

## CITY COUNCIL MEMORANDUM

**FROM:** The Office of the City Manager    **DATE:** November 14, 2022  
**SUBJECT:** Consider Resolution No. 2022-048, adopting the City's Investment Policy, adopting the City's Investment Strategy and providing an effective date.  
**PRESENTER:** Mark C. Mills, Director of Finance

**SUMMARY:**

The Public Funds Investment Act ("PFIA") requires the City Council to review and adopt by official action the City's Investment Policy and Investment Strategy each year. Both the Investment Policy and Investment Strategy were last approved by the City Council on December 13, 2021.

**GENERAL DESCRIPTION:**

The City is required by the PFIA to review and renew the City's investment policy and strategy at least annually. The City invests only in high-quality, short-term instruments with maturities no longer than five years. The City makes extensive use of investment pools (TexPool and TexasTerm) for overnight liquidity. Aside from these pools, the City's investment portfolio is managed by Meeder Public Funds ("Meeder"), formerly Patterson & Associates.

After consulting with Meeder, staff is proposing changes for consideration as part of the 2022 review and approval. A summary of the proposed modifications has been included below. Redline copies of the Investment Policy (Attachment 1) and Investment Strategy (Attachment 2) have also been included as part of this agenda item.

**Investment Policy Modifications**

*Cover Page*

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*Description:* Updated to reflect the new effective date of the Investment Policy.

*Rationale:* Council action on the proposed changes will result in an updated policy with a new effective date.

*Page 5:* II. Scope

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*Description:* Comprehensive Annual Financial Report changes to Annual Comprehensive Financial Report.

*Rationale:* Report retitled based on guidance provided by the Governmental Accounting Standards Board ("GASB") in 2021.

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*Page 5 - 6:* II. Scope > Operating Funds

*Description:* Removed General CIP Fund, Permanent Street Maintenance Fund, Sidewalk Maintenance Fund, Tax Increment Financing District 1 (TIF #1), Tax Increment Financing District 2 (TIF #2) and Tax Increment Financing District #3. Added Tax Increment Financing District Funds as a separate category.

*Rationale:* General CIP Fund, Permanent Street Maintenance Fund, and Sidewalk Maintenance Fund are capital improvement funds and are covered under the umbrella of that item. Based on Council action on June 27, 2022, both TIF 1 and TIF 2 were formally closed. With the final distribution of funds from the TIF's occurring in September 2022, it is no longer necessary for these to be covered by the policy beyond September 30, 2022. The new category of Tax Increment Financing District Funds covers TIF #3 and any TIF's that may be created in the future.

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*Page 14:* VII. Investment Procedures > B. Investment Transactions

*Description:* Removal of "A minimum of three bids/offers must be obtained to ensure a competitive price for the transactions."

*Rationale:* For some securities and asset types, such as new issue municipal bonds, three bids are not always applicable. In addition, when performing a transaction, it is sent to all broker/dealers on the approved list that offer that specific asset type. The approved broker/dealer list typically includes between thirty to forty broker/dealers. Three or more broker/dealers do not always respond to the request within the time requirements of the transaction.

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*Page 14:* VII. Investment Procedures > B. Investment Transactions

*Description:* Removed the word "or".

*Rationale:* This change was made in the previous version, but the word with a strikethrough "or" remained in the final version.

## **Investment Strategy Modifications**

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*Cover Page*

*Description:* Updated to reflect the new effective date of the Investment Strategy.

*Rationale:* Council action on the proposed changes will result in an updated strategy with a new effective date.

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*Page 2:* Table of Contents

*Description:* Modify the Table of Contents to reflect Investment Strategy beginning on page 3 instead of page 2.

*Rationale:* A change of spacing and formatting with the document resulted in the Investment Strategy section beginning on page 3.

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*Page 4:* *Capital Projects Funds*

*Description:* Removed Capital Projects Funds and the associated list of funds.

*Rationale:* Funds previously reflected under this category are sufficiently covered under section II. Capital Improvement Funds.

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*Page 4:* *Component Units / Tax Increment Financing District Funds*

*Description:* Removed heading of Component Units and replaced it with Tax Increment Financing District Funds. Removed Tax Increment Financing District 1 (TIF #1), Tax Increment Financing District 2 (TIF #2), and Tax Increment Financing District 3 ("TIF #3).

*Rationale:* Modified to be consistent with Investment Policy. Based on Council action on June 27, 2022, both TIF 1 and TIF 2 were formally closed. With the final distribution of funds from the TIF's occurring in September 2022, it is no longer necessary for these to be covered by the policy beyond September 30, 2022. TIF #3, as well as any future TIF funds, would be covered under this revised heading.

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*Page 4:* *Safety of Principal*

*Description:* Changed the word "days" to "years" in the sentence: "By managing the weighted average years to maturity for the operating fund portfolio to be less than 3 years and restricting the maximum allow maturity to five years, the price of volatility of the overall portfolio will be minimized.

*Rationale:* The modification was made to make the time measurement unit in the first part of the statement (days changing to years) match the 3 year and 5 year reference in the second part of the statement.

The City's updated Investment Policy has been included as Exhibit A of Resolution 2022-048 and the updated Investment Strategy has been included as Exhibit B. If approved, the Investment Policy will become effective on November 15, 2022.

**RECOMMENDATION:**

Approve Resolution No. 2022-048, adopting the City Investment Policy, adopting the City's Investment Strategy and providing an effective date.