



**ALAMO RMA**

*Alamo Regional Mobility Authority*

*"Moving people faster"*

**ALAMO REGIONAL MOBILITY AUTHORITY  
INVESTMENT POLICY**

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**Alamo Regional Mobility Authority  
Investment Policy**

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## **INTRODUCTION**

The Investment Policy provides the Alamo Regional Mobility Authority (Alamo RMA) with the flexibility and control required to execute investment transactions and manage the investment portfolio. The Policy incorporates the investment guidelines from the Texas Public Funds Investment Act (PFIA), as amended. The Alamo RMA'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, minimize risk, and maximize yield, all within the context of understanding the suitability of each investment and cash flow requirements of the Alamo RMA.

All investments shall be made in compliance with the PFIA, Chapter 2256 of the Texas Government Code. All investment transactions will be settled on a delivery versus payment basis. All funds shall be invested in accordance with the Prudent Investor Rule (PFIA 2256.006). The Prudent Investor Rule means Investments shall be made with judgment and care, under prevailing circumstances, that a person of prudence, discretion, and intelligence would exercise in the management of the person's own affairs, not for speculation, but for investment, considering the probable safety of capital and the probable income to be derived.

## **INVESTMENT OBJECTIVES**

The Alamo RMA shall manage and invest its funds with four primary objectives, listed in order of priority: safety of principal, liquidity, yield, and public trust.

### **Safety of Principal**

An essential investment objective is to ensure safety of the principal amount of every investment, as well as the accrued interest thereon. The Alamo RMA's investment practice is to exercise diligence 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. The suitability of each investment and the cash flow requirements of the Alamo RMA are incorporated into the daily cash flow position analysis and investments are scheduled to mature on a timely basis to meet the Alamo RMA's on-going cash needs. Investments are scheduled to mature to match estimated daily routine cash needs, payroll dates, construction draw down schedules, debt service payment dates, and other projected cash requirement dates.

### **Liquidity**

The investment portfolio shall be structured with diversification and securities that have high credit ratings and are liquid in nature. Fund balances, revenues and expenditure trends shall be studied and monitored to facilitate investment planning in accordance with the cash flow timing, purpose, use, and strategies applicable to the Alamo RMA's various funds.

### **Yield**

The Alamo RMA will strive to maximize the return 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 return through the sale of securities prior to maturity may be exercised if deemed practical and prudent.

### **Public Trust**

All participants in the Alamo RMA's investment process will seek to act responsibly as custodians of the public trust. Investment Officers will avoid any transaction that might impair public confidence in Alamo RMA's ability to administer investments effectively.

## **GOVERNANCE & OUTSIDE ENTITIES**

### **Investment Officer(S)**

As prescribed by the Act, and as authorized by this Policy pursuant to Alamo RMA Board approval, the Alamo RMA's designated Investment Officer shall be the Executive Director. Upon Board approval, additional staff members may be designated as Investment Officers including an investment advisor firm in the event that such a firm is approved by the Board and engaged to execute investment transactions for the Alamo RMA. Daily investment transactions and management of the Alamo RMA's invested funds are the responsibility of the designated Investment Officers.

### **Authorized Brokers/Dealers**

Broker/Dealer, Bank, and Mutual Fund firms interested in providing investment services to the Alamo RMA will be required to submit a Statement of Qualifications to provide Broker/Dealer Services. The Alamo RMA will maintain a list of approved Broker/Dealers based on the aforementioned criteria. Investment Officers will administer investments with the goal of providing and distributing opportunities to the various eligible firms. In that regard, whenever possible, the Alamo RMA will obtain at least three quotes on open market investment purchases, and such quotes will be obtained from eligible firms on a rotating basis. The Investment Committee shall review, revise, and adopt, at least once per year, the list of approved Broker/Dealers, Banks, and Mutual Fund firms with whom the Alamo RMA does business. A firm may be removed from eligible status, without notice, at the Alamo RMA's sole discretion.

### **Investment Advisory Firms**

The Alamo RMA may utilize an Investment Advisory firm for the investment and management of certain funds if deemed beneficial by the Investment Committee and would be subject to the approval of Alamo RMA Board.

