CITY OF SAN ANTONIO, TEXAS
Finance Department

Investment Policy

September 30, 2024

CITY OF SAN ANTONIO
Finance Department
Investment Policy
Table of Contents

CITY OF SAN ANTONIO, TEXAS
Investment Policy

INTRODUCTION

Fiduciary responsibility for the management and safeguarding of the City of San Antonio's (the "City") monetary assets resides with the City's Finance Department. In addition to the management of the City's investment assets, the Finance Department also has the responsibility to manage the investment assets of various trust and agency funds. The City's investment strategy for all investments is to ensure availability of funds to meet cash flow requirements, safeguard and preserve principal, maintain liquidity, practice security diversification, and maximize yield, all within the context of understanding the suitability of each investment and the cash flow requirements of the City.

The Investment Policy (the "Policy") for the City encompasses a dynamic framework, which, under the direction and approval of City Council, provides the City with the flexibility and control required to execute investment transactions and manage the investment portfolio. The Policy incorporates the investment guidelines and mandates promulgated in the Texas Public Funds Investment Act (the "Act"), as amended, and the Public Funds Collateral Act (the "Collateral Act"). Daily investment transactions and management of the City's invested funds are the responsibility of the City's designated Investment Officers within the Finance Department's Financial Management Division.

As prescribed by the Act, and as authorized by this Policy pursuant to City Council approval as evidenced by adoption of an Ordinance, the City's designated Investment Officers include the Chief Financial Officer, Deputy Chief Financial Officer, Assistant Finance Director – Financial Services, and the following individuals from the Financial Management Division: Financial Management Administrator, Financial Manager, Banking Officer, and Investment Officers (functional titles of the designated Investment Officers may vary from City of San Antonio Pay Plan titles).

During the year, periodic review of strategic investment initiatives and management practices shall be undertaken by a City Council designated Investment Committee. The Investment Committee is comprised of two representatives from the City Council appointed by the Mayor; three representatives from the City Manager's Office including the Chief Financial Officer; the Deputy Chief Financial Officer; the Assistant Finance Director – Financial Services; the Director of the Office of Management and Budget; and the following individuals from the Financial Management Division: Financial Management Administrator, Financial Manager, Banking Officer, and Investment Officers.

Investment transactions are executed through approved Broker/Dealer Firms only, with securities delivered to the designated custodial bank. Investment transactions are settled on a delivery versus payment basis with the exception of mutual funds, certificates of deposit, or investment pool investments. Settlement of trades may be done on a same day or subsequent day basis as the Investment Officers deem most appropriate and advantageous to the City. In addition to the securities acquired through the use of approved Broker/Dealer Firms, the City may exercise its right to utilize other investment vehicles such as those included in this Policy and authorized by the Act.

For the reader's convenience, a glossary is attached as Exhibit I.

INVESTMENT COMMITTEE

The Investment Committee shall meet at least quarterly to receive a report from the Investment Officers on the most recent quarter's investment activity, cash position of the City, market conditions, and proposed investment activity for the succeeding quarter. The Investment Committee shall also review and suggest any changes or adjustments to investment practices or the Policy.

In addition to the scheduled quarterly meetings, the Investment Committee may hold meetings as needed related to investment activities. Any decisions made shall be within the parameters agreed to by the Investment Committee and within the guidelines established in the current Policy as approved by City Council.

SCOPE

The Policy applies to all funds invested by the City which include the General Fund; Enterprise Funds to include the Airport System Fund; Parking System Fund; Solid Waste Management Fund; Development Services Fund; Market Square Fund; Debt Service Funds created for general obligation indebtedness and revenue bonds; Special Revenue Funds; Capital Project Funds; Internal Service Funds; Fiduciary Funds to include Agency Funds; Permanent Trust Funds to include the San Antonio Housing Trust Fund; and other funds that may be created.

Investments are pooled into two primary categories, operating funds and debt service funds. Pooled operating funds consist of balances from the City's various funds invested in an aggregate or pooled portfolio structure, with principal and interest income distributed to each respective fund on a pro rata basis. Similarly, pooled debt service funds consist of balances applicable to the City's debt service funds invested in an aggregate or pooled structure with principal and interest income distributed to each respective debt service fund on a pro rata basis. In addition, the City may purchase certain investments with the available balance of a specific fund for the sole benefit of such fund. The strategy of pooling investments is subject to change as deemed appropriate by the Investment Committee, and subject to the provisions of this Policy.

Strategic investment practice is focused on meeting cash flow requirements. Investments are typically held to maturity; however, the sale prior to maturity and acquisition of replacement securities may be exercised if financial analysis deems such transactions are beneficial to the City, consistent with the investment strategies and objectives established herein. A securities lending program may be utilized to attain incremental income from the investment portfolio. Investment portfolio management practice includes control, flexibility, and safety of investments, and may incorporate the utilization of authorized money market mutual funds and investment pools into the investment structure in order to enhance investment portfolio and cash management efficiencies while maintaining safety of principal as its primary objective.

INVESTMENT OBJECTIVES

Satisfy Cash Flow Requirements

The suitability of each investment and the cash flow requirements of the City are incorporated into the daily cash flow position analysis and investments are scheduled to mature on a timely basis to meet the City's ongoing cash needs. In addition to the estimated daily routine cash needs, investments are scheduled to mature and fund payrolls, construction draw down schedules, debt service payments, and other projected cash requirement dates. A cash buffer is maintained to meet unanticipated needs.

Preservation and Safety of Principal

An essential investment objective is to ensure the safety of the principal of every investment, as well as the accrued interest thereon. The City shall exercise diligence and prudence in the type of securities purchased and the scheduled maturities of such investments to minimize loss of principal due to credit failure or other risk.

Liquidity and Diversification

The investment portfolio shall be diversified with securities that have investment grade credit ratings and are liquid in nature. Fund balances, revenues, and expenditure trends shall be analyzed and monitored to facilitate investment planning in accordance with the cash flow timing, purpose, use, and strategies applicable to the City's various funds within the pooled portfolios. A cash buffer is maintained to meet unanticipated needs.

Maximize Yield

The City will strive to maximize yield on its investments within the aforementioned safety parameters. While investments are made with scheduled maturities to coincide with estimated cash flow needs, opportunities to enhance the portfolio's yield through the sale of securities prior to maturity or extension of funds may be exercised if deemed practical and prudent.

Proactive Portfolio Management

The City will practice proactive portfolio management which involves review and analysis of the securities in the investment portfolio and takes advantage of securities lending, and swap and trade opportunities that may become available with changes in the market. The purpose of these strategies is to take advantage of market interest rate changes and realization of profits from such transactions. Any swap will involve an analysis of possible gains and horizon analysis for net gains on the trade. Swaps will be utilized only if a net positive financial gain within the time horizon set is attained by the City.

