

# PROSPER POLICY CHANGES RECOMMENDED

## Overall

1. Separation of Town and PEDC policies

## Compliance

1. Added annual adoption of strategies required by law.
2. Added internal control section incorporating scattered items in existing policy by adding DVP, competitive bidding, added to requirement for monitoring credit ratings.
3. Added the training requirements for investment officers per law.
4. Clarified that disclosure to TX Ethics Commission is only on certain levels per statute.
5. Added Town Council responsibilities.

## Strategy

1. Sets maximum WAM at 2 years.
2. Sets maximum maturity at 3 years.
3. Changed public trust from an objective to general statement and added diversification as objective.
4. Replaced 'rate of return' with 'yield' throughout to indicate non-trading strategy to indicate a pro-active but conservative, buy-and-hold strategy.
5. Set risk benchmark for entire portfolio at 1 year.
6. Separated US securities and muni securities (A rating) in authorized investment list for clarity.
7. Added insured/collateralized deposits at any TX bank to authorized investment list.
8. Required money market mutual funds be \$1 NAV and AAA rated.
9. Defined pools as only those with \$1 NAV as well as AAA-rated.
10. Added A1/P1 commercial paper to 270 days.
11. Added the need for cash flow forecasting as the basis for decision-making.
  - a. Added that CIP funds are to be based on cash flow.
  - b. Added that on debt service funds the strategy would include that each succeeding debt must be totally funded before extension.
12. Added pro-active and ladder policy – allowed for commingling of funds for investment purposes.

## Streamline

1. Added cite references to PFIA and PFCA for clarification and reference.
2. Added that prior owned securities need not be liquidated if becoming un-authorized per PFIA.
3. Added to TX depository requirements.
4. Added custody option to safekeeping.
5. Clarified definition of brokered CD securities and requirements for monitoring FDIC coverage for these securities.
6. Added all new collateral policy terms including authorized collateral, margin of 102%, FIRREA requirement and addressed substitution, differentiated collateral for banks and under repo.
7. Added section on broker/dealers requirements.