RESOLUTION NO. 20151015-047

BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF AUSTIN:

The Council has reviewed and does adopt the attached City of Austin Fiscal Year 2015-2016 Investment Policy. There are no changes from the Investment Policy adopted in Fiscal Year 2014-2015.

ADOPTED: October 15, 2015 **ATTEST:** Jannette S. Goodall
City Clerk

CITY OF AUSTIN
INVESTMENT POLICY

Proposed to the Austin City Council
October 15, 2015

Presented to the Audit and Finance Committee of the Austin City Council
September 23, 2015

Approved by the City of Austin Investment Committee
August 24, 2015

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PREFACE

It is the policy of the City of Austin that all available funds shall be invested in conformance with these legal and administrative guidelines.

Effective cash management is recognized as essential to good fiscal management. An aggressive cash management and investment policy will be pursued to take advantage of investment interest as a viable and material revenue to all operating and capital funds. The City's portfolio shall be designed and managed in a manner responsive to the public trust and consistent with local, state and federal law.

Investments shall be made with the primary objectives of:

- Preservation of capital and protection of principal
- Maintenance of sufficient liquidity to meet operating needs
- Security of City funds and investments
- Diversification of investments to avoid unreasonable or avoidable risks
- Maximization of return on the portfolio

Earnings from investments will be used in a manner that will best serve the interests of the City of Austin.

SECTION I
PURPOSE

I. Purpose

A. Authorization

This Policy is to be authorized by the City Council in accordance with Section 2256.005 of the Public Funds Investment Act (Chapter 2256, Texas Government Code) which requires the adoption of a formal written Investment Policy.

B. Scope

This Policy shall govern the investment of all funds of the City government as entrusted to the Director of Financial Services, as custodian, according to Article VII, Section 2, of the City Charter. In addition to this Policy, bond funds (including debt service and reserve funds) shall be managed by their governing ordinance and Federal Law, including the Tax Reform Act of 1986 and subsequent legislation. Decommissioning trust funds shall be managed in accordance with this Policy and regulations issued by the Nuclear Regulatory Commission (See Appendix for specific legislation).

C. Review and Amendment

This Policy shall be adopted annually by the Austin City Council, even if there are no changes..

SECTION II
INVESTMENT OBJECTIVES

II. INVESTMENT OBJECTIVES

A. Safety of Principal

The City of Austin has as its foremost objective to ensure the safety of principal, considering the portfolio as a whole. The manner in which the City of Austin ensures safety of principal is presented in Section IV.B, "Ensuring Safety of Principal."

B. Maintenance of Adequate Liquidity

The City's investment portfolio must be structured in a manner which will provide the liquidity necessary to pay obligations as they become due. Maintenance of adequate liquidity is described in Section IV.C, "Ensuring Liquidity."

C. Return on Investments

Consistent with State law, the City shall seek to optimize return on investments within the constraints of safety and liquidity. Investments (excluding assets managed under separate investment programs) shall be made in permitted obligations at yields equal to or greater than the bond equivalent yield on United States Treasury obligations of comparable maturity. Other appropriate performance measures will be established by the Investment Committee. Specific policies regarding investment rate of return are presented in Section IV.D, "Achieving Investment Return Objectives."

For bond issues to which Federal yield or arbitrage restrictions apply, the primary objectives shall be to obtain satisfactory market yields and to minimize the costs associated with investment of such funds.

For decommissioning trust funds, the primary objective shall be to maximize total return while abiding by the requirements of the Nuclear Regulatory Commission pertaining to nuclear decommissioning trust funds. Appropriate performance measures will be established by the Investment Committee.

D. Prudence and Ethical Standards

The standard of prudence used by the City of Austin shall be the "prudent person rule" and shall be applied in the context of managing the overall portfolio within the applicable legal constraints. The prudent person rule is restated below:

> "Investments shall be made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion and intelligence would exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived."

In determining whether the investment officer has exercised prudence with respect to an investment decision, the determination shall be made taking into consideration the investment of all funds over which the officer had responsibility rather than a consideration as to the prudence of a single investment, and whether the investment decision was consistent with the written investment policy of the City.

Specific policies describing the City's prudence and ethical standards are found in section IV.E., "Responsibility and Controls."