A written copy of the Alamo RMA's Investment Policy shall be presented to an Investment Advisory Firm that has a contract with the Alamo RMA to invest or manage the Alamo RMA's investment portfolio. A qualified representative of the Investment Advisory firm shall execute a written instrument in a form acceptable to the Alamo RMA that demonstrates that the firm has:

- received and reviewed the Investment Policy of the Alamo RMA; and
- acknowledged that the Investment Advisory firm has implemented reasonable procedures and controls in an effort to preclude investment transactions conducted between the Alamo RMA and the organization that are not authorized by the Alamo RMA's Investment Policy, except to the extent that this authorization is dependent on an analysis of the makeup of the Alamo RMA's entire portfolio or requires an interpretation of subjective investment standards.

### **Investment Transaction Execution**

All security transactions, with the exception of investment pools and money market funds, shall be on a delivery vs. payment basis with funds released only upon successful delivery of securities into the safekeeping account. Investment transactions shall be executed by the Alamo RMA's designated Investment Officers. Daily investment activity and portfolio management shall be performed by the designated Alamo RMA Investment Officers, and if approved by the Board, Investment Advisors.

The Investment Officer and those delegated investment authority under this Policy, when acting in accordance with the written procedures and this Policy and in accord with the Prudent Person Rule, shall be relieved of personal liability in the management of the portfolio provided that deviations from expectations for a specific security's credit risk or market price change or portfolio shifts are reported in a timely manner and that appropriate action is taken to control adverse market effects.

## **Investment Committee**

The Investment Committee is comprised of the Alamo Board of Directors, Executive Director, Investment Officer(s), and if approved by the Board, Investment Advisors. The Investment Committee shall meet at least quarterly to receive a report from the Executive Director on the most recent quarter's investment activity, cash position of the Alamo RMA, and proposed investment activity for the next succeeding quarter. The Investment Committee shall also review and suggest any changes or adjustments to investment practices.

In addition to the quarterly meetings, Investment Committee members may hold meetings as needed related to the daily investment activity. Any decisions made shall be within the parameters agreed to by the full committee and within the guidelines established in this Policy.

## **INVESTMENT STRATEGY**

The Alamo RMA shall employ an investment strategy that adheres to the PFIA, this Policy and incorporates the following attributes into the investment design:

- investment transactions that satisfy cash flow requirements;
- exercise prudence in the selection and trade of securities that are suitable investments for the financial requirements of the Alamo RMA;
- preserve the safety of principal;
- have marketability and liquidity;
- create a portfolio of investments that is comprised of diversified securities; and
- maximize yield after due consideration is given to the above requirements.

The Alamo RMA shall either develop the resources required to manage and execute its investment transactions or utilize a qualified and approved Investment Advisor. Utilization of an Investment Advisor shall be under the direction of the Executive Director and shall execute transactions on a daily basis as needed, provide trade documentation and confirmations to the Alamo RMA on a same day basis as the trade or trades are executed, advise the Alamo RMA on investment strategies and options, and provide quarterly written investment reports, which among other things, will detail the Alamo RMA's investment position, detail investment transactions, show security purchase cost, book value, market value and face value, state portfolio composition, and provide a comparison to benchmark indicators.

## **FUNDS**

The Alamo RMA currently maintains a general operating fund. Additional funds shall be created as is appropriate and may be held by a trustee bank for the benefit of bondholders and the Alamo RMA which include a revenue fund, debt service fund, debt service reserve fund, and other funds and accounts as are identified. The general investing strategies based on their various specific purposes are presented as follows:

**General Operating Fund** - Investments pertaining to the General Operating Fund shall be structured to meet the various operating expenses of the Alamo RMA 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. Available funds deemed not to be required for short-term operational needs may be invested using a laddered strategy.

**Revenue Funds** - Investments pertaining to Revenue Funds shall be structured to meet the various operating, debt service, and capital project obligations related to the Alamo RMA's toll lane operations. Accordingly, liquidity and maturity terms of investments pertaining to Revenue Funds are based on projections and information related to their various expenditure outlooks and requirements.

