

	SAN ANTONIO RIVER AUTHORITY	POLICY & PROCEDURE	POLICY NUMBER: FN 0003
SUBJECT: Investment Policy and Strategy and Broker/Dealer List		FINANCE	REPLACING POLICY NUMBER: EO 0009
RESPONSIBLE MANAGER: Finance		EFFECTIVE DATE: 12/09/2024	PAGE(S): 1 of 15
		REVISED DATE:	

Reference: Chapter 2256 Government Code, Public Funds Investment Act of the State of Texas (the “Act”).

1. POLICY

To invest public funds in a manner which will provide the maximum security for the investment portfolio, while working to yield the highest reasonable investment return and meeting the daily cash flow demands of the San Antonio River Authority (River Authority) and conforming to all state and local statutes governing the investment of funds.

2. SCOPE

Except for its employee retirement system fund and the Deferred Compensation Fund, organized and administered separately by a third-party custodian and/or money manager, this investment policy applies to all financial assets of the River Authority. These funds are accounted for in the River Authority Comprehensive Annual Financial Report and include:

- General Fund
- Special Revenue Funds
- Capital Project Funds
- Enterprise Funds
- Agency Funds
- Debt Service Funds
- Any new fund created by the Board, unless specifically exempted.

These funds shall be administered in accordance with the provisions of this policy. The monies from these funds may be comingled for investment purposes but the strategy which will be developed for that portfolio will address the varying needs and objectives of each fund.

3. OBJECTIVES

The primary objectives, in priority order, of the River Authority investment activities shall be:

a. Safety

Safety of principal is the foremost objective of the investment of funds. Investments shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. The objective will be to mitigate credit risk and interest rate risk.

i. Credit Risk

Credit Risk is the risk of loss due to the failure of the security issuer or backer. Credit risk can be managed by:

- Limiting investments to the highest credit quality securities;
- Pre-qualifying the financial institutions, broker/dealers, intermediaries, and advisors with which the River Authority will do business; and
- Diversifying the investment portfolio so that potential losses on individual securities will be minimized and to spread risk.

ii. Interest Rate Risk

Interest rate risk is the risk that the market value of securities in the portfolio will fall due to changes in general interest rates. Interest rate risk can be managed by:

- Structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity, and
- By investing operating funds primarily in shorter-term securities.

b. Liquidity

The investment portfolio shall remain sufficiently liquid to meet all operating requirements that may be reasonably anticipated. This is accomplished by structuring the portfolio so that securities mature concurrent with cash needs to meet anticipated demands and maintaining a liquidity buffer. Furthermore, since all possible cash demands cannot be anticipated, the portfolio should consist largely of securities with active secondary or resale markets.

c. Yield

The investment portfolio shall be designed with the objective of attaining a market yield throughout budgetary and economic cycles, taking into account the investment risk constraints and liquidity needs. Yield on investment is of least importance compared to the safety and liquidity objectives described above. The core of investments is limited to relatively low risk securities in anticipation of earning a fair yield relative to the risk being assumed. Securities shall not be sold prior to maturity with the following exceptions:

- a declining credit security could be sold early to minimize loss of principal;
- a security swap would improve the quality, yield, or target duration in the portfolio; or
- liquidity needs of the portfolio require that the security be sold.

4. STANDARDS OF CARE

a. Ethics and Conflicts of Interest

Investment Officers and employees involved in the investment process shall refrain from personal business activity that could conflict with the proper execution and management of the investment program or could impair their ability to make impartial decisions. Employees and Investment Officers shall disclose any material interests in financial institutions with which they conduct investment business. They shall further disclose any personal financial/investment positions that could be related to the performance of the investment portfolio. Employees and Investment Officers shall refrain from undertaking personal investment transactions with the same individual with whom business is conducted on behalf of the River Authority. The Investment Officers shall disclose all conflicts to the Board.