SECTION III
INVESTMENT STRATEGY STATEMENT

III. INVESTMENT STRATEGY STATEMENT

The City of Austin maintains portfolios which utilize four specific investment strategy considerations, designed to address the unique characteristics of the fund groups represented in the investment portfolios.

A. Operating Funds and Commingled Pools Containing Operating Funds

Investment strategies for operating funds and commingled pools containing operating funds have as their primary objective to assure that anticipated cash flows are matched with adequate investment liquidity. The secondary objective is to create a portfolio structure which will experience minimal volatility during economic cycles. This may be accomplished by purchasing quality, short- to medium-term securities which will complement each other in a laddered or barbell maturity structure. The dollar weighted average maturity of 365 days or less will be calculated using the stated final maturity dates of each security. Securities may not be purchased that have a final stated maturity date which exceeds three years.

B. Debt Service Funds

Investment strategies for debt service funds shall have as the primary objective the assurance of investment liquidity adequate to cover the debt service obligation on the required payment date. Securities purchased shall not have a stated final maturity date which exceeds the debt service payment date.

C. Debt Service Reserve Funds

Investment strategies for debt service reserve funds shall have as the primary objective the ability to generate a dependable revenue stream to the appropriate debt service fund from securities with a low degree of volatility. Except as may be required by the bond ordinance specific to an individual issue, securities should be of high quality, with short- to intermediate-term maturities. Volatility shall be further controlled through the purchase of securities carrying the highest coupon available, within the desired maturity and quality range, without paying a premium, if at all possible. Such securities will tend to hold their value during economic cycles.

D. Special Projects or Special Purpose Funds

Investment strategies for special projects or special purpose fund portfolios will have as their primary objective to assure that anticipated cash flows are matched with adequate investment liquidity. Special project portfolios should include at least 10% in highly liquid securities to allow for flexibility and unanticipated project outlays. The stated final maturity dates of securities held should not exceed the estimated project completion date.

SECTION IV
INVESTMENT POLICIES

IV. INVESTMENTS

A. Eligible Investments

Investments described below are those authorized by the Public Funds Investment Act (Chapter 2256, Texas Government Code), as amended, which is included and made a part of this Policy as Appendix. The purchase of specific issues may at times be restricted or prohibited because of current market conditions. City funds governed by this Policy may be invested in:

1. Obligations of the United States or its agencies and instrumentalities.

2. Direct obligations of the State of Texas.

3. Other obligations, the principal and interest on which are unconditionally guaranteed or insured by the State of Texas or the United States or its agencies and instrumentalities, including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation or by the explicit full faith and credit of the United States.

4. Obligations of states, agencies, counties, cities, and other political subdivisions of any state having been rated as to investment quality by a nationally recognized investment rating firm and having received a rating of not less than A or its equivalent.

5. Bankers' acceptance, so long as each such acceptance has a stated maturity of 270 days or less from the date of its issuance, will be liquidated in full at maturity, is eligible collateral for borrowing from a Federal Reserve Bank and is accepted by a domestic bank whose short-term obligations are rated at least A-1, P-1, or the equivalent by a nationally recognized credit rating agency or which is the largest subsidiary of a bank holding company whose short-term obligations are so rated.

6. Commercial paper with a stated maturity of 270 days or less from the date of its issuance that either:

   a. Is rated not less than A-1, P-1, or the equivalent by at least two nationally recognized credit rating agencies; or,

   b. Is rated at least A-1, P-1, or the equivalent by at least one nationally recognized credit rating agency and is fully secured by an irrevocable letter of credit issued by a bank organized and existing under the laws of the United States or any state thereof.

7. Fully collateralized repurchase agreements having a defined termination date, placed through a primary government securities dealer, as defined by the Federal Reserve, or a financial institution doing business in Texas, and secured by a combination of cash and obligations described by 1 above (the principal and interest on which are guaranteed by the United States or any of its agencies), pledged with a third party selected or approved by the City, and having a market value (including accrued interest) of no less than the principal amount of the funds disbursed. The term includes direct security repurchase agreements and reverse security repurchase agreements. The term of any reverse repurchase agreement may not exceed 90 days after the reverse security repurchase agreement is delivered. Money received by the City under the terms of a reverse security repurchase agreement may be used to acquire additional authorized investments, but the term of the authorized investment acquired must mature not later than the expiration date stated in the reverse security repurchase agreement.