RISK ENVIRONMENT

The investment objectives described above are designed around the goal of preservation and safety of principal. Mitigation techniques are available for the specific risks inherent in securities utilized by the City. A discussion of the more common risks of investing is presented below.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the market value of an investment. Changes in the level of interest rates can influence the market value of certain securities; the severity of that impact depends on the type of security held and the term to maturity. As the general level of interest rates moves up and down a security's price changes. Volatility is a measure of a security's price fluctuations and reflects risk. Securities with longer terms to maturity are more volatile because of the time value of the funds and therefore can incur higher interest rate risk than securities with shorter terms. Securities with embedded options such as calls, or other potential changes to cash flow, such as floaters, are also more sensitive to changes in interest rates than simpler, more traditional structures. By diversifying among maturity dates and security types, interest rate risk is mitigated, as fewer funds should be subject to a risk occurrence at any given time. In addition, the City generally follows a laddered approach to investing, whereby blocks of roughly the same amounts are invested at similarly increased maturity lengths in order to match cash flow requirements. This approach provides security that all funds will not fall due at one particularly advantageous or disadvantageous period in time, thereby spreading the interest rate risk.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The City's investment strategy is to purchase securities that are of the highest credit quality, based on current ratings provided by nationally recognized credit rating agencies. The majority of the City's funds are invested in U.S. Treasury securities and federal agency securities, which are assumed to have an implicit U.S. guarantee and also carry investment grade credit ratings. Investments in other debt securities will consist of securities rated "A" or better (or the equivalent) by at least two nationally recognized credit rating agencies. These requirements limit credit and liquidity risk as the higher rated issues are generally the most liquid. Credit risk may also manifest in the following forms:

(1) Concentration of Credit Risk – This risk of loss is attributed to the magnitude of investment in a single issuer. Diversification is the primary tool utilized to mitigate this risk. As a matter of policy, investments in issuers other than the U.S. Treasury or federal agency securities must have investment grade credit ratings of "A" or better (or the equivalent) from at least two nationally recognized credit rating agencies. U.S. Treasury and guaranteed federal agency securities are viewed as having the highest possible quality rating since they are based on the taxing ability or implied credit of the U.S. Government.

(2) Custodial Credit Risk – This risk results from the failure of a counterparty providing custodial services. If a custodial failure were to occur, the City would be limited, or delayed, in its ability to recover the securities that are in the possession of the custodian. To eliminate this risk for City owned securities delivery versus payment to a custodian which is not party to the trade is required. Assets pledged as collateral must be held by an independent custodian and must be pledged in the name of the City. In addition, collateral securities shall have and must maintain a market value of not less than 102% of the amount of deposits. A written agreement regarding collateral will be executed under the terms of Financial Institutions Reform, Recovery, and Enforcement Act (FIRREA) to assure acceptance by bank regulators.

Liquidity Risk

Liquidity risk for securities is the risk that funds are not available for use or that a security will not be marketable making the sale of said security unattainable. Liquidity is affected by many factors, including creditworthiness, the amount of an issue outstanding, and the term to maturity. Diversification of types and maturities of securities held can help alleviate the liquidity risk. The size of the issuance also has an impact. Normally, a larger issuance creates more liquidity for the security. The City maintains a relatively short weighted average maturity ("WAM") and invests to anticipated cash flow needs in high credit quality securities, which keeps the portfolio liquidity risk low. Additionally, based on periodic cash flow forecasts, an adequate supply of operating funds are maintained in fully liquid money market mutual funds and government investment pools.

AUTHORITY TO EXECUTE INVESTMENT TRANSACTIONS

Investment transactions shall be executed only by the City's designated Investment Officers, which include the Chief Financial Officer, Deputy Chief Financial Officer, Assistant Finance Director – Financial Services, and the following individuals from the Financial Management Division: Financial Management Administrator, Financial Manager, Banking Officer, and Investment Officers. Individuals in these positions will be designated as Investment Officers by Ordinance of the City Council. Daily investment activity and portfolio management shall be performed by the Investment Officers within the Finance Department's Division of Financial Management.

PRUDENCE

The City's investment transactions shall be executed in accordance with 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 safety of their capital as well as the probable income to be derived." Investments shall be made in accordance with the Act and this Policy with the investment objectives assigned the following priority: (i) satisfy cash flow requirements; (ii) preservation and safety of principal; (iii) liquidity and diversification; (iv) maximum yield; and (v) proactive portfolio management.

Investment Officers shall perform their duties in conformance with procedures and policies as set forth in this Policy and by the City's Finance Department and Investment Committee. Determination as to whether an Investment Officer has exercised prudence in the execution of investment duties shall be made, in part, by taking into consideration the following:

(1) the investment of all funds, or funds under the City's control, over which an Investment Officer had responsibility rather than a consideration as to the prudence of a single investment; and

(2) whether the investment decision was consistent with the currently adopted Policy and departmental procedures.

An Investment Officer, acting in accordance with written procedures and exercising due diligence consistent with the Act and this Policy, is responsible but shall not be held personally liable for a specific security's market price changes, provided that these deviations are reported immediately and that appropriate action is taken to control adverse developments. Failure to act in accordance with Policy and departmental procedures could result in the Investment Officer being held personally liable in such a situation.

INVESTMENT MATURITIES

Strategic portfolio investments focus on meeting short-term operational and debt service cash flow requirements during the course of a year, and long-term cash flow requirements pertaining to fund balances that are reserved for unexpected decreases in cash positions. Short-term investments to meet operational cash flow requirements are typically invested for less than one (1) year, while balances in funds that are not anticipated to be utilized except in extraordinary circumstances may be invested with two (2) and three (3) year maturities, dependent in part on the yield curve and market conditions. The maximum allowable stated maturity of an individual investment shall be no more than five (5) years.

TRAINING

In accordance with the Act, the City's designated Investment Officers shall attend ongoing training from an independent source approved by the City Council or by the Investment Committee as provided for in this Policy. Training shall contain at least ten (10) hours of instruction within twelve (12) months after taking office or assuming duties. In addition, Investment Officers shall attend eight (8) hours of investment training not less than once in a two (2) fiscal year period that begins on the first day of the City's fiscal year and consists of the two consecutive years after that date. This training must include education in investment controls, investment-related risks, portfolio diversification, and compliance with and defined by the Act.

ETHICS

An Investment Officer who has any personal or 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 with the Deputy Chief Financial Officer and the City Council. An Investment Officer who is related within the second degree by affinity or consanguinity, as determined under Chapter 573 of the Local Government Code, to an individual seeking to sell an investment to the City shall also file a statement disclosing that relationship with the Texas Ethics Commission in accordance with the Act.

