

# Port of Houston Authority

## Investment Policy



**PORT HOUSTON**  
THE INTERNATIONAL PORT OF TEXAS®

Adopted October 24, 2023

Minute No. 2023-1024-22

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## INVESTMENT POLICY

This Investment Policy (the “Policy”) is adopted by the Port Commission, as the governing body of the Port of Houston Authority of Harris County, Texas (the “Authority”) effective October 24, 2023, pursuant to Chapter 2256 of the Texas Government Code, as amended (the “Public Funds Investment Act” or the “Act”).

### ARTICLE I PURPOSE AND SCOPE

#### Section 1.1. Purpose

This Policy with respect to Authority investments has been adopted to establish policies and procedures that enhance opportunities for a prudent and systematic investment of Authority funds. This Policy statement intends to emphasize the guiding principles of the Authority’s investment program and provide for compliance with all statutes, rules, and regulations governing the investment of public funds.

The initial step toward a prudent investment policy is to organize and formalize investment-related activities. Related activities which comprise good cash management generally include accurate cash projections, the expeditious collection of revenue, the control of disbursements, cost-effective banking relations, and a borrowing program which coordinates working capital requirements and investment opportunity. In concert with these requirements are the many facets of an appropriate and secure investment program. The funds of the Authority shall be invested and secured in compliance with the various provisions of Texas law, including the Public Funds Investment Act. This Policy will also specify the scope of authority of the Investment Officer and Authority Designees (as defined herein) who are responsible for the investment of Authority funds.

#### Section 1.2. Scope

This Policy shall apply to the Authority’s general operating funds, debt service funds (including the Series 2021 Payment Account), construction funds, project funds, capital projects funds, debt service reserve funds, and such other funds as determined necessary or desirable by the Commission. Article V of this Policy outlines the investment strategies to be employed for the particular funds currently approved.

Such funds may be managed as a pooled fund group, as defined in Section 2256.002(9) of the Act, or as separately invested assets, as defined in Section 2256.002(12) of the Act. The latter may include trust or escrow funds best managed as separate accounts.

This Policy shall not apply to defined benefit (pension) funds, defined contribution (Internal Revenue Code, Section 401) funds, deferred compensation (Internal Revenue Code, Section 457) funds, funds set aside for other post-employment benefits, and such other funds as specified in Section 2256.004 of the Act (“Exempt Funds”).

ARTICLE II  
DEFINITIONS

Section 2.1. Definitions

Unless the context requires otherwise, the following terms and phrases used in this Policy shall mean the following:

- A. “**Act**” means Chapter 2256, Texas Government Code, as amended from time to time.
- B. “**Authority Designees**” means the Commissioners, officers, and Employees of the Authority authorized to handle investments for the Authority, and such other persons, political subdivisions or business entities that may be engaged and authorized to handle investments for the Authority. Exhibit “A” attached hereto sets forth the current list of Authority Designees which may be amended from time to time by action of the Port Commission or the Executive Director of the Authority.
- C. “**Authorized Collateral**” means any security with which Authority funds may be secured under Chapter 2257, Texas Government Code.
- D. “**Authorized Investment**” means any security in which the Authority is authorized to invest under Chapter 2256, Texas Government Code.
- E. “**Collateral**” means any security or other obligation which the Authority authorizes to serve as security for the deposit of Authority funds in Article IV hereof.
- F. “**Commission**” means the Port Commission of the Authority.
- G. “**Commissioner**” means a person appointed to serve on the Commission.
- H. “**Employee**” means any person employed by the Authority, but does not include independent contractors or professionals hired by the Authority as outside consultants, nor does it include employees of other entities who may be appointed as Authority Designees.
- I. “**Investment Officer**” means those Employees appointed from time to time by the Authority to handle the investment and reinvestment of Authority funds.
- J. “**Primary Bank**” means the Authority’s current depository bank or another financial institution as may be designated by the Commission or the Authority from time to time.
- K. “**Public Funds Collateral Act**” means Chapter 2257, Texas Government Code,

as amended from time to time.

- L. **“Public Funds Investment Act”** means Chapter 2256, Texas Government Code, as amended from time to time.

### ARTICLE III INVESTMENT OFFICER

#### Section 3.1. Investment Officer

Section 2256.005(f) of the Act specifies that an “investing entity shall designate, by rule, order, ordinance, or resolution, as appropriate, one or more officers or employees ... as investment officer to be responsible for the investment of its funds consistent with the investment policy adopted by the entity.”

The Authority hereby appoints the Director, Treasury of the Authority to serve as Investment Officer to handle the investment of Authority funds. The Authority’s Treasury Manager, Controller, and the Chief Financial Officer are each authorized to act as Investment Officer for the Authority in the absence of the Investment Officer or when the Investment Officer is unavailable. The Investment Officer shall be responsible for investing Authority funds in accordance with this Policy and in compliance with the standard of care specified in Section 2256.006 of the Act.