8. Certificates of deposit issued by depostiory institutions that have a main office or branch office in Texas that are:

    a. guaranteed or insured by the Federal Deposit Insurance Corporation, or its successor; or,

    b. secured by obligations that are described by 1-4 above, which are intended to include all direct federal agency or instrumentality issues that have a market value of not less than 102% of the principal amount plus accrued interest of the certificates.

9. Share Certificates issued by a depository institution that has a main office or branch office in Texas and that is guaranteed or insured by the National Credit Union Share Insurance Fund or its successor.

10. SEC-regulated, no-load money market mutual funds with a dollar-weighted average stated portfolio maturity of 90 days or less, whose investment objectives include seeking to maintain a stable net asset value of $1 per share, and provides the City with a Prospectus and other information required by the Securities Exchange Act of 1934 or the Investment Company Act of 1940. Excluding bond proceeds, no more than 80% of the City's monthly average fund balance may be invested in money market mutual funds. And excluding bond proceeds, the City may not invest funds under its control in an amount that exceeds 10% of the total assets of any individual money market mutual fund.

11. Local government investment pools (LGIP) organized in accordance with the Interlocal Cooperation Act (Chapter 791, Texas Government Act) and that meet the requirements of the PFIA Section 2256.016, to include:

    a. assets that consist exclusively of the obligations that are described by Section IV.A., 1-9 above and/or money market mutual funds permitted in 10 above that are also consistent with the Investment Polices and Objectives adopted by the LGIP.

    b. continuously rated no lower than AAA , AAA-m or at an equivalent rating by at least one nationally recognized rating service.

    c. provide the City with all PFIA required reporting, financial, and disclosure information.

12. A securities lending program that meets the following conditions:

    a. A securities lending agreement shall be executed in writing.

    b. The securities lending agreement and all loans shall be executed only with:

        (1) a primary securities dealer, as defined by the Federal Reserve; or

        (2) a financial institution doing business in the state of Texas that has a senior debt rating of at least A or its equivalent by two nationally recognized rating services.

    c. The securities lending agreement shall have a term of one year or less.

    d. All loans shall be terminable at any time.

    e. The securities lending agreement shall require that all collateral be pledged to or owned by the City of Austin, held in the City of Austin's name, and, as applicable, deposited simultaneously as the security loaned with a third party approved by the City.

    f. Collateralization requirements for all loans shall:

        (1) include the term or maturity of all collateral that ends no later than the expiration date of the specific loan transaction;

        (2) be collateralized at not less than 102% of the market value of the securities loaned to included accrued interest and be marked-to-market daily with market value reported daily to the City;

        (3) be collateralized by:

            (a) pledged securities issued by the United States government or its agencies or instrumentalities as defined in Section IV.A. 1-4 above;

            (b) cash invested in accordance with Section IV.A. 1-4, 6, or 10 listed above.

Investments in collateralized mortgage obligations are strictly prohibited. These securities are also disallowed for collateral positions.

B. Ensuring Safety Of Principal

Ensuring safety is accomplished through protection of principal and safekeeping.

1. Protection of Principal

The City shall seek to control the risk of loss due to the failure of a security issuer or grantor. Such risk shall be controlled by investing only in the safest types of securities as defined in the Policy, by qualifying the broker, dealer, and financial institution with whom the City will transact, by collateralization as required by law, by portfolio diversification, and by limiting maturity.

The City will seek to control the risk of loss due to failure of issuers for all City investments by monitoring the ratings of portfolio positions to assure compliance with the rating requirements imposed by the Public Funds Investment Act, as described in Section IV.A. of the Investment Policy. Should an issuer experience a single step downgrade of its credit rating by a nationally recognized credit rating agency within 90 days of the position's maturity, the Treasurer may approve holding the paper to maturity. If the subject paper matures beyond the 90-day period and if the credit rating downgrade exceeds a single I step, it will be the City's policy to convene an emergency meeting of the Investment Committee to determine whether liquidation of the position is warranted. This meeting notification should take place within 24 hours of notification of the credit downgrade.