INTERNAL CONTROLS

Internal controls are exercised through the separation of functions and the reconciliation of investment transaction records created by different parties involved with each transaction. Investment Officers are authorized to execute investment trades with funds released by the Accounting Division thereby effecting a dual control on each transaction. Accounting Division personnel approve payment for trades, are authorized to effectuate wire transfers and record the transactions. Written records are separately prepared and maintained on each transaction by the Investment Officers and the Accounting Division. Broker/Dealer trade confirmations and custodial reports are matched to confirmations and kept on file.

MONITORING MARKET ACTIVITY AND INVESTMENT CREDIT RATINGS

Market activity is to be monitored on a continuous basis via internet based financial news sources, as well as live news reports and on-line systems with market quotes. Broker/Dealer Firms provide market information and various financial databases provide historical statistical information. In addition, financial periodicals are used as an additional information vehicle to broaden financial and market awareness and knowledge. End of month security prices are obtained from various independent sources including the City's designated custodian bank, on-line market databases, and Broker/Dealer Firms. This broad-based knowledge is utilized in strategic investment decision making and proactive portfolio management.

The Investment Officers shall monitor, on a monthly basis, the credit rating on all authorized investments in the portfolio based upon independent information from a nationally recognized rating agency. If any security falls below the minimum rating as detailed in the Authorized Investment section required by this Policy, the Investment Officers shall notify the Chief Financial Officer and the Deputy Chief Financial Officer of the loss of rating, conditions affecting the rating, possible loss of principal, and any liquidation options available. The Chief Financial Officer and the Deputy Chief Financial Officer, and/or the Investment Officers shall consider all prudent measures consistent with this Policy and may liquidate an investment that does not have the minimum rating.

AUTHORIZED INVESTMENTS

The Act authorizes local governments to invest in a prescribed set of investment instruments that can be utilized to promote the goals of safety of principal, liquidity and diversification, and maximize yield. All investments shall be made in compliance with the Act as amended and as further defined by this Policy (in whole or in part) and any other applicable laws. The City may elect not to invest in all of the instruments authorized by the Act. Listed below are investment instruments authorized by this Policy in accordance with the Act. Other securities or transactions authorized by the Act will not be authorized investments for the City until the Policy is amended and adopted by the City Council.

Obligations of, or Guaranteed by Governmental Entities

Obligations of, or Guaranteed by Governmental Entities include, and are limited to, the following:

(1) obligations, of the United States or its agencies and instrumentalities;

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

(3) mortgage-backed securities and collateralized mortgage obligations (CMO) directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States. Any CMO must pass the Federal Reserve defined bank test for volatility;

(4) 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;

(5) obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized credit rating agency not less than "A" or its equivalent; and

(6) interest-bearing banking deposits or credit union demand deposits that are guaranteed or insured by:

(A) the Federal Deposit Insurance Corporation or its successor; or
(B) the National Credit Union Share Insurance Fund or its successor.

Depository Certificates of Deposit

A depository certificate of deposit is an authorized investment if the certificate is issued by a depository financial institution that has its main office or a branch office in the State of Texas and is:

(1) guaranteed or insured by the Federal Deposit Insurance Corporation or its successor; or

(2) secured by authorized obligations as provided by this Policy;

This authority is not to include brokered certificates of deposit securities.

All collateral must be fully documented, executed with authorizing documentation, and held at an independent, approved third party institution. Collateral provided above FDIC insurance coverage will have a minimum market value of 102% of the deposit. Depository certificates of deposit may be purchased from the City's then-current depository institution or any Texas bank on a competitive basis.

CDARS- Certificates of Deposit Registry Service
In addition to the authority to invest funds in insured or collateralized certificates of deposit as stated above, an investment in spread certificates of deposit through CDARS (Certificate of Deposit Account Registry Service) made in accordance with the following conditions is an authorized investment if:

(1) the Texas 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

including out of state. Each of the certificates of deposit will be issued for the account of the City as the beneficial owner of the certificates;

(2) 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; in effect the Federal Deposit Insurance Corporation ("FDIC"). Each certificate of deposit will be issued in an amount within the FDIC then current insurance coverage limit. The total amount of the City's investment will be deposited in a number of CDARS financial institutions. The City's investment will thus be fully protected against the failure of any of the institutions issuing the certificates of deposit;

(3) the Texas depository institution selected by the City acts as custodian for the City with respect to the certificates of deposit issued for the account of the City. Under this provision, when the certificates of deposit issued by other institutions to the City mature, the payment of the principal and accrued interest will be made by those institutions through the selected depository institution in Texas;

(4) as City funds are deposited to the originating CDARS bank the funds are distributed to other banks in the US network for the account of the City but the City recognizes it as one CD from the originating bank. If reciprocity is recognized by the banks in the network, the originating Texas bank will eventually have deposits in the amount of funds initially invested by City all under FDIC coverage; and

(5) the amount of funds that may be invested by the City with any one depository institution that meets the requirements set out in (1) through (4) above may not exceed the then current CDARS program limits.

Credit Union Share Certificates

A share certificate is an authorized time investment if the certificate is issued by a credit union that has its main office or a branch office in the State of Texas and is fully insured by the National Credit Union Share Insurance Fund, or its successor.

Repurchase Agreement

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

(1) has a defined termination date;

(2) is secured by a combination of cash and obligations of the United States or its agencies and instrumentalities;

(3) requires a buy-sell transaction for the underlying securities, held in the City's name, and deposited at the time the investment is made with an independent third party custodian selected and approved by the City; and

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

A "repurchase agreement" is a simultaneous agreement to buy, hold for a specified time, and sell back at a future date, obligations, of the United States or its agencies and instrumentalities, at a specified rate. The underlying securities market value must be maintained daily at not less than 102% of the principal and the accrued amount of the funds and held by a third party institution.

"Flex" repurchase agreements, with the same conditions, may be used for capital improvements funds with a maximum maturity not to exceed the expenditure plan for the bond funds.

Reverse Repurchase Agreement

A fully collateralized reverse repurchase agreement is authorized if it does not exceed 90 days. Money received by the City under the terms of a reverse security repurchase agreement shall be used to acquire additional authorized investments, but the authorized investments acquired must mature not later than the expiration date stated in the reverse security repurchase agreement.