If the Investment Officer(s) of the River Authority has a personal business relationship, i.e. is related within the second degree by affinity or consanguinity, as determined under Chapter 573, to an individual seeking to sell an investment to the River Authority, the officer shall file a statement disclosing that relationship with the Texas Ethics Commission and the River Authority Board of Directors. The Investment Officer(s) must so disclose if:

- the Investment Officer(s) owns ten percent 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(s) from the business organization exceeds ten percent of the Investment Officer(s) gross income from the previous year; or
- the Investment Officer(s) 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(s).

b. Delegation of Authority

Under the direction of the General Manager, authority to manage the investment of funds is granted to those designated by resolution as the Investment Officer(s). The Authority may also contract with an SEC-registered Investment Adviser for non-discretionary management of the funds. The Investment Officer(s) and the Investment Adviser shall carry out established written procedures and internal controls for the operation of the investment of funds consistent with this investment policy. Unless otherwise authorized by law, a person may not deposit, withdraw, invest, transfer, or manage in any other manner, funds of the River Authority's investment portfolio without express written authority of the Board of Directors by way of resolution, consistent with the investment policy adopted by the Board.

Authority that is granted to designated Investment Officer(s) to deposit, withdraw, invest, transfer, or manage the River Authority's funds is effective until rescinded by the Board or until termination of the person's employment. Procedures should include references to safekeeping, delivery vs. payment, investment collateral/depository agreements and banking services contracts. No person may engage in an investment transaction except as provided under the terms of this policy and the procedures established by the Board of Directors.

The designated Investment Officer(s) shall attend at least 10 hours of training relating to the Investment Officer's responsibilities, as required, within 12 months after taking office or assuming responsibilities. The Investment Officer(s) shall attend 10 hours of investment training in every two-fiscal year period and receive instruction relating to investment responsibilities, as required, from an independent source approved by the Board.

c. Prudence

The standard of prudence to be used by Investment Officer(s) and Investment Adviser shall be the "prudent person" standard and shall be applied in the context of managing the overall portfolio. Investment Officers acting in accordance with written procedures and this investment policy and exercising due diligence shall be relieved of personal liability for an individual security's credit risk or market price changes, provided deviations from expectations are reported in a timely fashion and the liquidity and the sale of securities are carried out in accordance with the terms of this policy.

Investments shall be made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived.

5. AUTHORIZED FINANCIAL DEALERS AND INSTITUTIONS

A list approved by the River Authority Board or Fiscal Committee will be maintained of broker/dealers and financial institutions authorized to buy/sell securities to/from the Authority. The Board shall annually adopt the list of qualified broker/dealers authorized to engage in investment transactions. These may include "primary" dealers, regional dealers or broker/dealers that qualify under Securities and Exchange Commission Rule 15C3-1 (uniform net capital rule).

All broker/dealers and financial institutions who desire to be an authorized counterparty for investment transactions will be provided a copy of the current policy and must supply the following as appropriate:

- annual audited financial statements;
- proof of Financial Industry Regulatory Authority (FINRA) certification (as applicable) (broker/dealers only);
- proof of state registration;
- completed broker/dealer questionnaire.

Local government investment pools in which the River Authority participates must receive the policy and supply certification of having reviewed the policy, establishing controls to prevent sale of securities not authorized by the policy.

6. INTERNAL CONTROLS

The Investment Officer(s) is/are responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the River Authority are protected from loss, theft or misuse. The internal control structure shall be designed to provide reasonable assurance that these objectives are met. The concept of reasonable assurance recognizes that (1) the cost of control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management. The Investment Officer(s) will perform an internal compliance audit of the procedures annually to assure compliance with the Act and this Investment Policy

An external auditor will perform an annual independent review to assure compliance with policies and procedures. As part of the scope of the River Authority's annual audit, all internal controls on investments, safekeeping procedures and investment procedures performance will be presented to the Fiscal Committee by the Auditor. The internal controls shall address the following points:

a. Control of collusion

Collusion is a situation where two or more employees are working in conjunction to defraud their employer.

b. Separation of transaction authority and action from accounting and record keeping.