The Investment Officer shall invest the Authority’s funds as provided in Article IV using the judgment and care, under circumstances then prevailing, that persons of prudence, discretion, and intelligence exercise in the management of their own affairs, not for speculation, but for investment. The standard of prudence to be used by the Investment Officer shall be the “prudent person,” and shall be applied in the context of managing an overall portfolio. The Investment Officer and Authority Designees (1) acting in accordance with this Policy and any written procedures approved by the Commission, and (2) exercising due diligence, shall be relieved of personal responsibility for an individual security’s credit risk or market price changes, provided that deviations from expectation are reported in a timely fashion and appropriate action is taken to control adverse developments.

#### Section 3.2. Training

In order to better provide for quality and capability of investment management pursuant to Section 2256.005(b)(3) of the Act, the Investment Officer and each Authority Designee listed on Exhibit “A” attached hereto shall attend periodic investment training sessions, courses, and seminars as required by Section 2256.008 of the Public Funds Investment Act.

- A. Within 12 months after assuming duties, the treasurer, chief financial officer, the Investment Officer and each Authority Designee listed on Exhibit “A” attached hereto shall attend a training session relating to the person’s investment responsibilities and receive not less than 10 hours of instruction.

- B. On an ongoing basis, the treasurer, chief financial officer, the Investment Officer and each Authority Designee listed on Exhibit “A” attached hereto shall receive not less than 10 hours of instruction in each subsequent two-year period which begins on the first day of the Authority’s fiscal year and consists of the two consecutive fiscal years after that date.
- C. Training must include education in investment controls, security risks, strategy risks, market risks, diversification of investment portfolio, and compliance with the Public Funds Investment Act.
- D. Training must be provided by the Government Finance Officers Association, Government Finance Officers Association of Texas, Government Treasurers’ Organization of Texas, Texas Municipal League, Government Investment Officers Association, University of North Texas – Center for Public Management, Texas State University – William P. Hobby Center for Public Service, Texas Association of Counties, County Treasurers’ Association of Texas, North Central Texas Council of Governments, or another independent source approved by the Commission.

### Section 3.3. Disclosures of Relationships with Persons Selling Investments to the Authority

In order to avoid conflicts of interest and promote lawful and ethical behavior in the Authority’s investment management, the Investment Officer, the Authority Designees, and any person who assists the Investment Officer or Authority Designees with their duties hereunder shall disclose in writing any personal business relationship or relationship within the second degree by affinity or consanguinity to any individual seeking to sell an investment to the Authority as required by Section 2256.005(i) of the Public Funds Investment Act. Such disclosure statement shall be filed with the Commission and the Texas Ethics Commission.

### Section 3.4. Solicitation of Offers or Bids

In order to achieve the best value for the Authority, at least three competitive offers or bids shall be solicited and received orally, in writing, electronically or in any combination of those methods with respect to individual security purchases or sales. Competitive bids are not required (a) in cases where an agreement is reached with a particular issuer to sell back a security and purchase a similar instrument from the same issuer (e.g., swapping a commercial paper investment with the issuer to extend the maturity), (b) for investments in money market mutual funds, investment pools and regular cash deposits at the Authority’s depository banks, as well as (c) for U.S. Treasury, agency, or municipal securities purchased as new issues or on a bid wanted basis. In cases where competitive bids/offers are not obtained, the investment officer will provide alternative documentation to ensure a competitive market level was obtained.

In situations where the exact security is not offered by other broker-dealers, offers on the closest comparable investment may be used to establish a fair market price for the security. In the case of a certificate of deposit purchase, at least two other offers should be solicited to provide a comparison. When few, if any, institutions wish to participate in such competitive bids, then the

Authority Designees may use another authorized investment of similar maturity for evaluation purposes. The Investment Officer may approve exceptions to this process on a case by case basis, and shall document such exceptions in writing.

### Section 3.5. Certifications from Sellers of Investments

In accordance with Section 2256.005(k) of the Public Funds Investment Act, the Investment Officer, with the assistance of Authority Designees as requested by the Investment Officer,

- (i) shall present this Policy to any business organization offering to engage in an investment transaction with the Authority, and
- (ii) shall obtain from such business organization a certificate in substantially the form attached hereto as Exhibit “B,” signed by a qualified representative of the business organization.

For purposes of Sections 2256.005(k) and 2256.005(l) of the Act, the term “business organization” refers to an investment pool or investment management firm under contract with an investing entity to invest or manage the entity’s investment portfolio that has accepted authority granted by the entity under the contract to exercise investment discretion in regard to the investing entity’s funds.

The Investment Officer, with the assistance of Authority Designees as requested by the Investment Officer,

- (i) shall present this Policy to any broker-dealer offering to engage in an investment transaction with the Authority, and
- (ii) shall obtain from such broker-dealer a certificate in substantially the form attached hereto as Exhibit “B,” signed by a qualified representative of the broker-dealer.

The term “broker-dealer” refers to a financial firm that is not a business organization, but proposes or may propose to the investment entity one or more investments for the entity’s funds.