Securities Lending

Securities lending is an authorized investment if:

(1) the value of securities loaned, including accrued interest, is collateralized at not less than 102 percent (102%);

(2) a loan made under the program allows for termination at any time;

(3) a loan made under the program is secured by:

(A) pledged securities authorized by the Act, Section 2256.009;
(B) pledged irrevocable letters of credit issued by a bank that is organized and existing under the laws of the United States or any other state and continuously rated by at least one nationally recognized credit rating agency at not less than "A" or its equivalent; or
(C) cash invested in accordance with the Act and this Policy;

(4) the terms of a loan made under the program require that the securities being held as collateral be:

(A) pledged to the City;
(B) held in the City's name; and
(C) deposited at the time the investment is made with the City or with a third party selected by or approved by the City;

(5) a loan made under the program is placed through:

(A) a primary government securities dealer, as defined by the Federal Reserve, Title 5 Code of Federal Regulation, Section 6801.102 (f); or
(B) a financial institution doing business in the State of Texas; and

(6) a written agreement to lend securities is executed under this section and has a term of one year or less.

Bankers' Acceptance

A bankers' acceptance is an authorized investment if the bankers' acceptance:

(1) has a stated maturity of two hundred seventy (270) days or fewer from the date of its issuance;

(2) will be, in accordance with its terms, liquidated in full at maturity;

(3) is eligible for collateral for borrowing from a Federal Reserve Bank; and

(4) is accepted by a bank organized and existing under the laws of the United States or any state, if the short-term obligations of the bank, or of a bank holding company of which the bank is the largest subsidiary, are rated not less than "A-1" or "P-1" or an equivalent rating by at least one nationally recognized credit rating agency.

Commercial Paper

Commercial paper is an authorized investment if the commercial paper:

(1) has a stated maturity of two hundred seventy (270) days or fewer from the date of its issuance; and

(2) is rated not less than “A-1”, “P-1” or an equivalent rating by at least two nationally recognized credit rating agencies, or by one national 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.

Money Market Mutual Fund

A money market mutual fund which strives to maintain a $1 NAV (net asset value) is an authorized investment if the mutual fund:

(1) is registered with and regulated by the Securities and Exchange Commission and complies with the SEC Rule 2a-7 (17 C.F.R. Section 270.2a-7);

(2) provides the City with a prospectus and other information required by the Securities Exchange Act of 1934 as amended or the Investment Company Act of 1940 as amended;

(3) is rated “AAA” by at least one nationally recognized rating agency;

(4) has a dollar-weighted average stated maturity of sixty (60) days or fewer; and

(5) provides a prospectus for the fund.

Ultra Short-term Bond Fund

A money market mutual fund (ultra-short term fund) which does not strive to maintain a $1 NAV is an authorized investment if the fund:

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

(2) has a duration of less than one year and invests exclusively in obligations authorized by the Act; or

(3) has an investment portfolio limited to investment grade securities excluding asset-backed securities.

Local Government Investment Pool

The City may invest its funds and funds under its control in a local government investment pool which strives to maintain a $1 NAV if the City Council, by ordinance, authorizes investment in the particular pool. The investment pool must only invest in those instruments authorized by the Act and must complete the City’s Investment Policy Certification.

To be eligible to receive funds from and invest funds on behalf of the City, an investment pool must furnish to the City through an Investment Officer or other authorized representative of the City, an offering circular or other similar disclosure instrument that contains, at a minimum, the following information:

(1) the types of instruments in which the money is allowed to be invested;

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

(3) the maximum stated maturity date of any investment security within the pool;

(4) the objectives of the pool;

(5) the size of the pool;

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

(7) the custodian bank that will safekeep the pool's assets;

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

(9) 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;

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

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

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

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

In addition, to maintain eligibility to receive funds from and invest funds on behalf of the City, an investment pool must furnish to an Investment Officer or other authorized representative of the City the following:

(1) investment transaction confirmations; and

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

- the types and percentage breakdown of securities in which the pool is invested;
- the current average dollar-weighted maturity, based on the stated maturity date of the pool;
- the current percentage of the pool's portfolio in investments that have stated maturities of more than one year;
- the book value versus the market value of the pool's portfolio, using amortized cost valuation;
- the size of the pool;
- the number of participants in the pool, including a statement regarding how yield is calculated;
- the custodian bank that is safekeeping the assets of the pool;
- a listing of daily transaction activity relating to the City's participation in the pool;
- the yield and expense ratio of the pool;
- the portfolio managers of the pool; and
- any changes or addenda to the offering circular.

To be eligible to receive funds from and invest funds on behalf of the City, a public funds investment pool created to function as a money market mutual fund must mark to market daily its portfolio, and, to the extent reasonably possible, stabilize at $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 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.

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:

(1) 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 Texas Government Code and managed by a state agency; or

(2) 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.

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

Monitoring Credit Ratings
The Act requires that securities requiring a specific credit rating must be liquidated if the rating falls below the minimum rating. The Investment Officer shall monitor, on no less than a monthly basis, the credit rating on all authorized investments in the portfolio for which the policy requires a credit rating. The rating should be based upon independent information from a nationally recognized rating agency. If any security falls below the minimum rating required it must be liquidated. The Investment Officer shall notify the Deputy Chief Financial Officer of the loss of rating, and liquidation options within two days for a decision on liquidation.

Monitoring FDIC Status for Mergers and Acquisitions
A merger or acquisition of banks or brokered CDs into one bank reduces FDIC coverage. The Investment Officer shall monitor, on no less than a weekly basis, the status and ownership of all banks where funds are held or issuing brokered CD securities owned by the City based upon information from the FDIC (fdic.gov). If any bank has been acquired or merged with another bank in which brokered CDs are owned by the City, the Investment Officer or Adviser shall immediately liquidate any brokered CD which places the City above the FDIC insurance level.

BROKER/DEALER, BANK, AND MUTUAL FUND ELIGIBILITY

Broker/Dealers, Banks and Mutual Fund firms interested in providing investment services to the City will be required to submit a Statement of Qualifications in response to the City's Request for Qualifications ("RFQ") to provide Broker/Dealer Services.

The RFQ may include but not be limited to, inquiries such as the name, address and brief history of the firm, identification of the individuals who will be working with the City, capital structure of the firm, description of major changes that have recently occurred in the firm, disclosure of investigations for alleged improper, fraudulent, disreputable or unfair investment activities, financial reports, and disclosure of any filing or claim the firm may have had or currently has against the City. Firms and representatives shall also be evaluated based on experience, background and qualifications, Proposed Broker/Dealer services, and Small Business Economic Development Advocacy ("SBEDA") Program goals, professionalism and product knowledge.