By separating the person who authorizes or performs the transaction from the people who record or otherwise account for the transaction, a separation of duties is achieved.

c. Custody and Safekeeping

Securities purchased by the Authority shall be settled delivery versus payment into the River Authority's designated depository bank or custodian.

Collateral pledged to the Authority for time and demand deposits in any financial institution shall be held in an independent third-party institution approved by the Authority.

d. Clear delegation of authority to subordinate staff members

Subordinate staff members must have a clear understanding of their authority and responsibilities to avoid improper actions. Clear delegation of authority also preserves the internal control structure that is contingent on the various staff positions and their respective responsibilities.

- e. Written confirmation on all transactions for investments and wire transfers

Due to the potential for error and improprieties, all transactions should be supported by written documentation and approved by the appropriate independent person. Written communications may be via fax or email if on letterhead and the safekeeping institution has a list of authorized signatures.

- f. Delivery vs. Payment

All security trades shall be executed by delivery vs. payment (DVP). This ensures that securities are deposited in the Authority's financial institution prior to the release of funds. The safekeeping agent will hold securities as evidenced by safekeeping receipts provided to the River Authority.

- g. Monitoring Credit Ratings

The Investment Officer(s) or Investment Adviser shall monitor, on no less than 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 required by this Policy, the Investment Officer(s) or Adviser shall notify the General Manager of the loss of rating, conditions affecting the rating and possible loss of principal with liquidation options available, within three business days after learning of the loss of the required rating.

- h. Monitoring FDIC Status

The Investment Officer(s) or Investment Adviser shall monitor, on no less than a weekly basis, the status and ownership of all banks whose brokered CDs are owned by the Authority based upon information from the FDIC. If any bank has been acquired or merged with another bank in which brokered CDs are owned, the Investment Officer(s) or Investment Adviser shall immediately liquidate any brokered CD which places the Authority above the FDIC insurance level.

- i. Competitive Bidding

All security transactions shall be made on a competitive basis to assure the Authority is receiving accurate market rates. When-issued securities shall be compared to other securities available in the secondary market.

- j. Un-authorized Investment

Should amendments be made to State Law or River Authority policy, the River Authority will not be required to liquidate currently held investments

that were authorized investments at the time of purchase. At maturity or liquidation, such monies shall be reinvested only as provided by this policy.

7. SUITABLE AND AUTHORIZED INVESTMENTS

a. Investment Types

Only the following will be authorized for investment by the Authority in accordance with the Public Funds Investment Act. Changes to the Act will not be authorized until the Policy is amended and adopted by the Authority Board.:

- i. Obligations of the United States or its agencies and instrumentalities, excluding mortgage-backed securities, not to exceed a stated maturity of five (5) years.
- ii. Direct obligations of this state or its agencies and instrumentalities or 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, in each case not to exceed five (5) years to stated maturity.

iii. Depository Certificates of Deposit (Section 2256.010)

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

- A. guaranteed or insured by the Federal Deposit Insurance Corporation or its successor, to include spread products;
- B. secured by obligations described in Sections 7(a) (i) or (ii) of this Policy or in any other manner provided by law for deposits of the River Authority.

iv. Brokered Certificate of Deposit Securities (2256.010)

FDIC insured brokered certificates of deposit securities from a bank in any US state, delivered versus payment to the Authority's safekeeping agent, not to exceed one year to maturity. Before purchase, the Investment Officer(s) or Adviser must verify the FDIC status of the bank on www.fdic.gov to assure that the bank is FDIC insured.

v. Repurchase Agreements (Section 2256.011)

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

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

B. 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 by Section 2256.009(a) (1), at a market value at the time that funds are disbursed of not less than the principal amount of the funds disbursed. The term includes a direct security repurchase agreement and a reverse security repurchase agreement.