The certificate should document such business organization’s or broker-dealers’ receipt, review, and understanding of this Policy, reflect that it has implemented reasonable procedures and controls to preclude investment transactions conducted between such party and the Authority that are not authorized by this Policy, and reflect its agreement to review the terms and characteristics of any proposed investment to ensure that the investment complies with the requirements of the Public Funds Investment Act and with this Policy. No investment shall be purchased or otherwise obtained from a business organization or broker-dealer prior to the receipt of such a certificate in accordance with Section 2256.005(l) of the Act.

### Section 3.6. Reporting by the Investment Officer

Pursuant to Section 2256.023 of the Act, not less than quarterly and within a reasonable time after the end of the period reported, the Investment Officer with the help of Authority Designees shall prepare and submit to the Commission and the Executive Director of the Authority a written report of the investment transactions for all funds of the Authority for the preceding reporting period.

The report must (1) describe in detail the investment position of the Authority on the date of the report, (2) be prepared jointly by all the Investment Officers of the Authority, if the Authority appoints more than one, (3) be signed by all Investment Officers (via “wet ink” or digital signatures), (4) contain a summary statement of each pooled fund group that states the beginning and ending book and market values and fully accrued interest for the reporting period, (5) state the book value and the market value of each separately invested asset at the end of the reporting period by the type of asset and fund type invested, (6) state the maturity date of each separately invested asset that has a maturity date, (7) state the Authority fund for which each individual investment was acquired, and (8) state the compliance of the investment portfolio as it relates to this Policy, including the investment strategies contained herein, and the Public Funds Investment Act. The market values and credit ratings of the Authority’s investments shall be obtained from a reliable outside source (e.g., Bloomberg L.P., International Data Corporation (IDC), a custodian bank, etc.) which has access to investment market values and credit ratings.

The quarterly investment reports shall also be provided to the Authority’s independent auditor at least annually, as required by Section 2256.023(d) of the Act. The auditor should review these reports in connection with its annual examination of the Authority’s financial statements in accordance with generally accepted auditing standards. The results of such reviews and examinations should be reported to the Commission by the independent auditor.

### Section 3.7. Assistance with Investment Procedures

The Authority may contract with investment managers to assist in the purchase and sale of investment securities. In addition, the Authority may hire investment advisors to assist in the selection of investment managers and mutual funds, assess market and security risks, provide compliance reports and evaluate manager performance. Such engagements shall comply with Sections 2256.003(b) and 2256.003(c) of the Act. Investment advisors must be registered with the Securities and Exchange Commission (“SEC”) under the Investment Advisers Act of 1940, as well as with the Texas State Securities Board.

### Section 3.8. Settlement Basis

All purchases of investments, except investments in bank deposits, certificates of deposit, local government investment pools or in mutual funds, shall be made on a delivery versus payment (“DVP”) basis, pursuant to Section 2256.005(b)(4)(E) of the Act, through a custodian bank. The safekeeping entities and custodians for all Authority investments and for all Collateral pledged to secure Authority funds shall be selected by the Investment Officer from the list of



approved financial institutions at which the Authority's accounts may be maintained. The current list is attached hereto as Exhibit "C".

ARTICLE IV  
INVESTMENT OBJECTIVES

Section 4.1. Provisions Applicable to All Funds

This Policy shall apply to all funds under the direct control of the Authority except for Exempt Funds.

Section 4.2. Objectives

A. In accordance with Sections 2256.005(b)(2) and 2256.005(b)(3) of the Act, this Policy must "primarily emphasize safety of principal and liquidity" and "address investment diversification, yield, and maturity."

Accordingly, the Authority's general objectives in investing its funds, listed in the order of importance, are:

- (i) Preservation and safety of principal;
- (ii) Suitability of the investment for the financial requirements of the Authority;
- (iii) Liquidity;
- (iv) Marketability of the investment, if the need arises to liquidate the investment before maturity;
- (v) Diversification of the investment portfolio; and
- (vi) Yield, without compromising the first five objectives.

B. Safety of principal is the foremost objective of the Authority. Each investment transaction shall seek first to ensure that capital losses are avoided, whether from securities defaults or erosion of market value.

C. Investment decisions should also favor stability of principal over income.

D. The Authority's investment portfolio shall be structured so as to be sufficiently liquid to enable the Authority to meet all operating requirements which might be reasonably anticipated. This need for investment liquidity may be tempered to the extent that the Authority is allowed and able to borrow under a short-term basis to meet its operating requirements if needed, taking into consideration the net cost to the Authority.

- E. The investment portfolio shall be designed to attain a benchmark rate of return as defined in Article V for each fund throughout budgetary and economic cycles, taking into account the Authority's investment risk constraints, the cash flow characteristics of the portfolio, and state laws that restrict the placement of Authority funds.
- F. Investments shall be made in a manner that avoids incurring unreasonable and avoidable risks regarding specific security types or individual financial institutions.
- G. No investments shall be made for the purpose of trading or speculation, such as anticipating an appreciation of capital through changes in market interest rates.
- H. All Authority Designees shall undertake in the investment process to act responsibly as custodians of the public trust. Authority Designees shall avoid any transaction that might impair public confidence in the Authority's ability to operate effectively. The Investment Officer shall recognize that the investment portfolio is subject to public review and evaluation. The overall program of managing the Authority's funds shall be designed and managed with a degree of professionalism that is worthy of public trust. Nevertheless, the Commission recognizes that in a diversified portfolio, occasionally losses may occur and must be considered within the context of the overall portfolio's investment return, provided that adequate diversification has been implemented.
- I. The Authority may utilize, when appropriate, portfolio management techniques such as swaps and forward purchase agreements in order to enhance yields, provided that safety of principal is given first consideration.
- J. The Authority as a general objective plans to hold investments to maturity while protecting principal and obtaining the highest bond equivalent yield possible at the date of investment, and not to devote substantial efforts to earn profit on investment market fluctuations. Investments shall be purchased because of their interest yield expectations over their remaining life rather than for speculative purposes.
- K. Pooling of fund groups for the purposes of investment is approved and allowed.