Policy Certification

All local government pools in which the City participates and broker/dealers or banks offering to sell an investment to the City must execute the City's Investment Policy Certification, and sign a Discretionary Contracts Disclosure Form as required by the City's Ethics Code. The Investment Policy Certification will serve as the written instrument whereby such firm acknowledges that, among other things: (1) such pool/firm has received and reviewed this Policy; and (2) has implemented reasonable procedures and controls in an effort to preclude investment transactions conducted between the City and the pool/firm that are not authorized by this Policy, except to the extent that this authorization is dependent on an analysis of the makeup of the City's entire portfolio or requires an interpretation of subjective investment standards.

Nothing in the Act relieves the City of the responsibility for monitoring the investments made by the City to determine that they are in compliance with this Policy.

Utilization of Approved Firms and Periodic Review

The City's Investment Committee shall review, revise, and adopt, at least annually, the list of approved Broker/Dealer Firms with whom the City does business. A firm may be removed from eligible status, without notice, at the City's sole discretion.

The City will maintain the list of approved Broker/Dealer Firms. Investment Officers will administer investments with the goal of providing and distributing opportunities to the various eligible firms. In that regard, whenever possible, the City will obtain at least three quotes on open-market investment purchases, and such quotes will be obtained from approved Broker/Dealer Firms on a rotating basis.

INVESTMENT MANAGEMENT/ADVISORY FIRMS

The City may contract with a non-discretionary investment management firm registered under the Investment Advisers Act of 1940 (15 U.S. C. Section 80b-1 et seq., as amended) to provide for the investment and management of its public funds or other funds under its control. The City may utilize an investment management firm for the investment or management of its funds or may utilize an investment management firm for the investment and management of certain funds if deemed beneficial by the Investment Committee subject to approval by City Council. A contract made with an investment management firm may not be for a term longer than two years and a renewal or extension of the contract must be approved by the City Council through ordinance.

If the City has contracted with an investment management firm to invest its funds, the investment officer of the investment management firm is considered to be an Investment Officer of the City. Authority granted to a fiduciary to invest City funds is effective until rescinded by the City or until the expiration of the contract with the investment management firm. In the administration of the duties of an Investment Officer, the fiduciary designated as Investment Officer shall exercise the judgment and care, under prevailing circumstances, that a prudent person would exercise in the management of the person's own affairs, but the City Council will retain ultimate responsibility as fiduciaries of the assets of the City. The investment advisory firm shall operate strictly within the Policy limitations.

A written copy of the City's Investment Policy shall be presented to an investment management firm that the City contracts with to advise or invest/manage the City's investment portfolio. A qualified representative of the investment management firm shall execute a written instrument in a form acceptable to the City that demonstrates that the firm has:

(1) received and reviewed the Policy of the City; and

(2) acknowledged that the investment management firm has implemented reasonable procedures and controls in an effort to preclude investment transactions conducted between the City and the organization that are not authorized by the Policy, except to the extent that this authorization is dependent on an analysis of the makeup of the City's entire portfolio or requires an interpretation of subjective investment standards.

CUSTODY

Securities owned by the City shall be settled and held in trust in a City approved custodial institution in accordance with the Act. City owned securities shall be cleared through the City's custodian only on a delivery versus payment basis. In a securities lending arrangement, the securities may be further delivered "free" to the securities lending custodian, if appropriate.

Custodial services shall be contracted through the City's depository bank or other approved financial institution. The custodian may be outside the State of Texas.

COLLATERALIZATION

The City's collateral requirements are established in accordance with the Collateral Act and the Act and further defined and restricted by this Policy.

Securities pledged to the City shall be held in custody by an independent third party in accordance with the Collateral Act.

Pledged Collateral

All City time and demand deposits in any depository shall be insured by the Federal Deposit Insurance Corporation or its successor, or secured by pledged collateral. Pledged collateral securities shall have a market value of not less than one hundred two percent (102%) of the amount of total deposits plus accrued interest daily, must be pledged to the City, and must be placed in the custody of an independent third-party institution approved by the City. The pledging institution shall be liable for monitoring and maintaining the margin daily. The custodian shall provide original safekeeping receipts/evidences. The custodian of the securities shall prepare and send directly to the City a listing of all collateral on at least a monthly basis.

In accordance with the Collateral Act, the depository pledging collateral may provide state-wide collateral pooling. The City is authorized to utilize a pooling program but before entering into the agreement the Investment Officers shall fully analyze the cost and risk parameters to the City under such a program. Approval by the Investment Committee will be required before use of the program.

Owned Collateral Under Repurchase Agreements

Securities owned by the City under a repurchase agreement shall be held in custody by an independent third-party custodian approved by the City. Collateral market value shall equal one hundred two percent (102%) of the total repurchase agreement principal plus accrued interest daily. The counterparty shall be responsible for daily mark-to-market and shall provide reports as required by the City. The custodian shall provide reports listing the collateral and its market value as required by the City at least monthly. The terms for the collateral conditions shall be in a written and executed Master Repurchase Agreement.

Authorized Collateral

Authorized collateral includes only:

(1) cash;
(2) obligations of the U.S. Government, its agencies and instrumentalities, including mortgage-backed securities which pass the bank test and including letters of credit; and
(3) obligations of any state, city, county, school district or authority of any state rated "A" or better by two nationally recognized rating agencies.

INVESTMENT STRATEGY

The City administers funds which are derived from a variety of sources, and which are utilized for various purposes. Short-term investments, which are investments with maturities of one year or less, make up the majority of the investment portfolio and are utilized to meet operational, debt service and capital project funding needs. Longer term investments are appropriate for balances that are not anticipated to be drawn on within a one-year period or are maintained in a reserve position to preserve the financial integrity of the City's financial resources and shall be utilized if unexpected cash draws are required. The maximum WAM applicable to all City funds will be no more than three (3) years.

Investments may be pooled or invested for the benefit of one or more funds. If pooled, principal and interest income is distributed to each respective fund on a pro rata basis. Whether investments are pooled or invested separately is decided by the Investment Committee, based upon which method is most beneficial to the City and on the investment strategies established herein. For all City investments, daily and other periodic cash flow analysis shall be performed to facilitate the investing process.

The City pools all the following fiscal funds into one portfolio (pooled funds group) recognizing the parameters and needs of each unique fiscal fund. The WAM for the overall pool/portfolio has a maximum of three (3) years. City's fund groups and their general investing strategies based on their various specific purposes are as follows:

General Fund - Investments pertaining to the General Fund are structured primarily to meet the various operating expenses of the City including payroll and other costs of daily operations. Accordingly, these instruments are structured to be safe, liquid, and short-term in nature, with maturities generally no greater than one year. In addition, investments pertaining to the General Fund will consist of a diversified group of approved instruments intended to maximize yield, and to possess adequate marketability so as not to result in materially adverse impacts should unexpected liquidity needs arise. Available funds deemed not to be required for short-term operational needs may be invested up to five (5) years.

