

Investment Policy

Revised and presented for approval 9/9/2025

1. Scope

This investment policy governs the management and investment of public funds for the City of Hilshire Village, in compliance with Texas Government Code Chapters 2256 and 2257. It applies to all financial assets of the City, excluding employee retirement funds.

The primary objectives of the City's investment program are safety, liquidity, and yield, listed in order of priority. Safety is achieved through the preservation of capital, mitigating credit and interest rate risks. Credit risk is minimized by investing in U.S. government and agency securities and maintaining a diversified portfolio. Interest rate risk is managed by aligning security maturities with anticipated cash flow needs and focusing on short-term investments with maturities of up to two years. Liquidity is maintained by structuring the portfolio so that securities mature in accordance with operating requirements, and by investing in instruments with active secondary markets. Yield is pursued as a secondary objective, aiming to achieve a market rate of return while maintaining safety and liquidity as primary considerations. Securities may only be sold prior to maturity to improve yield or portfolio duration, or to meet liquidity needs.

2. Investment Officers and Standards of Care

Investment decisions shall be made according to the "prudent person" standard, exercising care, skill, and diligence appropriate to the circumstances. Officers are not held personally responsible for market fluctuations if policy compliance and timely reporting are maintained. All investment officers must avoid conflicts of interest and disclose any material financial relationships related to the investment process. Personal transactions with City business contacts are prohibited. Authority to invest funds is delegated to the City Treasurer and other designated investment officers, who must follow established procedures for safekeeping, accounting, and reporting. Investment officers are required to complete a minimum of ten hours of training on investment responsibilities within 12 months of assuming office and ten hours every two years thereafter. Potential investment sellers must be presented with the City's investment policy and provide certifications confirming adherence.

3. Safekeeping and Custody

All investment transactions must be conducted with financial institutions approved by the City Council, which must have a minimum capital of ten million dollars, be registered with the SEC, and insured by SIPC. Approved institutions are required to provide audited financial statements, FINRA registration or certification, state registration, a

completed questionnaire, and acknowledgment of the City's investment policy, with annual reviews performed. Internal controls established by the City Treasurer shall safeguard assets against loss, theft, or misuse. These controls include preventing collusion, using independent third-party custodians, preferring book-entry securities, obtaining written confirmations for telephone transactions, and establishing wire transfer agreements outlining controls and responsibilities. All securities transactions shall be executed on a Delivery versus Payment (DVP) basis to ensure that securities are deposited before funds are released.

4. Suitable and Authorized Investments

Permitted investments include U.S. government and agency securities, repurchase agreements, FDIC-insured certificates of deposit, FSLIC-insured savings and loan deposits, SEC-regulated money market mutual funds, and statewide investment pools. Derivatives are prohibited. Certificates of deposit and repurchase agreements must be fully collateralized, and bids may be solicited orally, in writing, or electronically.

5. Investment Parameters

Investments shall be diversified by type and institution to reduce risk. Security maturities shall be limited to two years unless otherwise authorized by the City Council.

6. Reporting

The City Treasurer shall prepare a quarterly investment report that summarizes portfolio status and transactions, lists securities and their market values, details unrealized gains and losses, provides yield comparisons, outlines maturity schedules and portfolio composition, and evaluates earnings performance relative to other investment alternatives. Portfolio performance shall be compared to appropriate benchmarks, and a quarterly statement reflecting market values shall be issued.

7. Policy Review

This policy shall be reviewed annually as part of the City's budget preparation process. Any amendments must be approved by the City Council of Hilshire Village.