#### Section 4.3. Authorized Investment Instruments

In compliance with Section 2256.005(b)(4) of the Act, this Policy specifies that funds of the Authority may only be invested in the following, except where more restrictive bond covenants apply, in which case such funds shall be invested in compliance with the applicable bond covenants:

- A. Obligations, including letters of credit, of the U.S. or its agencies and instrumentalities, including the Federal Home Loan Banks.
- B. Direct obligations of the State of Texas or its agencies and instrumentalities.
- C. 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 U.S. or their respective agencies and instrumentalities, including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation (“FDIC”) or by the explicit full faith and credit of the United States.
- D. 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.
- E. Collateralized mortgage obligations directly issued by a federal agency or instrumentality of the U.S., the underlying security for which is guaranteed by an agency or instrumentality of the U.S. and that, as described under Section 2256.009(b) of the Act, are not:
  - (i) obligations whose payment represents the coupon payments on the outstanding principal balance of the underlying mortgage-backed security collateral and pays no principal (“IO’s”); or
  - (ii) obligations whose payment represents the principal stream of cash flow from the underlying mortgage-backed security collateral and bears no interest (“PO’s”); or
  - (iii) collateralized mortgage obligations that have a stated final maturity date of greater than 10 years; or
  - (iv) collateralized mortgage obligations, the interest rate of which is determined by an index that adjusts opposite to the changes in the market index (inverse floaters).
- F. Certificates of deposit that meet the requirements of Section 2256.010(a) of the Public Funds Investment Act, namely, certificates of deposit issued by a depository institution that has its main office or branch office in this State and that are:
  - (i) guaranteed or insured by the FDIC or its successor or the National Credit Union Share Insurance Fund or its successor;
  - (ii) secured by obligations that are described by Section 2256.009(a) of the Act, 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) of the Act; or
- (iii) secured in accordance with Chapter 2257, Texas Government Code, or in any other manner and amount provided by law for deposits of the Authority.
- G. Certificates of deposit that meet the requirements of Section 2256.010(b) of the Public Funds Investment Act, namely:
- (i) the funds are invested through: (A) a broker that has its main office or a branch office in this State as selected by the Investment Officer from Exhibit “C”, the list of approved financial institutions adopted by the Authority as required by Section 2256.025; or (B) a depository institution that has its main office or a branch office in this State as selected by the Investment Officer;
  - (ii) the broker or the depository institution selected by the Investment Officer 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 Authority;
  - (iii) 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
  - (iv) the Investment Officer appoints the depository institution, an entity described by Section 2257.041(d) of the Public Funds Collateral Act, or a clearing broker-dealer registered with the Securities and Exchange Commission and operating pursuant to Securities and Exchange Commission Rule 15c3-3 (17 C.F.R. Section 240.15c3-3) as custodian for the Authority with respect to the certificates of deposit issued for the account of the Authority secured in any other manner and amount provided by law for deposits of the Authority.
- H. Fully collateralized repurchase agreements as authorized by the Public Funds Investment Act under a master repurchase agreement which includes appropriate provisions regarding delivery, substitution, margin maintenance, margin amounts, seller representations, and governing law.
- I. Commercial paper with a stated maturity of 365 days or fewer from the date of issuance as authorized by Section 2256.013 of the Public Funds Investment Act. All commercial paper purchased must be rated not less than “A-1”, “P-1”, or the equivalent by at least two nationally recognized credit rating agencies or must be rated at least “A-1”, “P-1” or the equivalent by at least one nationally recognized credit rating agency and be 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 thereof. Commercial paper may be purchased directly from issuers or through banks or broker-dealers, as approved and listed on Exhibit “C”.