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

D. Money received by the River Authority 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.

vi. Bankers' Acceptances (Section 2256.012)

A bankers' acceptance is an authorized investment under this subchapter if the banker's acceptance:

- A. has a stated maturity of 270 days or fewer from the date of its issuance;
- B. will be, in accordance with its terms, liquidated in full at maturity;

- C. is eligible for collateral for borrowing from a Federal Reserve Bank; and
- D. 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.

vii. Commercial Paper (Section 2256.013)

Commercial paper is an authorized investment under this subchapter if the commercial paper:

- A. has a stated maturity of 270 days or fewer from the date of its issuance; and
- B. is rated not less than A-1 or P-1 or an equivalent rating by at least:
 - (1) two nationally recognized credit rating agencies.

viii. Money Market Mutual Funds (Section 2256.014)

- A. A money market mutual fund is an authorized investment under this subchapter if the fund:
 - (1) is registered with and regulated by the Securities and Exchange Commission and complies with Sec Rule 2a-7;
 - (2) provides the River Authority with a prospectus and other information required by the Securities Exchange Act of 1934 (15 U.S.C. Section 78a et seq.) or Investment Company Act of 1940 (15 U.S.C. Section 80a-1 et seq.)
 - (3) Is AAA-rated;
 - (3) has a dollar-weighted average stated maturity of 60 days or fewer; and
 - (4) includes in its investment objectives the maintenance of a stable net asset value of \$1 for each share

ix. Investment Pools (Section 2256.016)

A. The River Authority may invest its funds and funds under its control in a AAA-rated (or equivalent) Texas local government investment pool which strives to maintain a \$1 net asset value. The governing body of the River Authority by rule, order, ordinance, or resolution, as appropriate, must authorize investment in the particular pool by resolution.

x. Fully insured or collateralized interest-bearing accounts in any bank in Texas.

b. Collateralization

In accordance with state law on the Collateralization of Public deposits, the Public Funds Collateral Act, Texas Government Code 2257 and the River Authority depository contract, full collateralization will be required on all time and demand deposits.

Time and Demand Deposits Pledged Collateral

All bank time and demand deposits shall be collateralized above the FDIC coverage by pledged collateral. In order to anticipate market changes and provide a level of security for all funds, collateral will be maintained and monitored by the pledging depository at 102 percent of market value of principal and accrued interest on the deposits. The bank shall monitor and maintain the margins on a daily basis.

Collateral pledged to secure deposits shall be held by an independent financial institution outside the holding company of the depository. The written collateral agreement with the depository shall be approved by resolution of the Bank Board or Bank Loan Committee. The custodian shall provide a monthly report of collateral directly to the Authority.

All collateral shall be subject to inspection and audit by the Authority or its independent auditors.

Owned Repurchase Agreement Collateral

Collateral under a repurchase agreement is 'owned' by the River Authority. Collateral will equal 102 percent of principal and interest at all times and be delivered versus payment to the custodian. An executed copy of the Master Repurchase Agreement must be approved before any transaction is initiated. Collateral will be evidenced by safekeeping receipts clearly denoting River Authority ownership from the safekeeping agent and held by an independent third- party custodian approved by the River Authority.

Authorized Collateral

Only the following securities are authorized as collateral for time and demand deposits or repurchase agreements:

- i. FDIC insurance coverage.
- ii. Obligations of the United States, its agencies or instrumentalities, or evidence of indebtedness of the United States guaranteed as to principal and interest including MBS and CMO which pass the bank test.
- iii. Obligations of any US state or of a county, city or other political subdivision of any state having been rated as investment grade (investment rating no less than "A" or its equivalent) by two nationally recognized rating agencies.
- iv. Letter of Credit from the FHLB.

c. Compliance with State Law

All authorized investments outlined above must meet the requirements of the Act. No investment may be made in any instrument except as provided above.

8. INVESTMENT PARAMETERS

a. Diversification

The investments will be diversified by security type and institution.

b. Maximum Maturity

The River Authority shall limit their maximum final stated maturity to five (5) years. To the extent possible, investments will be made to match anticipated cash flow requirements.

c. Maximum Dollar-Weighted Average Maturity

The maximum dollar-weighted maturity of the total portfolio shall not exceed three (3) years to maturity. In order to monitor risk and performance, the one-year and two-year Treasuries for the comparable reporting period will be utilized as the benchmark for the total portfolio.

