

Investment Policy - Summary of Changes

1. **Section I:** City name and reference to “the “City”” is now included in our policy. We did not have our city name anywhere in the policy previously. All comparison cities listed their city names in their policies and three of the six cities listed (the “City”) as well.
2. **Section II:** Incorporated PFIA Act name and reference to “the “Act””. and separated wording for Sections 2256 & 2257. Previously, we only stated the purpose is to comply with Chapters 2256 & 2257 of the Texas Gov. Code. Five of the six comparison cities referenced (the “Act”) and separately listed they are complying with Chapter 2256. This change was for clarification on the Act.
3. **Section III:** Policy now lists funds included in the City’s Annual Financial Report. Reason for the change is due to the GTOT Certification Checklist stating to generally or specifically list the funds covered in the scope section along with whether these funds are pooled or separate. Comparison cities were mixed on this one. Several cities listed them and others just referenced the funds in general. San Antonio’s policy was compared to for scope and only their policy listed out the pooled or separate GTOT requirement in their scope.
4. **Section IV - Safety:** Extended objective to state what we are guarding against. All comparison cities stated what they were avoiding or guarding against in their safety statements.
5. **Section IV - Liquidity:** Added a statement to liquidity objective to show our intent and commitment to how we will accomplish the City’s goal. Majority of comparison cities stated how liquidity will be achieved.
6. **Section IV - Diversification:** Extended objective to state why we are diversifying. Majority of comparison cities made a statement on mitigating or avoiding market risk as a goal of diversifying.
7. **Section V:** Created a new header, ‘Standards of Care’ for this section which now contains Prudence and Limitation of Personal Liability under it. Texas Government Code includes Prudence within Standards of Care, and previously the header for the section was “Prudence’, but it was within the paragraph for Prudence yet had multiple paragraphs under it.
8. **Section V - Prudence:** Objectives of Prudence listed in Government code 2256.006(a-b) are now incorporated into our Policy as well as performance measure of an officer’s decisions to be based on investments as a whole instead of a single investment. We did not have these items listed previously, and they are a requirement under the Act.
9. **Section VI:** Created a new header, ‘Delegation of Authority and Responsibilities’ for this section which now contains paragraphs for Delegation of Authority, Training, and Ethics and Conflicts of Interest under it. Previously the header for the section was “Delegation of Authority’, but it was within the 1st paragraph for Delegation of Authority yet had multiple paragraphs under it.

Also, the paragraph for Ethics and Conflicts of Interest was previously above this section following Prudence. It was reorganized to Section VI to more accurately align with responsibilities of the Investment Officer.

10. **Section VI** - Training: Our policy has been expanded upon to include more detail on the government requirements of PFIA Section 2256.008 for training. PFIA code and GTOT checklist specifically state the training needs to be from an independent source approved by the governing body, and the code states specific topics the training must include.
11. **Section VI** - City Council Responsibilities: Incorporated a paragraph to state the responsibility held by our City Council over the City's investment portfolio. This statement was in a few policies for our comparison cities and determined it to be a wise statement to add into our policy as well.
12. **Section VII**: Our policy now lists the City's focus points for internal controls on Investments. Other comparison cities included a list in their policies and deemed it clarifying to add in to our policy.
13. **Section VII**: PFIA Section 2256.005(m) and GTOT checklist require an investment policy to state the requirement of an internal compliance audit of management controls on investments in conjunction with the annual financial audit; therefore, this is now included in the internal controls section of our policy.
14. **Section VIII** - Safekeeping: Our policy now includes a separate paragraph expanding on our safekeeping requirements aside from our delivery vs. payment paragraph. This is a requirement under the GTOT Checklist.
15. **Section VIII** - Authorized Financial Dealers: Our policy now includes the requirement for the City's list of qualified brokers to be reviewed and adopted annually by City Council.
16. **Section VIII** - Authorized Financial Dealers: Our policy now states the requirement for brokers and organizations to sign a compliance certification stating they received and reviewed the City's investment policy and put into place reasonable procedures to avoid unauthorized transactions. Our policy also now includes a more detailed list of requirements bidders must provide.
17. **Section VIII** – Investment Management Firms: The City's policy now includes a statement addressing the City's ability to contract with a registered investment management firm for a maximum of 2 years with renewal or extension dependent on City Council approval. This is at the request of the Investment Officer.
18. **Section VIII** - Depository: The City's depository Agreement statement has been expanded upon to include more detail on the government requirement as well as our City requirements. Specifically, our policy now states that at least every five years a depository shall be selected by the City, states what is considered when selecting a depository, and the requirement that a written agreement is executed.
19. **Section VIII** - Competitive Bidding: Our policy now includes the requirement under PFIA 2256.005(c) and GTOT checklist to include a competitive bidding statement.
20. **Section VIII** - Monitoring Credit Ratings/Insurance Status: Our policy now includes statements over how the City will monitor credit ratings of investments and FDIC/NCUA/SIPC status on all banks. PFIA Section 2256.005(b)(F) states there should be procedures in a City's investment policy to monitor rating changes in investments acquired with public funds and the liquidation of such investments consistent with the provisions of Section 2256.021. Also, majority of comparison cities listed paragraphs on Monitoring credit ratings and Monitoring insurance status.
21. **Section IX**: Our policy now includes PFIA Section 2256.021 requirement over effect of loss of required rating.