- J. No-load money market mutual funds (i) registered with and regulated by the SEC, (ii) that provide 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.), and (iii) that comply with federal Securities and Exchange Commission Rule 2a-7 (17 C.F.R. Section 270.2a-7), promulgated under the Investment Company Act of 1940 (15 U.S.C. Section 80a-1 et seq.).
- K. Guaranteed Investment Contracts are Authorized Investments for bond proceeds if the Guaranteed Investment Contracts have a defined termination date, are secured by obligations in the amounts and of the types required by the Public Funds Investment Act, are pledged to the Authority, are deposited with the Authority or with a third party selected and approved by the Authority, and meet all other applicable requirements of the Act, including Section 2256.015 thereof.
- L. Investment pools as authorized under Section 2256.016 of the Public Funds Investment Act, provided that such investment pools are continuously rated no lower than “AAA” or “AAA-m” or at an equivalent rating by at least one nationally recognized rating service.
- M. Bankers' acceptances as authorized by Section 2256.012 of the Public Funds Investment Act:
  - (i) with a stated maturity of 270 days or fewer from the date of its issuance;
  - (ii) that will be, in accordance with its terms, liquidated in full at maturity;
  - (iii) are eligible for collateral for borrowing from a Federal Reserve Bank; and
  - (iv) are 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.
- N. Interest-bearing banking deposits that are guaranteed or insured by the FDIC or its successor, or the National Credit Union Share Insurance Fund or its successor, as allowed under Section 2256.009(a)(7) of the Act.

- O. No-load mutual funds (i) registered with the SEC, (ii) with an average weighted maturity of less than two years; and (iii) either: (a) has a duration of one year or more and is invested exclusively in obligations approved under Subchapter A of the Act, or (b) has a duration of less than one year and the investment portfolio is limited to investment grade securities, excluding asset-backed securities.

#### Section 4.4. Effect of Loss of Required Rating; Exemption for Existing Investments

Except as hereinafter provided, if any investment that requires a minimum investment rating is downgraded below such minimum rating subsequent to purchase, it will no longer be considered an Authorized Investment, and the Authority shall take all prudent measures consistent with this Policy to liquidate the investment pursuant to Section 2256.021 of the Act; provided, however, the Authority is not *required* to liquidate investments that were Authorized Investments at the time of purchase, as prescribed by Section 2256.017 of the Public Funds Investment Act.

Investment ratings shall be monitored regularly by the Authority's Investment Officer(s) and/or investment advisors through the use of information obtained from Bloomberg Markets, the Authority's custodian, broker-dealers, financial publications and/or financial websites. Any ratings downgrade, or instance of negative "credit watch" notification, shall be reported to the Investment Officer(s) upon discovery.

#### Section 4.5. Internal Controls for Investments

Section 2256.005(m) of the Act specifies that an "investing entity other than a state agency, in conjunction with its annual financial audit, shall perform a compliance audit of management controls on investments and adherence to the entity's established investment policies."

The Investment Officer, with the help of such Authority Designees as he requests, shall periodically (at least annually) review, prepare and submit to the Commission for approval a system of internal controls for investments which shall be documented in writing. The investment controls shall be reviewed by the Authority's independent auditor in connection with the annual examination of the Authority's financial statements to the extent deemed necessary to evaluate the system as required by generally accepted auditing standards.

The controls shall be designed to prevent losses of public funds arising from fraud, employee error, misrepresentation by third parties, unanticipated changes in financial markets, or imprudent actions by employees and officials of the Authority. Controls deemed most important include control of collusion, segregation of duties, segregation of transaction authority from accounting and record keeping, custodial safekeeping, avoidance of bearer-form securities, clear delegation of authority, specific limitations regarding securities losses and remedial action, approved written confirmation of telephone transactions, minimizing the number of authorized investment personnel, documentation of transactions and strategies and compliance with codes of ethics.

#### Section 4.6. Maturity

This Policy must address maturity, as provided in Section 2256.005(b)(3) of the Act. Accordingly, Authority funds, except funds accumulated for debt service funds (i.e., funds required for principal and interest payments due within one year), debt service reserve funds, and capitalized interest funds, shall be invested only in investments whose maturities do not exceed five years at the time of purchase. Debt service funds may be invested for a period not to exceed one year. Debt service reserve funds may be invested for a period not to exceed the maturity of the bonds. Capitalized interest funds may be invested for a period of time co-extensive with the period of time for which interest is capitalized.

In addition, the weighted average maturity of the overall portfolio, excluding those investments held for future major capital expenditures (e.g., construction funds), debt service funds, debt service reserve funds, and capitalized interest funds, shall not exceed two years.

#### Section 4.7. Diversification

This Policy must address investment diversification, yield, and maturity, as provided in Section 2256.005(b)(3) of the Act. Accordingly, it is the policy of the Authority to diversify its investment portfolio. All funds shall be diversified to eliminate the risk of loss resulting from concentration of assets in a specific maturity, a specific issuer or a specific class of securities. In establishing specific diversification strategies, the following general policies and constraints shall apply:

- A. Portfolio maturities shall be staggered in a way that avoids undue concentration of assets in a specific maturity sector. Maturities shall be selected which provide for stability of income and reasonable liquidity.
- B. Liquidity shall be maintained through practices that ensure that the next disbursement date and payroll date are covered through cash on hand, overnight deposits, maturing investments, and marketable securities.
- C. Risks of market price volatility shall be monitored and mitigated through maturity diversification, to avoid, if possible, having aggregate price losses on instruments with maturities exceeding one year being greater than coupon interest and investment income received from the balance of the portfolio.
- D. The following diversification limitations shall be imposed on the portfolio:
  - (i) Maturity. No more than 40% of the portfolio may be invested beyond two years at the time of purchase, and the weighted average maturity of the overall portfolio shall not exceed two years.

