



City of Denton

City Hall
215 E. McKinney Street
Denton, Texas
www.cityofdenton.com

AGENDA INFORMATION SHEET

DEPARTMENT: Finance

DCM: Bryan Langley

DATE: November 7, 2017

SUBJECT

Consider approval of a resolution revising Administrative Policy No 403.06 "Investment Policy" and providing an effective date. The Audit/Finance Committee recommends approval (3-0).

BACKGROUND

The City of Denton has a formal Investment Policy to guide decision making in managing and investing public funds. The City's Policy is modeled after, and in compliance with, the provisions of the Public Funds Investment Act (PFIA) of Texas, Government Code Chapter 2256. In accordance with the Code, and in order of importance, are the following prioritized objectives for managing the portfolio's fixed income investments: safety of principal, liquidity, and yield. Since it is the City's practice to hold securities until they mature, temporary market value gains and losses are unlikely to be realized. The general investment strategy, while taking into account the current interest rate environment, is to match maturities to cash flow needs.

The Audit/Finance Committee and the City Council are required by the PFIA to review and approve the Investment Policy at least annually. Aside from small revisions addressing general clarifications to the Policy and management changes within the organization, the more substantive modifications and additions are as follows:

- 1) Add the City Auditor as a non-voting member of the Investment Committee. (Page 5)
- 2) Allow for an Investment Committee member to designate a substitute participant, when necessary, in order to constitute a meeting quorum. (Page 5)
- 3) Authorize interest bearing savings deposits that are backed by either a network of FDIC insured banks, or pledged collateral consisting of direct U.S. government obligations including its agencies and instrumentalities, or standby letters of credit issued by those entities. (Page 9)
- 4) Limit investment choices of money market mutual funds to those that invest in U.S. government securities only. (Page 10)
- 5) Establish a 15% and 50% investment limit, respectively, for savings deposits and U.S. government money market mutual funds. (Page 12)

It should also be noted that the City's Investment Policy received the Certificate of Distinction award this year for meeting the requirements of the PFIA, as well as the criteria set forth by the Government Treasurers' Organization of Texas (GTOT). The GTOT letter and Certificate of Distinction award are attached.

The City's investment advisor (First Southwest Asset Management), the Investment Committee, as well as the Audit/Finance Committee have reviewed and approved the revised Investment Policy.

RECOMMENDATION

Staff recommends approval of the Resolution.

PRIOR ACTION/REVIEW (Council, Boards, Commissions)

On October 17, 2017 the City's Audit/Finance Committee unanimously approved that the resolution and revised Investment Policy be forwarded to the City Council for consideration and approval.

STRATEGIC PLAN RELATIONSHIP

The City of Denton's Strategic Plan is an action-oriented road map that will help the City achieve its vision. The foundation for the plan is the five long-term Key Focus Areas (KFA): Organizational Excellence; Public Infrastructure; Economic Development; Safe, Livable, and Family-Friendly Community; and Sustainability and Environmental Stewardship. While individual items may support multiple KFAs, this specific City Council agenda item contributes most directly to the following KFA and goal:

Related Key Focus Area: Organizational Excellence

Related Goal: 1.1 Manage financial resources in a responsible manner

EXHIBITS

1. Agenda Information Sheet
2. FY 2017-18 Red Lined Investment Policy
3. GTOT Letter and Certificate of Distinction
4. Resolution

Respectfully submitted:
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