22. **Section IX** – There has been minimal wording updates for Local Government Investment Pools, Obligations of the US, and Certificates of Deposit. Minimal update for basic requirements under PFIA.
23. **Section IX** – Brokered Certificates of Deposit: Our policy now includes an additional authorized security under PFIA Section 2256.010(b) at the request of the City’s investment Officer from discussions with our broker.
24. **Section IX** - No-load MM Mutual Fund: Minimal updates to our No-load Money Market Mutual Funds investment for basic requirements under PFIA. Removed 80% limitation as this was inaccurately referenced and unallowable. Removed the statement ‘have a dollar weighted average stated maturity of 90 days or fewer’ which was not a requirement which will allow flexibility if needed. The PFIA code is listed below for reference.
25. **Section IX** - Existing Investments: Our policy now complies with PFIA Section 2256.017 on existing investments. This is also listed in the GTOT Checklist.
26. **Section IX** - Collateralization: Added wording to clarify our statements and meet the requirements under PFIA Section 2257. Wording was changed on our collateral level to state ‘at least 102%’ to clarify if our collateral level briefly is higher than 102% we are not required to take action unless it does not return to this level within a short time frame. This was also consistent with how a few other cities stated this in their policies.
27. **Section X** - Maximum Maturities: Our new maximum allowable maturity of an individual investment is 2 years in place of 13 months at the request of the Investment Officer. This allows more flexibility to take advantage of interest rates and diversify in a more advantageous manner with certain securities as deemed appropriate. This section also now includes our WAM requirement to not exceed 1 year which did not change. The City’s Annual Financial report already stated 2 years as the maximum maturity in the notes. For reference the maximum maturities for our comparison cities are listed below.
28. **Section X** - Performance Standards: Reorganized this paragraph from being the City’s last paragraph in our Policy to a more appropriate section. Also, our policy now states the type of portfolio we hold as well as our ability to sell a security before maturity if necessary even though it would not be our common practice. Several comparison cities listed the type of portfolio they held and made the statement of being able to sell before maturity if needed. This was deemed to be clarifying and appropriate.
29. **Section XI**: Our policy now states we may hold separate portfolios or a commingled portfolio to accurately reflect our investments and capability. Previously our policy stated only separate portfolios; however, we have a pooled fund containing our investments and reference the portfolio as a whole further in our strategy statement. Our policy has also expanded on it’s strategy statements to meet the requirements under PFIA and GTOT Checklist.
30. **Section XII**: Expanded upon our quarterly reporting statement to reflect the requirements included in PFIA Section 2256.023.
31. **Section XII**: Our policy now states the requirement for market value determination.
32. **Section XII**: Our policy now includes a statement on review by an independent auditor based on the Act and GTOT checklist. Comparison cities included this in their policies as well.
33. **Section XIII** - Investment Policy Adoption: Reorganized paragraph from beginning of the City’s Policy to end as a conclusion and final requirement for our Policy. Five of the six comparison cities ended with the Investment Policy adoption requirement as well.