



Investment Policy Annual Review and Adoption



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MDD Investment Officer

Background



- Public Funds Investment Act (PFIA)
 - Establishes requirements for local governments for managing investments.
- Government Finance Officers Association (GFOA)
 - Established a best practice for developing an investment program for public funds.
- Government Treasurers' Organization of Texas (GTOT)
 - Conducts an Investment Policy Certification Program designed to provide professional guidance in developing an investment policy and recognizing outstanding examples.

PFIA Requirements



- Review and adopt investment policy and investment strategy annually
- Designate an investment officer
- Provide policy for written certification
- Obtain annual audit
- Provide for training
- Provide quarterly reports



Investment Policy Strategies

- Provide safety of principal
- Remain sufficiently liquid to meet all operating requirements
- Diversification by maturity and market sector
- Obtain a market rate of return considering the investment risk constraints and liquidity needs

Amendments



- Board of Directors Responsibilities
 - Board of Directors holds ultimate fiduciary responsibility for the investment portfolio
- Internal Audit Compliance
 - Internal compliance audit of management controls on investments shall be performed in conjunction with the annual financial audit
- Authorized Financial Dealers and Institutions
 - List of qualified brokers shall be reviewed and adopted annually by Board of Directors
 - All authorized brokers and pool participants will sign compliance certification

Amendments



- Investment Management Firms
 - Allows the District, at Board of Director's approval, to contract with an investment firm registered under the Investment Advisers Act of 1940 or with the State Securities Board
- Competitive Bidding
 - All investments, excluding market mutual funds and local government investment pools, shall be made on a competitive basis of at least 3 offers
- Monitoring Credit Ratings & Insurance Status
 - Credit ratings on investments and FDIC/NCUA/SIPC status on all banks will be monitored by the Investment Officer

Amendments



- Eligible Investments
 - New Investment Authorized: Brokered Certificate of Deposit
 - No-load Money Market Mutual Fund
 - Removed following statements: “The City may not invest in money market mutual funds in the aggregate more than 80 percent of its monthly average fund balance” and “have a dollar weighted average stated maturity of 90 days or fewer”



Amendments

- Maximum Maturity
 - Increased from 13 months to two (2) years
- Performance Standards
 - District shall pursue a conservative buy-and-hold portfolio
 - Securities may be sold before they mature if market conditions present an opportunity for the District to benefit

Amendments



- Investment Strategies
 - District may maintain separate portfolios or one commingled portfolio
 - Principal and interest income is distributed to each respective fund on a pro rata basis
 - Whether investments are pooled or separate is decided by Investment Officer



Non-substantial Changes

- Modifications of a minor surface nature have been made to the investment policy.
- These changes do not change the premise or effect of our policy, rather were made to clarify our processes, intent, or meet PFIA or GTOT requirements.

Summary



- The Investment Policy and Investment Strategy must be reviewed and adopted annually.
- The proposed amendments are in line with PFIA regulations and best practices set by GFOA.



Questions?