

AGENDA



Thursday, March 24, 2011

**Treasury Office
RECOMMENDATION FOR COUNCIL ACTION****Item No. 39**

Subject: Approve a resolution adopting the City of Austin Fiscal Year 2010-11 Investment Policy.

For More Information: Art Alfaro, Treasurer 974-7882

Boards and Commission Action: Recommended by Council's Audit and Finance Committee on January 25, 2011.

Prior Council Action: The City of Austin's Investment Policy was last approved by Council on March 25, 2010.

The Public Funds Investment Act (PFIA), Chapter 2256 of the Texas Government Code, is the state law that governs the investment of public funds. Section 2256.005(a) of the PFIA requires governmental bodies to adopt a written investment policy. Section 2256.005(e) requires the governmental bodies to review that investment policy on an annual basis. The City of Austin's Investment Policy was last approved by Council on March 25, 2010.

The PFIA provides the legal parameters for the City of Austin's investments, which are further narrowed by adoption of specific investment policies by Council.

Six changes are being proposed. These changes are clarifications or refinements to the Investment Policy that were suggested as a result of a review of the Investment Policy by the Government Treasurer's Organization of Texas (GTOT), which was requested by Treasury Office staff. The revisions are minor in nature.

The first change on page one is to clarify that the Investment Policy will be adopted even if there are no changes to the Policy. Currently, the Policy reads that it will be "reviewed." It should be noted that City Council has always formally adopted the Investment Policy annually, so this change simply serves to document a current practice.

The second change on page five is to revise the language regarding the purchase of a Certificate of Deposit (CD). The PFIA allows CDs to be purchased from banks that have a "branch" in Texas. Currently, the Investment Policy reads that the bank must be "domiciled" in Texas.

The third change on pages six and twelve relate to the pricing of securities. Language is proposed to specify that the securities will be priced (also referred to as "marked to market") on a monthly basis and by a third party pricing service. This practice has been in place for many years, although it was not explicit in the Investment Policy.

The fourth change on page eleven pertains to the safekeeping of the City's collateral pledge. The term "independent" has been added at the suggestion of GTOT to reflect current practices.

The fifth change on page fourteen relates to ethics disclosures and conflicts of interest. Currently, the Investment Policy states that the City's Investment Officers will adhere to the City's Ethics Ordinance. A "substantial business interest questionnaire" is signed annually by Investment Officers and retained by the City Treasurer and/or Chief Financial Officer. The proposed additional language is taken directly from

the PFIA and further directs Investment Officers to file a disclosure statement with the Texas Ethics Commission and the Austin City Clerk should any conflicts of interest exist.

The sixth change on page fifteen will require that the quarterly Investment Report be submitted to the City Council in addition to the current practice of submission to the City's Investment Committee and the Chief Financial Officer.