The purchase of individual securities shall be executed "delivery versus payment" (DVP) through the Federal Reserve System. By so doing, City funds are not released until the City has received, through the Federal Reserve wire, the securities purchased.

Market prices of securities will be determined at a minimum at month end through use of a third party pricing service.

a. Approved Brokers/Dealers/Financial Institutions

Investments shall only be made with those firms and institutions who have:

(1) Acknowledged receipt and understanding of the City's Investment Policy. The qualified representative of the business assigned to the City's account shall execute a written certification to acknowledge receipt of the City's Investment Policy and to acknowledge that the organization has implemented reasonable procedures and controls to preclude imprudent investment activities arising out of the investment transactions conducted between the entity and the City; and,

(2) Met the qualifications and standards established by the City's Investment Committee (see IV.E.6) and set forth in the Investment Procedures Manual.

Securities, certificates of deposit and share certificates shall only be purchased from those institutions included on the City's list of brokers/dealers, banks, savings banks and credit unions as approved by the Investment Committee. This list of approved investment providers must be reviewed and approved at least annually by the City's Investment Committee.

b. Master Repurchase Agreement

It is the policy of the City to require each issuer of repurchase agreements or reverse repurchase agreements to sign a copy of the City's Master Repurchase Agreement. An executed copy of this agreement must be on file before the City will enter into any repurchase agreement or reverse repurchase agreement with an issuer. (See Appendix "Master Repurchase Agreement.")

c. Collateralization

Consistent with the requirements of State law, the City requires all banks, savings banks and credit union deposits to be federally insured or collateralized with eligible securities. Financial institutions serving as City Depositories will be required to sign an Agreement with the City and its safekeeping agent for the collateral, perfecting the City's rights to the collateral in case of default, bankruptcy or closure. The City shall not accept, as depository collateral, any security that is not specifically allowed to be held as a direct investment by the City's portfolio (see IV.A.).

The use of a surety bond may be considered by the City to meet depository collateral requirements. The City is required to be the named insured under the surety bond policy. The surety bond issuer must be approved by the City. An approval requirement of the surety bond issuer is a rating of at least AA- or its equivalent by at least two nationally recognized credit rating agencies. Should the surety bond issuer experience a downgrade of its credit rating by a nationally recognized credit rating agency below the requirement, the depository will have 90 days to replace the surety bond.

Repurchase agreements must also be collateralized in accordance with State law.

(1) Allowable Collateral

(a) Certificates of Deposit/Share Certificates

Eligible securities for collateralization of deposits are defined by the "Public Funds Collateral Act" (Chapter 2257, Texas Government Code) which is included and made a part of the Policy as Appendix. The eligibility of specific issues may at times be restricted or prohibited because of current market conditions.

(b) Repurchase Agreements

Collateral underlying repurchase agreements is limited to U.S. government and agency obligations, which are eligible for wire transfer (i.e., book entry) to the City's designated safekeeping agent through the Federal Reserve System.

(2) Collateral Levels

Collateral is valued at current market plus interest accrued through the date of valuation.

(a) Certificates of Deposit/Share Certificates

The market value of collateral pledged for certificates of deposit/share certificates must at all times be equal to or greater than the par value of the certificate of deposit plus accrued interest, less the amount insured by the FDIC or the National Credit Union Share Insurance Fund or their successors.

(b) Repurchase Agreements

The market value of collateral required to be pledged for repurchase agreements shall be a percentage of the par value of the agreement plus accrued interest and shall be maintained at the following levels:

Collateral Maturity	U.S. Treasury Securities	U.S. Government Agency
1 year or less	101%	101%
1 year to 5 years	102%	102%
Over 5 years	103%	104%

Any collateral with a maturity of over 5 years must by approved by the Treasurer or Assistant Treasurer in writing before the transaction is initiated.

(3) Monitoring Collateral Adequacy

(a) Certificates of Deposit/Share Certificates

The City requires monthly reports with market values of pledged securities from all financial institutions with which the City has certificates of deposit/share certificates. The Treasury Office will at least weekly monitor adequacy of collateralization.