**Capital Projects Funds** - Investments pertaining to Capital Projects Funds shall be structured to meet the Alamo RMA's 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.

**Debt Service Funds** - Investments pertaining to Debt Service Funds are structured to mature in conjunction with Alamo RMA debt requirements, and to ensure compliance with any pertinent covenants and legal requirements contained in related bond documents. Due to definitive debt service schedules, the nature of these funds allows for precise forecasting of required cash flows.

**Debt Service Reserve Funds** - Investments pertaining to Debt Service Reserve Funds shall be structured in laddered short-term and long-term investments with scheduled maturities and investment liquidity to enable the Alamo RMA to draw on Debt Service Reserve Fund investments and balances, if needed, to provide for the timely payment of principal and interest on bonds and debt instruments as such payments become due and payable. Generally, the Debt Service Reserve Funds involve infrequent activity and can be invested with the weighted average maturities generally greater than one year.

## **INVESTMENT MATURITIES**

The weighted average maturity of each fund type investment shall be commensurate with the short-term and long-term nature of the fund requirements. Individual investments, whether pooled or non-pooled, shall not have a stated maturity that exceeds five (5) years without the prior approval of the Financial Officer. Overall the portfolio weighted average maturity shall not exceed two (2) years.

## **TRAINING**

In accordance with the Act, the Alamo RMA's Investment Officers shall attend at least one training session from an independent source approved by the Alamo RMA Board or the Investment Committee as provided for in this policy and containing at least ten (10) hours of instruction within twelve (12) months after taking office or assuming duties, if not already in compliance. This training must include education in investment controls, security risks, strategy risks, market risks, investment risks, portfolio diversification, and compliance with the Act. Thereafter, the Investment Officers shall attend an investment training session not less than once in a two-year period that begins on the first day of the fiscal year and consists of the two consecutive fiscal years after that date, and receive not less than eight (8) hours of instruction relating to investment responsibilities under the Act from an independent source approved by the Alamo RMA Board or the Investment Committee as provided for in this policy.

## **ETHICS & COMPLIANCE**

An Investment Officer who has a personal business relationship with a business organization offering to engage in an investment transaction with the Alamo RMA shall file a statement disclosing that personal business interest. An Investment Officer who is related within the second degree by affinity or consanguinity, as determined under Chapter 573 of the Government Code, to an individual seeking to sell an investment to the Alamo RMA shall file a statement disclosing that relationship. A statement required under the Act must be filed with the Texas Ethics Commission and the Alamo RMA Board. For purposes

of this section, an Investment Officer has a "personal business relationship" with a business organization if:

- the Investment Officer owns ten percent (10%) or more of the voting stock or shares of the business organization or owns \$5,000 or more of the fair market value of the business organization;
- funds received by the Investment Officer from the business organization exceed ten percent (10%) of the Investment Officer's gross income for the previous year; or
- the Investment Officer has acquired from the business organization during the previous year, investments with a book value of \$2,500 or more for the personal account of the Investment Officer.

## **INTERNAL CONTROLS**

It is intended for internal control to be 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. The first priority of personnel authorized to release, transfer or wire moneys related to investment transactions resides with the accounting personnel. In the absence or unavailability of the required accounting personnel the Executive Director or his/her Designee is authorized to release funds related to an executed transaction. At the time that the transaction is recorded, the accounting person recording the transaction shall note the reason that funds were released for payment of the transaction by a person other than accounting personnel.

Written records are separately prepared and maintained by the Investment Officers and accounting personnel. Trade confirmations and custodial reports are also kept on file.

## **MONITORING MARKET ACTIVITY AND INVESTMENTS**

Broker/Dealers and investment professionals provide market information and various financial databases containing historical statistical information. In addition, financial periodicals are perused as an additional information vehicle to broaden financial and market awareness and knowledge. End of month security prices may be obtained from various sources including the Alamo RMA's depository bank, on-line market databases, broker/dealers, and Investment Advisors doing business with the Alamo RMA. This broad-based knowledge shall be utilized in strategic investment decision making and proactive investment portfolio management.