9. REPORTING

a. Methods

An investment report will be prepared quarterly in accordance with the Act. The report will include a management summary that provides the status of the current investment portfolio. This report will be provided to the Board of Directors and will be signed by the designated investment officer(s), if applicable.

b. Marking to Market

A statement of the market value of the portfolio shall be done quarterly using an independent source. This will ensure accurate market values on the portfolio.

10. AMENDMENT AND ANNUAL ADOPTION OF THE POLICY

This policy shall be reviewed and adopted at least annually by the Board of Directors. The Board shall adopt, by resolution or ordinance, the investment policy and strategies. The adopting resolution shall reference all changes made to the policy.

11. INVESTMENT STRATEGIES

The River Authority operates with a pooled investment strategy recognizing the needs of the individual funds of the River Authority in the comingled portfolio. The Authority intends to generally match investments with the projected cash flows and liquidity needs in a ladder portfolio and using generally a buy-and-hold strategy. In no case will the dollar-weighted average maturity of the portfolio exceed three (3) years. The maximum final stated maturity of any investment shall not exceed five (5) years.

a. The Operating Funds of the River Authority include the General Fund and Utility Funds.

Investment strategies for the operating funds of the River Authority have as their objectives the following: to assure that the anticipated cash flows are matched with adequate liquidity. During economic cycles, assuring that the investment portfolio will experience minimal volatility. Investment purchases will be of high quality, with short to medium term securities that complement each other in a ladder portfolio structure.

b. Debt Service Funds

Investment strategies for the Debt Service Funds have as their primary objective the assurance of investment liquidity adequate to cover obligations on required payment dates. Securities purchased shall not have a stated maturity date, which exceeds the unfunded required payment date, and each successive debt service date will be fully funded.

c. The Reserve Funds of the River Authority include debt service reserves and construction and improvement reserves.

Investment strategies for the River Authority's Reserve Funds have as the primary objective the assurance of yield and availability should the reserve funds be required. In addition, where applicable, all bond covenants must be followed.

- d. The Capital Project Funds of the River Authority include projects funded by the River Authority, Bexar County, the City of San Antonio and other funding partners.

Investment strategies for the River Authority's project funds must first have as their primary objective the assurance of meeting cash flow requirements on all contractual obligations. In addition, where applicable, all bond covenants must be followed. All securities purchased must be of high quality; short to medium term that complements each other in a ladder portfolio structure.

- e. The Special Revenue Funds of the River Authority include grant funds, park development funds and other special use funds.

Investment strategies for the Special Revenue Funds of the River Authority have as their objective assurance that the anticipated cash flows are matched with adequate liquidity. During economic cycles, assure that the investment portfolio experiences minimal volatility.

Approved:



Derek Boese, General Manager

2 JAN 2025

Date

San Antonio River Authority
Authorized Broker/Dealer List

The authorized broker/dealer list for 2024-25 for the San Antonio River Authority is attached separately. Each of these firms, and the individual covering the account, are sent the current Investment Policy.

The River Authority's Investment Policy establishes specific criteria for the brokers and requires that the list of broker/dealers be adopted at least annually by the Board. Meeder Public Funds maintains the brokerage compliance files for the River Authority.

When any material changes are made to the Investment Policy, the new Policy is sent out to the approved broker/dealers.

San Antonio River Authority
Authorized Training Sources

The authorized independent training sources list for the San Antonio River Authority is provided below. Each of these firms, must continue to meet the requirements for approved training established within Chapter 2256 Government Code, Public Funds Investment Act of the State of Texas (the “Act”).

- TexPool Academy, provided by Federated Investors or other approved trainer(s)
- Center for Public Management, University of North Texas
- Texas Association of Counties
- Texas Municipal League
- Texas Association of School Business Officials
- Meeder Public Funds
- Financial Executives International
- Government Finance Officers Association
- Government Treasurer’s Organization of Texas
- Hilltop Securities
- Institute of Management Accountants
- Texas Association of Regional Council (member agencies)
- Wells Fargo