(b) Repurchase Agreements

Weekly monitoring by the Treasury Office of all collateral underlying repurchase agreements is required. More frequent monitoring may be necessary during periods of market volatility.

(4) Margin Calls

(a) Certificates of Deposit/Share Certificates

If the collateral pledged for a certificate of deposit or share certificate falls below the par value of the deposit, plus accrued interest less FDIC or National Credit Union Share insurance, the institution will be notified by the Treasury Office and will be required to pledge additional securities no later than the end of the next succeeding business day.

(b) Repurchase Agreements

If the value of the collateral underlying a repurchase agreement falls below the margin maintenance levels specified above, the City will make a margin call unless the repurchase agreement is scheduled to mature within five business days and the amount is deemed to be immaterial.

(5) Collateral Substitution

Collateralized investments, certificates of deposit and share certificates often require substitution of collateral. Any broker or financial institution requesting substitution must contact the Treasurer's Office for approval and settlement. The substituted collateral's value will be calculated and substitution approved if its value is equal to or greater than the required value (See IV.B.1.c. (2)(b)). The Treasurer, or his/her designee, must give immediate notification of the decision to the bank or the safekeeping agent holding the collateral. Substitution is allowable for all transactions, but should be limited, if possible, to minimize potential administrative problems and transfer expense. The Treasurer may limit substitution and assess appropriate fees if substitution becomes excessive or abusive.

(6) Collateral Reductions

Should the collateral's market value exceed the required amount, any broker or financial institution may request approval from the Treasurer to reduce collateral. Collateral reductions may be permitted only if the City's records indicate that the collateral's market value exceeds the required amount.

d. Portfolio Diversification

Risk of principal loss in the portfolio as a whole shall be minimized by diversifying investment types according to the following limitations. As discussed below, these limitations do not apply to bond proceeds or nuclear decommissioning trust funds.

Investment Type:	% of Portfolio
• Repurchase Agreements	50%
• Certificates of Deposit	50%
• Share Certificates	5%
• U.S. Treasury Notes/Bonds/Bills	100%
• U.S. Agencies	75%
• Money Market Mutual Funds	80%
• Local Government Investment Pools	80%
• Commercial Paper	15%
• Banker Acceptances	15%

It is the policy of the City to diversify its investment portfolio so that reliance on any one issuer or broker will not place an undue financial burden on the City. Generally, the City should limit its repurchase agreement exposure with a single firm to no more than 15% of the value of the City's overall portfolio and its Commercial Paper exposure with a single issuer to no more than 5% of the value of the City's overall portfolio. To allow efficient and effective placement of proceeds from any bond sales, these limits may be exceeded for a maximum of five business days following the receipt of bond proceeds.

(1) Bond Proceeds

Proceeds of a single bond issue may be invested in a single security or investment if the Investment Committee determines that such an investment is necessary to comply with Federal arbitrage restrictions or to facilitate arbitrage record keeping and calculation.

(2) Decommissioning Trust Fund

Diversification is at the discretion of the Investment Committee while abiding by the requirements of the Nuclear Regulatory Commission pertaining to nuclear decommissioning trust funds.

e. Limiting Maturity

In order to minimize risk of loss due to interest rate fluctuations, investment maturities will not exceed the anticipated cash flow requirements of the funds. Maturity guidelines by funds are as follows:

(1) General City Funds

The dollar weighted average days to final stated maturity shall be 365 days or less. The Investment Committee will monitor the maturity level and make changes as appropriate.

(2) Bond Proceeds, Bond Reserves, Debt Service Funds

The investment maturity of bond proceeds (including reserves and debt service funds) shall be determined considering:

(a) The anticipated cash flow requirements of the funds, and;

(b) the "temporary period" as defined by Federal tax law during which time bond proceeds may be invested at an unrestricted yield. After the expiration of the temporary period, bond proceeds subject to yield restriction shall be invested considering the anticipated cash flow requirements of the funds.

(3) Decommissioning Trust Fund

The dollar weighted average maturity shall not exceed seven (7) years, although the portfolio's weighted average maturity may be substantially shorter if market conditions so dictate.