Authorized investments with a minimum credit rating shall be routinely monitored by an Investment Officer, and if such rating changes to less than the minimum credit rating the Investment Officers shall take all prudent measures that are consistent with this Investment Policy to liquidate the investment.

## **SAFEKEEPING AND COLLATERALIZATION**

The Alamo RMA's collateral requirements, safekeeping arrangements, and payment for securities are accomplished in accordance with the Public Funds Collateral Act and Texas Public Funds Investment Act, as amended. The Alamo RMA's cash deposits shall be fully secured by a FDIC Insurance, FHLB Letters of Credit or eligible securities as provided for in the Public Funds Collateral Act, Texas Government Code, Chapter 2257. Collateral securities shall have a market value of not less than 102% of the amount of deposits. Collateral deposits must be pledged to the Alamo RMA and placed in the custody of a third-party institution that customarily provides such custodial services. Additionally, the Alamo RMA may participate in a pooled collateral program pursuant to Subchapter F, Chapter 2257, Texas Government Code and the rules established by the Texas Comptroller of Public Accounts.

Custodial services arranged through the Alamo RMA's depository bank provide for the safekeeping of securities in the Alamo RMA's investment portfolio. Payment of all securities transactions, except mutual funds and investment pools, shall occur on the settlement date on a delivery versus payment basis.

## **INVESTMENT REPORTS**

Not less than quarterly, the Investment Officers and Investment Advisory Firm, if such firm is under contract with the Alamo RMA, shall prepare and submit to the Alamo RMA Board and the Alamo RMA Executive Director, a written report of investment transactions of all funds covered by this Policy and the Texas Public Funds Investment Act, for the preceding reporting period within a reasonable time after the end of the period. The report must:

- describe in detail the investment position of the Alamo RMA on the date of the report;
- be prepared and signed jointly by the Investment Officer and authorized representative of the Investment Advisory Firm;
- contain a summary statement, prepared in compliance with generally accepted accounting principles, of each pooled fund group that states the purchase cost, 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 for the reporting period;
- state the 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;
- state the maturity date of each separately invested asset that has a maturity date;
- state the account or fund or pooled group fund of the Alamo RMA for which each individual investment was acquired; and
- state the compliance of the investment portfolio of the Alamo RMA as it relates to the investment strategy expressed in the Alamo RMA's Investment Policy and relevant provisions of the Texas Public Funds Investment Act. Reports prepared by the Investment Officers for investments transacted other than money market mutual funds, investment pools or accounts offered by the depository bank in the form of certificates of deposit, shall be formally reviewed at least annually by the Alamo RMA's independent auditors, and the result of the review shall be reported to the Alamo RMA Board.

## **AUTHORIZED INVESTMENTS**

The Texas Public Funds Investment 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 return on investments. Alamo RMA funds governed by this Policy may be invested in the instruments described below, all of which are authorized by the Public Funds Investment Act. Investment of Alamo RMA funds in any instrument or security not authorized for investment under the PFIA is prohibited.

### **Obligations of or guaranteed by, Governmental Entities**

The following are authorized investments under the Public Funds Investment Act:

- obligations, including letters of credit, of the United States or its agencies and instrumentalities;
- direct obligations of this state or its agencies and instrumentalities;
- collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States;
- 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;

- obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than A or its equivalent; and
- interest-bearing banking deposits that are guaranteed or insured by the Federal Deposit Insurance Corporation (or its successor) the National Credit Union Share Insurance Fund (or its successor).

The following are not authorized investments under the Public Funds Investment Act:

- obligations whose payment represents the coupon payments on the outstanding principal balance of the underlying mortgage-backed security collateral and pays no principal;
- obligations whose payment represents the principal stream of cash flow from the underlying mortgage-backed security collateral and bears no interest;
- collateralized mortgage obligations that have a stated final maturity date of greater than 10 years; and
- collateralized mortgage obligations the interest rate of which is determined by an index that adjusts opposite to the changes in a market index.