Enterprise Funds - Investments pertaining to the Enterprise Funds are structured to meet the various operating, debt service, and capital project obligations related to the City's Airport System, Parking Facilities, Solid Waste Management Fund, Development Services, and Market Square Fund, and the creation of any other future enterprise funds. Accordingly, liquidity and maturity terms of investments pertaining to the Enterprise Funds are based on projections and information related to their various expense outlooks and requirements. Investments pertaining to the Enterprise Funds will consist of a diversified group of safe and approved instruments intended to maximize yield, and to possess adequate marketability so as not to result in materially adverse impacts should liquidation become necessary.

***Airport System Funds* -** Available balances in the Airport System Funds exclusive of the Construction funds will be laddered over the next five (5) years. The available balances in the Airport Construction funds will be invested to match maturities with draw requirements as provided by the Department of Aviation.

Parking System Funds -Available balances in the Parking System Funds will be invested to the end of the current fiscal year and revenue will be invested to cover short-term operational needs.

Solid Waste Management- Available balances in the Solid Waste Management Fund will be invested to the end of the current fiscal year and revenue will be invested to cover short-term operational needs.

Development Services Funds -Available balances in the Development Services Funds will be invested to the end of the current fiscal year and revenue will be invested to cover short-term operational needs.

Market Square Funds- Available balances in the Market Square Funds will be invested to the end of the current fiscal year and revenue will be invested to cover short-term operational needs.

Debt Service Funds - Investments pertaining to the Debt Service Funds are structured to mature in conjunction with City debt requirements, and to ensure compliance with any pertinent covenants and legal requirements contained in related bond ordinances. In addition, investments pertaining to the Debt Service Funds will consist of a diversified group of safe and approved instruments intended to maximize yield, and to possess adequate marketability so as not to result in materially adverse impacts should liquidation become necessary. Due to definitive debt service schedules, the nature of these funds allows for precise forecasting of required cash flows.

Special Revenue Funds - Investments pertaining to the Special Revenue Funds are structured to meet the various specific and restricted expenditure purposes. Generally, the Special Revenue Funds involve frequent activity and require related investment instruments to be liquid and short-term in nature, with maturities generally no greater than one year. In addition, investments pertaining to the Special Revenue Funds will consist of a diversified group of safe and approved instruments intended to maximize yield, and to possess adequate marketability so as not to result in materially adverse impacts should unexpected liquidity needs arise.

Capital Projects Funds - Investments pertaining to the Capital Projects Funds are structured to meet the City's various capital projects obligations. Accordingly, maturity terms of investments pertaining to Capital Project Funds are based on projections and information related to capital project expenditures, with maturity terms timed to meet draw schedule requirements, and not to exceed the expected completion date of the related capital project. Investments pertaining to the Capital Projects Funds will consist of a diversified group of safe and approved instruments intended to maximize yield, and to possess adequate marketability so as not to result in materially adverse impacts should liquidation become necessary.

Internal Service Funds-Investments pertaining to the Internal Service Funds are structured to satisfy the expenditures incurred in providing goods or services between City departments. The Internal Service Funds involve various activity patterns, and require related investment instruments to include various maturity horizons. In addition, investments pertaining to the Internal Service Funds will consist of a diversified group of safe and approved instruments intended to maximize yield, and to possess adequate marketability so as not to result in materially adverse impacts should liquidation become necessary.

Fiduciary Funds-Investments pertaining to the Fiduciary Funds are structured by the City to satisfy various maturity requirements, based on their specific intended purposes. Fiduciary Funds may involve frequent or infrequent activity, thereby resulting in varying liquidity and maturity requirements. Investments pertaining to the Fiduciary Funds will consist of a diversified group of safe and approved instruments intended to maximize yield, and to possess adequate marketability so as not to result in materially adverse impacts should liquidation become necessary.

Custodial Funds-Available balances in the Custodial Funds will be invested in securities with maturities within two years. Any revenue will be invested in short-term instruments to the end of the current fiscal year.

Permanent Funds- Available balances in the Expendable Trust Funds will be invested in securities with maturities within two years. Any revenue will be invested in short-term instruments to the end of the current fiscal year.

San Antonio Housing Trust Fund - The available balance in this fund will be invested in accordance with draw requirements provided by the San Antonio Housing Trust.

RECORD KEEPING AND REPORTING

Not less than quarterly, the Investment Officers shall prepare and submit to the Investment Committee, City Council and the City Manager, a written report of investment positions and transactions of all funds covered by this Policy in compliance with the Act, for the preceding reporting period within a reasonable time after the end of the period. The report must:

(1) describe in detail the investment position of the City on the date of the report;

(2) be prepared jointly and signed jointly by each Investment Officer;

(3) contain a summary statement, prepared in compliance with generally accepted accounting principles, of each pooled fund group that states the beginning market value for the reporting period, additions and changes to the market value during the period, ending market value for the period, and fully accrued interest and total earnings for the reporting period;

(4) state the amortized book value and market value of each separately invested asset at the beginning and end of the reporting period by the type of asset and fund type invested;

(5) state the maturity date of each separately invested asset that has a maturity date;

(6) state the account or fund or pooled group fund of the City for which each individual investment was acquired;

(7) state the weighted average yield of the total portfolio and its benchmarks for the comparable period; and

(8) state the compliance of the investment portfolio of the City as it relates to the investment strategy expressed in the City's Investment Policy and relevant provisions of the Act.

Quarterly reports shall be formally reviewed at least annually by the City's independent auditors, and the result of the review shall be reported to the City Council.

CLOSING

This Policy has been developed by the City's Finance Department, reviewed by the City Attorney's Office, and approved by the City Manager. The Policy is formally adopted by the City Council through Ordinance. The City's Investment Officers will review this policy annually in accordance with the Act, to evaluate its effectiveness in meeting the City's public funds investment objectives as stated herein, and in the course of their review revise and update the list of qualified Broker/Dealer Firms, banks, investment pools, and mutual funds with whom the City executes investment transactions.

City Council shall review the Policy annually and shall approve and adopt an Ordinance, which states that the City Council has reviewed the Policy. Such Ordinance so adopted shall record any changes made to either the Policy or investment strategy.

Exhibit I

CITY OF SAN ANTONIO
Investment Policy
Glossary

DEFINITIONS

The following terms as used in this Policy and in the City's Investment Portfolio practice shall have the meanings as ascribed below. All definitions provided may not be utilized in this Policy or Investment Reports but are included for informational purposes only.

Accrued Interest
Accrued Interest represents the interest on fixed rate securities calculated for the period commencing with the last interest payment date to the settlement date or funds accrued on liquid deposits such as money market mutual funds or pools.