2. Safekeeping

a. Safekeeping Agreement

The City shall contract with a bank or banks for the safekeeping of securities either owned by the City as a part of its investment portfolio or held as collateral to secure certificates of deposits or repurchase agreements.

b. Safekeeping of Certificate of Deposit/Share Certificate Collateral

All collateral securing bank, savings banks and credit union deposits must be held by an independent third party banking institution approved by the City, or collateral may be held at the Federal Reserve Bank.

c. Safekeeping of Repurchase Agreement Collateral

The securities which serve as collateral for repurchase agreements with dealers must be delivered to an independent third-party custodian with which the City has established a third-party safekeeping agreement.

d. Safekeeping of Decommissioning Trust Fund

Safekeeping custody shall be governed by the terms of the Decommissioning Trust Fund Agreement between the City and the Trustee Bank.

C. Ensuring Liquidity

Liquidity shall be achieved by investing in securities with active secondary markets and by investing in eligible money market mutual funds (MMMF's) and local government investment pools (LGIP's).

A security may be liquidated to meet unanticipated cash requirements, to re-deploy cash into other investments expected to outperform current holdings, or to otherwise adjust the portfolio.

D. Achieving Investment Return Objectives

Investment selection for all funds shall be based on legality, appropriateness, liquidity, and risk/return considerations. The General City Funds portfolio shall be actively managed to enhance overall interest income. Active management will take place within the context of the "Prudent Person Rule." (see Section II.D.).

1. Securities Swaps

The City will take advantage of security swap opportunities to improve portfolio yield. A swap which improves portfolio yield may be selected even if the transaction results in an accounting loss.

2. Competitive Bidding

It is the policy of the City to require competitive bidding for all individual security purchases except for those transactions with money market mutual funds (MMMF's) and local government investment pools (LGIP'S) which are deemed to be made at prevailing market rates, and for government securities purchased at issue through a primary dealer at auction price. Rather than relying solely on yield, investment in MMMF's and LGIP's shall be based on criteria determined by the Investment Committee, including adherence to Securities and Exchange Commission (SEC) guidelines for MMMF's when appropriate.

At least three bidders must be contacted in all transactions involving individual securities. Competitive bidding for security swaps is also required. Bids may be solicited in any manner provided by law. For those situations where it may be impractical or unreasonable to receive three bids for a transaction due to a rapidly changing market environment or to secondary market availabilty, documentation of a competitive market survey of comparable securities or an explanation of the specific circumstance must be included with the daily bid sheet. All bids received must be documented and filed for auditing purposes.

3. Reverse Repurchase Agreements

The City may enter into a reverse repurchase program to enhance investment return. The City may administer a reverse repurchase program directly or, if conditions warrant, use an outside agent. Should an agent be used, one will be selected by the Investment Committee using appropriate criteria. If a reverse repurchase program is administered directly, then securities will only be sold and repurchased through approved primary broker/dealers who have executed a PSA Master Repurchase Agreement along with the approved annex designated as "When the City Acts as a Seller".

a. Basic Strategy

The basic investment strategy of a Reverse Security Repurchase Program is to enter into a contract to sell securities to eligible broker/dealers or financial institutions with a simultaneous agreement to repurchase the securities in the future at the same price plus a negotiated rate of interest for the cash loan. The cash received from the sale is reinvested in eligible securities of like amounts and like maturities at a higher rate of interest. At the end of the period, the spread, or difference in interest rates, is retained by the City.

b. Securities Eligible for the Reverse Repurchase Program

All obligations of the United States or its agencies and instrumentalities held in portfolios directly managed by the Treasury Office shall be eligible for participation in this program. Generally, the City should limit its reverse repurchase agreement exposure with a single firm to no more than 15 percent of the value of the City's overall portfolio.

c. Establishing Initial Prices of Reverse Transactions

Underlying securities "sold" in reverse security repurchase agreements will be priced at market value plus accrued interest per Bloomberg Financial News. In addition, a negotiated rate of interest for the cash loan will be agreed upon with the broker/dealer before the trade is executed.

d. Monitoring Market Values

The Treasury Office shall monitor daily the market prices of all underlying securities "sold" in reverse security repurchase agreements by use of a third party pricing service.

