

INVESTMENT STRATEGY

This Investment Strategy is adopted for each of the funds or groups of funds under the control of the City Council of the City of Selma, Texas. The City of Selma maintains two funds for investment, the Revenue Fund and the General Fund.

Pursuant to Section 2256.005(d) of the Texas Government Code, an Investment Strategy is to take into account the following factors:

- (1) The suitability of the investment to the financial requirements of the City (“Suitability”);
- (2) Preservation and safety of principal
- (3) Liquidity;
- (4) Marketability of the investment if the need arises to liquidate the investment before maturity (“Marketability”);
- (5) Diversification; and
- (6) Yield.

For all funds of the City, the following order of priority of the preceding factors is established:

- (1) Preservation and safety of principal;
- (2) Liquidity;
- (3) Yield;
- (4) Suitability;
- (5) Diversification; and
- (6) Marketability

The above order of priority is determined in part by the City’s currently investing in Certificates of Deposit and Tex Pool and not investing in marketable securities such as mutual funds.

To implement the order of priority in this Investment Strategy, the Investment Officer shall (a) focus on federally insured and/or fully collateralized bank or credit union investments with varying and staggered maturities, taking into account for purposes of liquidity the reasonably anticipated obligations of the City, and (b) shall strive to obtain the best yield (typically, for a Certificate of Deposit, the highest interest rate).