- (ii) Risk Default. The severe restrictions on Authorized Investments and the legal requirements for full collateralization of demand deposits and time deposits significantly reduce the potential for default risk. Nonetheless, no more than 25% of the overall portfolio may be invested in the time deposits, including certificates of deposit, of a single financial institution. In addition, no more than 20% of the overall portfolio may be invested in a single municipal security or commercial paper issuer, and no more than 30% in a single Federal agency issuer.
- (iii) Marketability. At least 10% of the portfolio, excluding those investments held for future major capital expenditures, debt service payments, debt service reserve funds, and capitalized interest funds, shall be invested in overnight instruments or in marketable securities which can be sold to raise cash within one day's notice.

#### Section 4.8. Risk Tolerance

The Authority recognizes that investment risks can result from issuer defaults, market price changes or various technical complications leading to temporary illiquidity. Portfolio diversification is employed as a way to control risk. The Investment Officer is expected to display prudence in the selection of securities as a way to minimize default risk. No individual investment transaction shall be undertaken which jeopardizes the total capital position of the overall portfolio. The Investment Officer shall prepare and present to the Commission for approval such additional guidelines and strategies to monitor risks of default, market price changes, and illiquidity as deemed necessary or advisable, or to the extent that such areas of risk are not adequately addressed in this Policy, including the Internal Controls for Investments document referred to in Section 4.5 hereof. All investment reports shall specifically address whether current investment results have been affected by any of the foregoing risks and shall explain what actions the Investment Officer(s) have taken to manage such risks.

In addition to these general policy considerations, the following specific policies shall be strictly observed:

- A. All investment funds shall be placed directly with qualified financial institutions.
- B. All transactions, except those noted in Section 3.8 hereof, shall be settled on a delivery-versus-payment basis.
- C. The Authority shall not enter into reverse repurchase agreements or trade in options or futures contracts.

#### Section 4.9. Safekeeping and Custody

To protect against potential fraud and embezzlement, the financial assets of the Authority shall be secured through safekeeping procedures with its Primary Bank or another independent



third-party custodian as selected by the Investment Officer from the current list of financial institutions at which the Authority's accounts may be maintained, attached hereto as Exhibit "C", which list may be amended from time to time by action of the Port Commission or the Executive Director of the Authority. All securities of the Authority and Collateral with respect thereto shall be held in the Authority's name and shall be fully documented via written agreements, safekeeping receipts, and/or electronic records. Authority Designees as listed on Exhibit "A" shall be bonded or covered under insurance policies to protect the public against possible embezzlement and malfeasance.

Section 4.10. Policy of Securing Deposits of Authority Funds Applicable to All Deposited Authority Funds

In accordance with the Public Funds Collateral Act, the Port Commission approves the following policy regarding collateralization of uninsured cash balances and deposits of the Authority, plus accrued interest, if any. All provisions related to acceptance, substitution, release, and valuation of Collateral shall comply with the Public Funds Collateral Act.

- A. The Authority recognizes that FDIC (or its successor) insurance is in usual circumstances available for Authority funds deposited at any one Texas financial institution (including branch banks) only up to a maximum of \$250,000 (including accrued interest) for each of the following: (i) demand deposits, (ii) time and savings deposits, and (iii) deposits made pursuant to an indenture or pursuant to law in order to pay bondholders or noteholders. It is the policy of the Authority that all deposited funds in each of the Authority's accounts shall be insured by the FDIC, or its successor, or secured by Collateral pledged to the extent of the fair market value of the amount not insured in compliance with the Public Funds Collateral Act.
- B. If it is necessary for the Authority's depositories to pledge Collateral to secure the Authority's deposits, (1) the Collateral pledge agreement must be in writing, (2) the Collateral pledge agreement must be approved by the depository's board of directors or loan committee, (3) the depository's approval of the Collateral pledge agreement must be reflected in the minutes of the meeting of the depository's board or loan committee approving same, and (4) the Collateral pledge agreement must be kept in the official records of the depository. The depository must approve the Collateral pledge agreement and provide to the Investment Officer a copy of the minutes of the meeting of the depository's board or loan committee at which the Collateral pledge agreement is approved prior to the deposit of any Authority funds requiring the pledge of Collateral in such financial institution. The Collateral pledge agreement should include provisions related to acceptance, substitution, release, and valuation of Collateral.
- C. Collateral pledged by a depository shall be held in safekeeping at (i) a Federal Reserve Bank, (ii) a branch of a Federal Reserve Bank, or (iii) another custodian meeting the requirements of Section 2257.041 of the Public Funds Collateral Act, which custodian is acceptable to the Authority and is selected by the Investment

Officer from Exhibit “C”, the list of approved financial institutions adopted by the Port Commission. The Investment Officer, pursuant to this Policy, shall obtain safekeeping receipts from the Federal Reserve Bank or said custodian. Principal and accrued interest on deposits in accordance with this Policy, if authorized, shall not exceed the FDIC, or its successor’s, insurance limits or the Collateral pledged as security for the Authority’s investments. It shall be acceptable for the Authority to periodically receive interest on deposits to be deposited to the credit of the Authority if needed to keep the amount of the funds under the insurance or Collateral limits. The Investment Officer(s), with the help of the Authority Designees as requested by the Investment Officer, shall ensure that the Collateral pledged to the Authority is pledged only to the Authority and shall review the fair market value of the Collateral pledged to secure the Authority’s funds to ensure that the Authority’s funds are fully secured.