### **Certificates of Deposit and Share Certificates**

A certificate of deposit or share certificate is an authorized investment under the Public Funds Investment Act, Subchapter A, if the certificate is issued by a depository institution that has its main office or a branch office in this state and is:

- guaranteed or insured by the Federal Deposit Insurance Corporation or its successor or the National Credit Union Share Insurance Fund or its successor;
- secured by obligations that are described in the Public Funds Investment Act, Section 2256.009(a), including mortgage backed securities directly issued by a federal agency or instrumentality that have a market value of not less than the principal amount of the certificates, but excluding those mortgage backed securities of the nature described by Section 2256.009(b); or
- secured in any other manner and amount provided by law for deposits of the investing entity.

In addition to the authority to invest funds in certificates of deposit under Subsection (1), an investment in certificates of deposit made in accordance with the following conditions is an authorized investment under the Public Funds Investment Act, Subchapter A:

- the funds are invested by an investing entity through a broker that has its main office or a branch office in Texas and is selected from a list adopted by the Alamo RMA or a depository institution that has its main office or a branch office in this state and that is selected by the Alamo RMA;
- the broker or depository institution selected by the Alamo RMA under Subdivision (a) arranges for the deposit of the funds in certificates of deposit in one or more federally insured depository institutions, wherever located, for the account of the Alamo RMA;
- the full amount of the principal and accrued interest of each of the certificates of deposit is insured by the United States or an instrumentality of the United States; and
- the depository institution selected by the Alamo RMA under Subdivision (1), or a clearing broker-dealer registered with the Securities and Exchange Commission (SEC) and operating pursuant to SEC rule 15c3-3, acts as custodian for the investing entity with respect to the certificates of deposit issued for the account of the investing entity.

## **Repurchase Agreements**

A fully collateralized repurchase agreement is an authorized investment under the Public Funds Investment Act, Subchapter A, if the repurchase agreement:

- has a defined termination date;
- is secured by cash and obligations described by Public Funds Investment Act, Section 2256.009(a)(1); and
- requires the securities being purchased by the Alamo RMA to be pledged to the Alamo RMA, held in the Alamo RMA's name, and deposited at the time the investment is made with the Alamo RMA or with a third party selected and approved by the Alamo RMA; and
- is placed through a primary government securities dealer, as defined by the Federal Reserve, or a financial institution doing business in this state.

In this section, "repurchase agreement" means a simultaneous agreement to buy, hold for a specified time, and sell back at a future date obligations described in the Public Funds Investment Act, Section 2256.009(a)(1), at a market value at the time the funds are disbursed of not less than the principal amount of the funds disbursed. The term includes a direct security repurchase agreement and a reverse security repurchase agreement.

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

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

## **Securities Lending**

A securities lending program is an authorized investment under the Public Funds Investment Act, Subchapter A, if it meets the conditions provided by Public Funds Investment Act, Section 2256.0115.

To qualify as an authorized investment under the Public Funds Investment Act, Subchapter A:

- the value of securities loaned under the program must be not less than 100 percent collateralized, including accrued income;
- a loan made under the program must allow for termination at any time;
- a loan made under the program must be secure by:
  - pledged securities described in Public Funds Investment Act, Section 2256.009;
  - 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 1 nationally recognized investment rating firm at not less than A or its equivalent;
- the terms of a loan made under the program must require that the securities being held as collateral be:
  - pledged to the Alamo RMA;
  - held in the Alamo RMA's name; and
  - deposited at the time the investment is made with the
    - Alamo RMA or with a third party selected by or approved by the Alamo RMA;
- a loan made under the program must be placed through:

- a primary government securities dealer, as defined by 5 C.F.R. Section 6801.102(f), as that regulation existed on September 1, 2003; or
- a financial institution doing business in this state; and
- an agreement to lend securities that is executed under Public Funds Investment Act, Section 2256.0115, must have a term of 1 year or less.

### **Commercial Paper**

Commercial paper is an authorized investment under the Public Funds Investment Act, Subchapter A, if the commercial paper has a stated maturity of 270 days or fewer from the date of its issuance; and is rated not less than A-1 or P-1 or an equivalent rating by at least:

- two nationally recognized credit rating agencies; or
- one nationally recognized credit rating agency and is fully secured by an irrevocable letter of credit issued by a bank organized and existing under the laws of the United States or any state.