Agency Discount Notes
Agency Discount Notes are debt instruments issued by agencies of the U.S. Government with stated maturities not to exceed one (1) year. Agency Discount Notes are priced at a discount rate based on current market yields and do not carry a coupon. They are not direct obligations of the U.S. Government but are secured by financial arrangements established by each of the applicable issuing agencies.

Airport Construction Fund
The Airport Construction Fund is utilized to make payment on Airport capital improvement construction costs as presented for payment.

Arbitrage/Rebate Regulations
Arbitrage may arise when tax-exempt municipal bond proceeds are invested at higher yields than the yields on the related bonds. In such cases, interest earnings on the arbitrage bonds may be subject to Internal Revenue Service arbitrage/rebate provisions. The City may from time to time incur arbitrage/rebate liability under these provisions. The City's Finance Department will be responsible for appropriate tracking and maintenance of records to facilitate compliance with requirements of the arbitrage/rebate provisions.

Bankers' Acceptance ("BA")
A Bankers' Acceptance is a negotiable debt instrument primarily utilized to facilitate import/export operations. The note is created by a bank at an agreed upon rate and a stated maturity of less than one (1) year. The Bankers' Acceptance is secured by the creditworthiness of the bank.

Bond Equivalent Yield
The Bond Equivalent Yield is that rate of return on a security sold on a discount basis that assumes actual days to maturity and a 365-day year.

Book Value
Book Value is the original principal acquisition cost of an investment plus or minus the amortization or accretion of the premium or discount.

Brokered Certificate of Deposit
A brokered certificate of deposit is a registered security that is purchased on the secondary market through a brokerage firm, or from a sales representative other than a bank. A bank is the initiator of the CD but has sold it to broker/dealer firms. A higher price is generally paid for these types of CDs. Mergers and acquisitions affect the FDIC coverage on the securities.

Callable Security
A callable security has an embedded call feature which allows the issuer to "call" the bond at a specified time(s) and price(s). A call allows the issuer to refinance at a lower interest rate in the future. Callable Securities are often used by municipal issuers.

Certificates of Deposit ("CD")
Depository certificates of deposit are debt instruments issued by commercial banks which have a stated interest rate and a maturity not less than 7 days. The Certificate of Deposit is insured by Federal Deposit Insurance Corporation ("FDIC") and secured by collateral of permitted investments as defined in the Act deposited with the custodian bank for the amount of investment in excess of the FDIC insured amount.

Certificate of Deposit Account Registry Service ("CDARS")
CDARS is a private, patented, for-profit service that breaks up large deposits and places them across a network of banks and savings associations around the U.S. This allows depositors to deal with a single bank that participates in the program but avoid having funds above the Federal Deposit Insurance Corporation deposit insurance limits in any one bank.

Collateralized Mortgage Obligations ("CMO's")
Collateralized Mortgage Obligations are bonds secured by a pool of mortgages in which the principal cash flows of the pool are separated into two or more series of bonds or tranches that represent short, medium, and long-term investments and various pay-down schedules.

Collateral Pools
As an alternative to individually pledged securities for each public entity, an amendment to the Texas Public Funds Collateral Act in 2009 authorized any bank to create one collateral pool with a 102% margin to be pledged to its public clients in Texas. All bank clients share pro rata in the value of securities pledged. Collateral is not pledged to individual public entities but is held by an independent custodian. The entity must sign a security agreement. The State Comptroller manages and directs the program. Risk is primarily focused on (1) accurate recognition of public fund balances, (2) monitoring of security prices, and (3) types of securities pledged.

Commercial Paper ("CP")
An unsecured promissory note issued by banks, corporations, and other financial institutions at interest rates and maturities designed to accommodate the investor's portfolio. Commercial Paper is typically discounted at market yield but may also be interest bearing. Commercial Paper obligations have scheduled maturities that do not exceed 270 days. The security for the commercial paper is the creditworthiness of the issuing institution.

Cost
Cost is the price of a security based on market yield exclusive of accrued interest.

Coupon
Coupon represents a stated fixed rate of interest payable at periodic installments, typically every six months.

CUSIP
CUSIP is the standard alphanumeric system used throughout the financial community for identification of security issues. It stands for Committee on Uniform Securities Investment Procedures.

Discount
Discount represents the difference between the cost of a security priced at less than par or face value and the par or face value of the security and occurs when the yield is greater than the stated rate.

Discount Rate
Discount Rate is used to determine the price of a discount note given market yield.

Federal Agricultural Mortgage Corporation ("FRMC" - "Farmer Mac")
Farm Credit System banks, commercial banks, thrifts, insurance companies, and other qualified originators of agricultural real estate loans sell their loans to certified loan poolers. These pooled loans are securitized into notes and bonds with fixed interest rates and stated maturities and discount notes that mature within one (1) year at a price based on current market yield and pays the par or face value at maturity. The securities are not direct obligations of the U.S. Government. They are secured by a cash reserve and a $1.5 billion line of credit to the U.S. Treasury. The Federal Agricultural Mortgage Corporation facilitates the development of a secondary market for farm mortgage loans.

Federal Farm Credit Bank ("FFCB")
The Federal Farm Credit Bank issues notes and bonds with fixed interest rates and stated maturities. It also issues discount notes that mature within one (1) year at a price based on current market yield and pays the par or face value at maturity. The securities are not direct obligations of the U.S. Government. Notes, discount notes, and bonds are secured by joint and several obligations of the banks of the Farm Credit System. They are secured by collateral consisting of notes or other obligations of borrowers, obligations of the U.S. Government or any agency thereof, other readily marketable securities approved by the Farm Credit Administration, or cash, in an aggregate value equal to the bonds outstanding. The Federal Farm Credit Bank funds are utilized to provide agricultural loans to farmers and to agricultural associations within the system.

Federal Home Loan Bank ("FHLB")
The Federal Home Loan Bank issues notes and bonds with fixed interest rates and stated maturities. It also issues discount notes that mature within one (1) year at a price based on current market yield and pays the par or face value at maturity. The securities are backed by collateral of guaranteed mortgages, cash, government securities, or secured advances to savings and loan associations. They are not direct obligations of the U.S. Government though a credit line with the U.S. Treasury is in place. The Federal Home Loan Bank funds are utilized to provide money to thrift institutions that in turn originate home loan mortgages.

Federal Home Loan Mortgage Corporation ("FHLMC" - "Freddie Mac")
The Federal Home Loan Mortgage Corporation issues debenture notes and bonds. It also issues discount notes that mature within one (1) year at a price based on current market yield and pays the par or face value at maturity. The securities are unsecured general obligations of the Federal Home Loan Mortgage Corporation and are not direct obligations of the U.S. Government. The Federal Home Loan Mortgage Corporation funds are utilized to purchase mortgages from individual lenders for sale to the secondary market. The agency has been placed under U.S. Government conservatorship since 2008.