- D. Certificates of deposit, demand deposits (e.g., checking accounts), and savings accounts, to the extent that they are not insured, may be secured by any eligible securities allowed under Section 2257.002(4) and Section 2257.021 of the Public Funds Collateral Act.

## ARTICLE V INVESTMENT STRATEGIES FOR PARTICULAR FUNDS

### Section 5.1. Investment Strategy for the Operating Fund

The investment strategy for the operating fund is to assure that adequate funds are on hand to meet current spending needs, while taking into consideration the other provisions of this Policy. To such end, all operating and general fund monies shall initially be invested in approved money market mutual funds, investment pools or bank deposits. Investments of funds in excess of current needs may then be made with final maturities of one to five years. The maturities shall be structured so that the total amount of maturing investments in any three-month period plus amounts held in money market mutual funds, investment pools and bank deposits shall total at least \$15,000,000. The benchmark rate of return is the money market mutual fund rate of return.

### Section 5.2. Investment Strategy for the Debt Service Fund

Subject to compliance with the other provisions of this Policy, all debt service funds shall initially be invested in an approved money market mutual fund, investment pool or bank deposit as set forth in the order creating such fund. Further investments may then be made in certificates of deposit or other investments authorized hereunder and maturities structured so that there shall be adequate cash on hand to meet debt service payments as they come due. The benchmark rate of return is the money market mutual fund rate of return.

Section 5.3. Investment Strategy for the Construction Fund and Project Fund

Subject to compliance with the other provisions of this Policy, construction funds shall be invested to meet the capital improvement, construction needs of the Authority, including channel improvement projects. The benchmark rate of return is the one-year Treasury rate of return.

Section 5.4. Investment Strategy for the Debt Service Reserve Fund

All debt service reserve funds shall initially be invested in an approved money market mutual fund as set forth in the order creating such fund. Further investments may then be made in investments authorized hereunder. The benchmark rate of return is the two-year Treasury rate of return.

ARTICLE VI  
MISCELLANEOUS

Section 6.1. Superseding Clause

This Policy supersedes any prior policies adopted by the Commission regarding investment or securitization of Authority Funds.

Section 6.2. Annual Review

The Authority shall review this Investment Policy and investment strategies at least annually and confirm the continuance of the Investment Policy and investment strategies without amendment or adopt an amended Investment Policy. Any changes in the Investment Policy or investment strategies shall be noted in the written instrument or resolution adopted by the Port Commission in accordance with Section 2256.005(e) of the Public Funds Investment Act.

This annual review shall also include a review of broker-dealers authorized to engage in investment transactions with the Authority pursuant to Section 2256.025 of the Act. Broker-dealers may be added to or deleted from the approved list of financial institutions (attached hereto as Exhibit "C"), as approved by the Port Commission. Because such approved list serves multiple purposes, it includes banks and other entities approved by the Commission for provision of custody, depository, credit, and other services that may not be subject to the Public Funds Investment Act.


Section 6.3. Conflicts

In the event of any conflict between this Policy and the provisions of the Public Funds Investment Act or Public Funds Collateral Act, the provisions of the Public Funds Investment Act or Public Funds Collateral Act shall govern.

Section 6.4. Review and Adoption at Open Meeting

The Commission officially finds, determines and declares that (a) proposed changes to this Investment Policy and the investment strategies contained therein were reviewed, and carefully considered, (b) this Investment Policy and investment strategies were adopted at a regular meeting of the Commission, (c) a sufficient written notice of the date, hour, place and subject of this meeting was posted as required by the Open Meetings Act, Chapter 551, Texas Government Code, and (d) this meeting had been open to the public as required by law at all times during which this Policy was discussed, considered and acted upon and is herewith adopted. The Commission further ratifies, approves and confirms such written notice and the contents and posting thereof.


Adopted on the 24th day of October 2023.



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Chairman, Port Commission  
Port of Houston Authority of  
Harris County, Texas

ATTEST:



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Chief Legal Officer and  
Secretary  
Port of Houston Authority of  
Harris County, Texas

**EXHIBIT “A”**

**Port of Houston Authority  
Authority Designees**

Authority Designees employed by the Authority

Chief Financial Officer  
Director, Treasury  
Controller  
Treasury Manager

\* \* \*

**EXHIBIT “B”**

**CERTIFICATE OF COMPLIANCE FROM SELLERS OF INVESTMENTS**

To: Port of Houston Authority of Harris County, Texas (the “Authority”)  
Attn: Director, Treasury  
111 East Loop North  
Houston, TX 77029-4326

From: \_\_\_\_\_, \_\_\_\_\_  
(Name of the person offering or the “qualified representative of the business organization” offering to engage in an investment transaction with the Authority) (Title of such person)

of \_\_\_\_\_ (the “Business Organization”)  
(Name of financial institution, business organization or investment pool)