### **Mutual Funds**

A no-load money market mutual fund is an authorized investment under the Public Funds Investment Act, Subchapter A, if the mutual fund:

- is registered with and regulated by the Securities and Exchange Commission;
- provides the investing entity with a prospectus and other information required by the Securities Exchange Act of 1934 (15 U.S.C. Section 78a et seq.) or the Investment Company Act of 1940 (15 U.S.C. Section 80a-1 et seq.);
- has a dollar-weighted average stated maturity of 60 days or fewer; and
- includes in its investment objectives the maintenance of a stable net asset value of \$1.00 for each share.

In addition to a no-load money market mutual fund permitted as an authorized investment in Subsection above, a no-load mutual fund is an authorized investment under the Public Funds Investment Act, Subchapter A, if the mutual fund:

- is registered with the Securities and Exchange Commission;
- has an average weighted maturity of less than 2 years;
- is invested exclusively in obligations approved by the Public Funds Investment Act, Subchapter A;
- is continuously rated as to investment quality by at least 1 nationally recognized investment rating firm of not less than AAA or its equivalent, and
- conforms to the requirements set forth in the Public Funds Investment Act, Sections 2256.016(b) and (c), relating to the eligibility of investment pools to receive and invest funds of investing entities.

The Alamo RMA is not authorized by this section to:

- invest in the aggregate more than 15 percent of its monthly average fund balance, excluding bond proceeds and reserves and other funds held for debt service, in mutual funds described in Subsection (2.) above;
- invest any portion of bond proceeds, reserves and funds held for debt service, in mutual funds described in Subsection (2.) above; or

- invest its funds or funds under its control, including bond proceeds and reserves and other funds held for debt service, in any 1 mutual fund described in Subsection (1.) or (2.) above in an amount that exceeds ten (10) percent of the total assets of the mutual fund.

### **Guaranteed Investment Contracts**

A guaranteed investment contract is an authorized investment for bond proceeds under the Public Funds Investment Act, Subchapter A, if the guaranteed investment contract:

- has a defined termination date;
- is secured by obligations described in the Public Funds Investment Act, Section 2256.009(a)(1), excluding those obligations described by Section 2256.009(b), in an amount at least equal to the amount of bond proceeds invested under the contract; and
- is pledged to the Alamo RMA and deposited with the Alamo RMA or with a third party selected and approved by the Alamo RMA.

Bond proceeds, other than bond proceeds representing reserves and funds maintained for debt service purposes, may not be invested under the Public Funds Investment Act, Subchapter A, in a guaranteed investment contract with a term of longer than 5 years from the date of issuance of the bonds.

To be eligible as an authorized investment:

- the governing body of the entity must specifically authorize guaranteed investment contracts as an eligible investment in the order, ordinance, or resolution authorizing the issuance of bonds;
- the Alamo RMA must receive bids from at least 3 separate providers with no material financial interest in the bonds from which proceeds were received;
- the Alamo RMA must purchase the highest yielding guaranteed investment contract for which a qualifying bid is received;
- the price of the guaranteed investment contract must take into account the reasonably expected drawdown schedule for the bond proceeds to be invested; and
- the provider must certify the administrative costs reasonably expected to be paid to third parties in connection with the guaranteed investment contract.

### **Investment Pools**

The Alamo RMA may invest its funds and funds under its control through an eligible investment pool if the Alamo RMA Board by order or resolution, as appropriate, authorizes investment in the particular pool. An investment pool shall invest the funds it receives from entities in authorized investments permitted by the Public Funds Investment Act, Subchapter A. and may invest its funds in money market mutual funds to the extent permitted by and consistent with this subchapter and the investment policies and objectives adopted by the investment pool.