Federal National Mortgage Association ("FNMA" - "Fannie Mae")
The Federal National Mortgage Association issues notes and bonds with fixed interest rates and stated maturities. It also issues discount notes that mature within one (1) year at a price based on current market yield and pays the par or face value at maturity. The securities are unsecured general obligations of the Federal National Mortgage Association and are not direct obligations of the U.S. Government. The Federal National Mortgage Association funds are utilized to purchase mortgages from individual lenders for sale to the secondary market. The agency has been placed under U.S. Government conservatorship since 2008.

Floater
A bond or other type of debt whose coupon rate changes with market conditions (short-term interest rates).

Guaranteed Investment Contract ("GIC")
A contract that guarantees repayment of principal and a fixed or floating interest rate for a predetermined period of time, they fall under the negotiated contract clause. GICs are typically issued by life insurance or financial companies and marketed to institutions with qualified for favorable tax status under the Internal Revenue Code.

Government Investment Pool
An Investment Pool is an entity created under the Interlocal Cooperation Act to allow public funds to invest jointly on behalf of the entities that participate in the pool and whose investment objectives in order of priority are preservation and safety of principal, liquidity and yield. Investment pools can be either constant dollar or fluctuating net asset value type vehicles but are generally directed by the Act.

Market Value
Market Value is the current face or par value of an investment multiplied by the selling price of the security as quoted by a recognized market-pricing source on the valuation date.

Maturity Date
Maturity Date is the final stated date on which the principal or stated value of a debt security becomes due and payable.

Money Market Mutual Fund
A money market mutual fund is an investment vehicle authorized under the Act, which pools money contributed from many investors and allows the fund to act as a large single investor. The Act requires that such fund be regulated by the Securities and Exchange Commission, have a dollar weighted average stated maturity of 90 days or fewer, be rated AAA or equivalent, and include in its investment objectives the maintenance of a stable net asset value of $1 for each share.

Par
Par price is 100. For example, a security with a face of $1,000, offered at par, can be purchased for $1,000.

Par/Face Value
Par Value (Face value) is the value assigned a security at 100% of its principal or principal plus interest paid at maturity.

Pooled Fund Groups
Pooled Operating Funds is a defined term in the Act representing internally created portfolios which may reflect different types of funds. Reporting is done on pooled fund groups.

Pooled Operating Funds
Pooled Operating Funds consist of balances from the City's various funds, exclusive of the debt service

funds, invested in an aggregate or pooled amount with principal and interest income distributed to each respective fund on a pro rata basis.

Pooled Debt Service Funds
Pooled Debt Service Funds consist of balances from the City's Debt Service Funds invested in an aggregate or pooled amount with principal and interest income distributed to each respective fund on a pro rata basis.

Premium
Premium represents the difference between the cost of a security priced at greater than par or face value and the par or face value of the security and occurs when the yield is less than the stated rate.

Price
Price is the dollar value of a security based on a computation of market yield versus stated interest rate.

Repurchase Agreement ("Repo")
A Repurchase Agreement is a debt instrument acquired by an investor with a stated yield and maturity date and a promise by the seller of the debt instrument to repurchase all or a portion of the Repo plus interest upon demand. The Repurchase Agreement is secured with collateral consisting of securities listed as permitted investments as defined in the Act and delivered to a custodial bank.

Reverse Repurchase Agreement
The purchase of securities with the agreement to sell them at a higher price at a specific future date.

San Antonio Housing Trust Fund
The San Antonio Housing Trust Fund is utilized to account for programs administered by the San Antonio Housing Trust Foundation.

Securities Lending
An investment vehicle where a qualified investor lends securities from their portfolio to another qualified investor (through a lender) for a fee or percent of value to earn enhanced returns on the lent securities. The loan is collateralized by cash or securities which are returned at the loan's expiration date or upon request.

Settlement Date
Settlement Date is the date in which the security is delivered and payment for the security is made.

TexPool
TexPool, a government investment pool, invests in United States government securities, its agencies or instrumentalities, repurchase agreements collateralized by United States government securities, its agencies or instrumentalities, and AAA-rated no-load money market mutual funds.

TexPool Prime
TexPool Prime, a government investment pool, invests in United States government securities, its agencies or instrumentalities; repurchase agreements collateralized by United States government securities, its agencies or instrumentalities; AAA-rated no-load money market mutual funds; certificates of deposit guaranteed or insured by the Federal Deposit Insurance Company or the National Credit Union Share Insurance Fund; commercial paper rated at leastA-1 or P-1 by (i) two Nationally Recognized Statistical Rating Organizations (NRSROs) or (ii) one NRSRO and fully secured by an irrevocable letter of credit by a national or state bank, and securities lending programs that comply with various limitations.

Texas Public Funds Collateral Act
The Texas Public Funds Collateral Act sets the standards for collateralization of public funds in Texas.

Texas Public Funds Investment Act (The "Act")
The Texas Public Funds Investment Act (Texas Government Code § 2256), as amended, provides guidelines for investment practices and lists authorized investments for Texas state agencies and local governments.

United States Treasury Bills
United States Treasury Bills are direct obligations of the United States of America. Treasury Bills are secured by the full faith and credit of the U.S. Government, are sold at a discount based on market yield, pay the par or face value at maturity, and are scheduled to mature within one (1) year.

United States Treasury Bonds
United States Treasury Bonds are direct obligations of the United States of America. Treasury Bonds are secured by the full faith and credit of the U.S. Government, have fixed interest rates, pay interest semiannually and are scheduled to mature within 10 years and 1 day to 30 years.

United States Treasury Notes
United States Treasury Notes are direct obligations of the United States of America. Treasury Notes are secured by the full faith and credit of the U.S. Government, have fixed interest rates, pay interest semiannually and are scheduled to mature from 2 to 10 years.

United States Treasury STRIPS
United States Treasury STRIPS (Separate Trading of Registered Interest and Principal Securities) are direct obligations of the United States of America. Treasury STRIPS are secured by the full faith and credit of the U.S. Government. Treasury STRIPS are zero coupon securities derived from selected U.S. Treasury Bonds and Notes that are separated on the books of the Federal Reserve Bank into their component parts of principal and interest and sold separately at a price that is equal to the present value computed at a present value discount based on market yield. Interest compounds semiannually and is paid at maturity along with the principal.

Weighted Average Maturity of Portfolio
The Weighted Average Maturity (WAM) of the Portfolio is the book value weighted average period of time required to mature all investments in the portfolio.