Date: \_\_\_\_\_, 20\_\_\_\_\_

In accordance with the provisions of Chapter 2256 of the Texas Government Code, as amended (the “Public Funds Investment Act”), I hereby certify that:

1. I am an individual offering to enter into an investment transaction with the Authority or a “qualified representative” of the Business Organization offering to enter an investment transaction with the Authority, as applicable, as such terms are used in the Public Funds Investment Act, and that I meet all requirements under such act to sign this Certificate.
2. I or the Business Organization, as applicable, anticipate selling to the Authority investments (collectively referred to herein as the “Investments”) that comply with the Public Funds Investment Act and the Authority’s Investment Policy dated October 24, 2023 (the “Investment Policy”).
3. I or a registered investment professional that services the Authority’s account, as applicable, have/has received and reviewed the Investment Policy, which the Authority has represented is the complete Investment Policy of the Authority now in full force and effect. I or the Business Organization, as applicable, shall comply with such Investment Policy until the Authority provides me or the Business Organization, as applicable, with any amendments to or any newly adopted form of the Investment Policy, in which case I or the Business Organization, as applicable, shall comply with the amended or newly adopted Investment Policy.

4. I or the Business Organization, as applicable, have/has implemented reasonable procedures and controls in an effort to preclude investment transactions conducted between the Authority and me or the Business Organization, as applicable, that are not authorized by the Investment Policy, except to the extent that this authorization is dependent upon an analysis of the makeup of the Authority's entire portfolio, requires an interpretation of subjective investment standards, or relates to investment transactions of the Authority that are not made through accounts or other contractual arrangements over which I or the Business Organization, as applicable, have/has accepted discretionary investment authority.
5. I or the Business Organization, as applicable, have/has reviewed or shall review prior to sale, the terms, conditions and characteristics of the investments to be sold to the Authority and determine (i) that each of the Investments is an Authorized Investment for local governments under the Public Funds Investment Act and (ii) each of the Investments is an Authorized Investment under the Investment Policy.
6. The Business Organization shall provide a prospectus or disclosure document of each of the Investments other than certificates of deposit and direct obligations of the United States, as may be requested by the Authority.

In addition to the above certifications, I or the Business Organization, as applicable, hereby confirm receipt and review of the Authority's "Code of Ethics" and the "Standards for Employee Interaction with Interested Parties," both of which are available on the Authority's website (<http://porthouston.com>).

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

## EXHIBIT “C”

### List of Approved Banks, Broker-Dealers, Custodians, Money Market Funds, Commercial Paper Direct Issuers and Investment Pools for Investment of the Authority's Funds

#### Banks, Broker-Dealers and Custodians, including affiliates thereof:

Academy Securities, Inc,  
Amegy Bank of Texas  
Backstrom McCarley Berry & Co.  
Bank of America  
Bank of New York Mellon  
Bank of Texas  
Barclays Bank  
Blaylock Van, LLC  
BNP Paribas  
BOK Financial Corp (Parent of Bank of Texas)  
Cabrera Capital Markets  
Cadence Bank  
Cantella & Co., Inc.  
Cantor Fitzgerald  
Capital One  
Citibank, N.A.  
Citigroup Global Markets  
Drexel Hamilton  
Estrada Hinojosa & Company, Inc  
Federal Reserve Bank  
Frost Bank  
FHN Financial  
Goldman Sachs & Co., LLC  
Hancock Whitney Bank  
Hilltop Securities Asset Management, LLC  
Hilltop Securities Inc.  
HSBC Bank  
Huntington Capital Markets  
IberiaBank  
Jefferies, LLC  
JPMorgan Chase Bank  
Ladenburg Thalmann  
Loop Capital Markets LLC  
Mesirow Financial, Inc.  
Morgan Stanley  
MUFG Bank (formerly: Bank of Tokyo Mitsubishi UFJ)  
Mutual of Omaha Bank  
Oppenheimer



Piper Sandler & Co.  
PNC Bank  
Ramirez and Co.  
Raymond James & Associates, Inc.  
Regions Bank  
Rice Financial Products Company  
Robert W. Baird & Co.  
Royal Bank of Canada (and affiliates of RBC Capital)  
Siebert Williams Shank & Co., LLC  
Stephens Inc.  
Stern Brothers & Co.  
Stifel, Nicolaus & Company, Inc.  
Truist Bank  
Trustmark Bank  
UBS Financial Services  
UMB Bank  
Union Bank  
US Bank, N.A.  
Wells Fargo Bank

**Money Market Mutual Funds:**

Federated Investors  
Fidelity Investments  
Invesco  
J.P. Morgan  
Vanguard Group  
Western Asset (and affiliates of Legg Mason)

**Investment Pools:**

TexPool  
TexPool Prime  
TexSTAR  
Local Government Investment Cooperative (“LOGIC”)  
Lone Star Investment Pool  
Texas CLASS

**Commercial Paper – Direct Issuers:**

Toyota Motor Credit Corp.  
Exxon Mobil

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