To be eligible to receive funds from and invest funds on behalf of the Alamo RMA under the Public Funds Investment Act, an investment pool must furnish to the Alamo RMA's Investment Officer or Designee an offering circular or other similar disclosure instrument that contains, at a minimum the following information:

- the types of investments in which money is allowed to be invested;
- the maximum average dollar-weighted maturity allowed, based on the stated maturity date, of the pool;
- the maximum stated maturity date any investment security within the portfolio has;

- the objectives of the pool;
- the size of the pool;
- the names of the members of the advisory board of the pool and the dates their terms expire;
- the custodian bank that will safekeep the pool's assets;
- whether the intent of the pool is to maintain a net asset value of \$1.00 and the risk of market price fluctuation;
- 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;
- the name and address of the independent auditor of the pool;
- the requirements to be satisfied for the Alamo RMA to deposit funds in, and withdraw funds from, the pool and any deadlines or other operating policies required for the Alamo RMA to invest funds in and withdraw funds from the pool; and
- the performance history of the pool, including yield, average dollar-weighted maturities, and expense ratios.

To maintain eligibility to receive funds from and invest funds on behalf of the Alamo RMA under the Public Funds Investment Act, an investment pool must furnish to the Alamo RMA's Investment Officer or Designee:

- investment transaction confirmations; and
- 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;
  - the custodian bank that is safekeeping the assets of the pool;
  - a listing of daily transaction activity of the entity participating in the pool;
  - the yield and expense ratio of the pool, including a statement regarding how yield is calculated;
  - the portfolio managers of the pool; and
  - any changes or addenda to the offering circular.

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

In this section, "yield" shall be calculated in accordance with regulations governing the registration of open-end management investment companies under the Investment Company Act of 1940, as promulgated from time to time by the Federal Securities and Exchange Commission.

To be eligible to receive funds from, and invest funds on behalf of, the Alamo RMA under the Public Funds Investment Act, a public funds investment pool created to function as a money market mutual fund must mark its portfolio to market daily, and, to the extent reasonably possible, stabilize at a \$1 net asset value.

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, portfolio holdings shall be sold as necessary 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 created to function as a money market mutual fund 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 Alamo RMA under the Public Funds Investment Act, a public funds investment pool must have an advisory board composed:

- 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 and managed by a state agency; or
- 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 Alamo RMA under the Public Funds Investment Act, an investment pool must be continuously rated no lower than AAA or AAA-m or at an equivalent rating by at least one nationally recognized rating service.

If the pool operates a website, it must provide all information required in the offering circular, transaction confirmations and monthly statements, mark to market data and net asset value on the website.

To maintain eligibility to receive funds from and invest funds on behalf of the Alamo RMA under this chapter, an investment pool must make available to the Alamo RMA an annual audited financial statement of the investment pool in which the Alamo RMA has funds invested.

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

## **POLICY ADOPTION**

The Alamo RMA's Investment Officers will review this policy periodically in accordance with the Act, to evaluate its effectiveness in meeting the Alamo RMA's public funds investment objectives as stated herein, and in the course of their review revise and update the list of qualified Securities Investment Firms, Broker/Dealers, Banks, and Mutual Funds with whom the Alamo RMA executes or may engage in investment transactions. The Alamo RMA Board shall review the Investment Policy and investment strategies annually and shall approve and adopt a resolution, which states that the Alamo RMA Board has reviewed the Investment Policy and investment strategies. Such resolution so adopted shall record any changes made to either the Investment Policy or investment strategies.

**Exhibit A**  
**Certification by Investment Advisory Firm**

I hereby certify that I have personally read the Alamo RMA Investment Policy and the State of Public Funds Investment Act and agree to comply with both. We have implemented or have in place reasonable procedures and a system of controls designed to preclude imprudent investment activities arising out of transactions conducted between our firm and municipal clients. Account Executives and personnel assigned to the Alamo RMA account will be routinely informed of the Alamo RMA investment strategy and investment objectives to:

- (1) effectuate investment transactions that satisfy, on a timely basis, cash flow requirements;
- (2) exercise prudence in the selection and trade of securities that are suitable investments for the financial requirements of the Alamo RMA;
- (3) preserve the safety of principal;
- (4) have marketability and liquidity;
- (5) create a portfolio of investments that is comprised of diversified securities; and maximizes yield after due consideration is given to the above requirements

We pledge to exercise due diligence in informing you of all foreseeable risks associated with financial transactions conducted with our firm. I attest to the accuracy of our responses to your questionnaire.

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Business Organization

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Signature of Registered Principal

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Printed Name and Title

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Date