPTION

The City Investment Policy shall be adopted by resolution of the City Council. The Investment Committee shall review the Policy for effectiveness on an annual basis and any modifications will be recommended for approval to the City Council. The City Council shall review and approve these investment policies and strategies not less than annually.

APPENDIX A

SAMPLE INVESTMENT POLICY CERTIFICATION FORM

As required by Texas Government Code 2256.005(k)

CITY OF TEXARKANA, TEXAS

THE STATE OF TEXAS

COUNTY OF BOWIE

BEFORE ME, the undersigned authority, on this day personally appeared the person whose name is subscribed below, who, being by me first duly sworn, upon oath deposed and said:

My name is _____. I am a Qualified Representative of _____ (the "Business Organization"), which is engaged in the business of selling investments and desires to sell investments to the City of Texarkana, Texas. This Statement is provided to meet the requirements of the Public Funds Investment Act.

I hereby certify that:

1. I have reviewed the City's Investment Policy;
2. The "Business Organization" has implemented reasonable procedures and controls in an effort to preclude investment transactions conducted between the City of Texarkana and the Business Organization that are not authorized by the City's Investment Policy, except to the extent that the Business Organization has not made an analysis of the make-up of the City's entire portfolio or has not engaged in any interpretation of subjective investment standards; and
3. The statements, representations and declarations made in this document are true and correct.

Qualified Representative

SWORN TO AND SUBSCRIBED BEFORE ME, this the _____ day of _____, 20_____.

Notary Public in and for the State of Texas



August 5, 2015

To: Charlie Bassett

Fr: Dick Long

Re: Broker/Dealers and Training Sources

For consideration by the Investment Committee:

Independent training sources:

- Government Finance Officers' Association
- Government Finance Officers' Association of Texas
- Government Treasurers' Organization of Texas
- City Managers' Association
- Texas Municipal League
- Council of Governments
- University of North Texas
- American Institute of Certified Public Accountants
- Association of Governmental Accountants

Approved Broker/Dealer List:

- ~~Cantor Fitzgerald~~ Credit Suisse
- Coastal Securities
- Raymond James
- Rice Financial
- Stifel Nicolas
- Wells Fargo