



CITY COUNCIL CONSIDERATION ITEM

CITY OF FAIR OAKS RANCH, TEXAS

AGENDA TOPIC: Consideration and possible action approving a resolution approving and adopting an amended Investment Policy for the investment of public funds, providing for the highest investment return, maximum security, and conforming to all state and local statutes governing the investment of public funds.

DATE: September 19, 2024

DEPARTMENT: Finance

PRESENTED BY: Summer Fleming, CGFO, Director of Finance

INTRODUCTION/BACKGROUND:

Pursuant to Government Code Chapter 2256, the Public Funds Investment Act (PFIA), the City Council shall adopt, annually, a resolution stating the Investment Policy has been reviewed and record any changes made thereof.

The policy has been revised by the City's Finance Department based on best practices established by the Government Finance Officers Association (GFOA) and the Government Treasurers' Organization of Texas (GTOT) Investment Policy Certification Program requirements. Many of the proposed changes are not substantial, or do not change the effect of the policy, but are made to clarify our processes, intent, or to meet PFIA or GTOT requirements. Proposed amendments to the policy revising requirements and authorizations include the following:

- Added responsibilities of the City Council
- Added internal compliance audit of management controls on investments to be performed
- Added requirement that authorized brokers/dealers must certify review and compliance with City's Investment Policy
- Added authority to contract with an investment management firm at City Council's approval
- Added competitive bidding requirements
- Added credit ratings and insurance status will be monitored by the Investment Officer
- Added brokered certificates of deposit as an eligible investment in accordance with PFIA
- Revised investment cap on no-load money market mutual funds in accordance with PFIA
- Increased maximum maturity from 13 months to two (2) years as allowed under PFIA
- Revised performance standards to include pursuing a conservative buy-and-hold portfolio while allowing securities to be sold before maturity if market conditions present an opportunity for the City to benefit
- Clarified investment strategy regarding separate or pooled portfolios, interest income allocation between funds, and separate objectives for funds

POLICY ANALYSIS/BENEFIT(S) TO CITIZENS:

The City's Investment Policy is conservative but allows investing in a manner which will provide the highest reasonable yield with maximum security while meeting daily cash flow needs. The Investment Policy as amended conforms to all state and local statutes and has been reviewed by the Director of Finance and City Manager.

LONGTERM FINANCIAL & BUDGETARY IMPACT:

Investment strategies create a performing asset by putting money to work, assuring cash efficiency and security, and adding yield while minimizing risk to the City's portfolio.

LEGAL ANALYSIS:

Approved as to form.

RECOMMENDATION/PROPOSED MOTION:

I move to approve a resolution adopting an amended Investment Policy for the investment of public funds.