e. Margin Calls

If the value of the underlying security "sold" in a reverse security repurchase agreement rises more than one percent or $100,000, whichever is less, the City will make a margin call to increase its cash collateral related to the agreement, unless the reverse repurchase agreement expires within five business days, or unless the increase in net value of all agreements with the particular primary dealer is less than one percent of the total of all agreements or $100,000, whichever is less. Likewise, if the value of the underlying security falls more than one percent or $100,000, whichever is less, then the particular primary dealer will be allowed to make a margin call, unless the reverse repurchase agreement expires within five business days, or unless the decrease in net value of all agreements with the particular primary dealer is less than one percent of the total of all agreements or $100,000, whichever is less. Margin calls will be settled by wire transfer by the end of the business day on the day of repricing.

f. Investments Allowed with Proceeds of Reverse Repurchase Agreements

As authorized in Section IV.A.7 of this Policy, money received from transactions involving reverse security repurchase agreements may be invested in any investments authorized by the Public Funds Investment Act (Chapter 2256,Texas Government Code), as amended. However, the principle investment shall be commercial paper with a stated maturity of 90 days or less from the date of its issuance that is rated not less than A-1, P-1, or the equivalent by at least two nationally recognized credit agencies with an exposure limit with a single issuer of no more than 5 percent of the value of the City's overall portfolio or 5 percent of a single issuer's commercial paper program, whichever is less.

Since Reverse Repurchase Agreements include an agreement to repurchase the securities at a predetermined price, the investment inventory reflects the continuous holding of the reversed securities. The reverse repurchase transactions involve the receipt of cash and simultaneous investment into short-term investments while maintaining a matched book. A separate report detailing the status of the Reverse Repurchase Agreement program is provided to the Investment Committee quarterly.

g. Matching Maturities

The maturities of investments purchased with the proceeds of reverse repurchase agreements shall be matched to the maturities of the respective reverse agreement transactions that generated the proceeds. This is typically known as a "Matched-Book" program. The term of any reverse repurchase agreement shall not exceed the 90-day limitation.

E. Responsibility and Controls

1. Authority to Invest

   The authority to invest City funds and the execution of any documentation necessary to evidence the investment of City funds is granted to the City Manager and Director of Financial Services under Section 2-8-2 of the Austin City Code. The Director of Financial Services will designate in writing those Treasury Office personnel ("Investment Officers") authorized to invest on behalf of the City.

2. Establishment of Internal Controls

   The Director of Financial Services will establish a system of internal controls over the investment activities of the City and document such control in the Investment Procedures Manual.

3. Prudent Investment Management

   The designated Investment Officers shall perform their duties in accordance with the adopted Investment Policy and Procedures set forth in the Investment Procedures Manual. Investment Officers acting in good faith and in accordance with these policies and procedures shall be relieved of personal liability.

4. Standard of Ethics

   The designated Investment Officers shall adhere to the City's Ethics Ordinance. Additionally, these officers shall not have a personal business relationship with a business organization offering to engage in an investment with the City of Austin; or a relation, within the second degree by affinity or consanguinity, who is seeking to sell an investment to the City of Austin. If either of the preceding situations exists, the Investment Officer must file a disclosure statement with the Texas Ethics Commission and the City of Austin City Clerk.

5. Training and Education

   In accordance with the Public Funds Investment Act (Chapter 2256, Texas Government Code), the Director of Financial Services, the Treasurer and those personnel authorized to execute investment transactions, shall attend at least one investment training session, contanining at least 10 hours of instruction within 12 months after taking office or assuming duties. State law requires that training relating to investment responsibilities must be provided by an independent source as approved by the Investment Committee. For these purposes, courses or seminars offered by First Southwest Company, Government Finance Officers Association, Government Finance Officers Association of Texas, Government Treasurers Organization of Texas, Texas Municipal League, Texas Term, Texpool, or University of North Texas will satisfy the training requirements. Independent sources not listed may be approved by the Investment Committee at regularly scheduled Quarterly Investment Committee meetings. Personnel authorized to execute investment transactions must receive at least 10 hours of investment training within a two year period that begins on the first day of the fiscal year and consists of the two consecutive fiscal years after that date. Recognizing that the training and education of the Investment Officers contributes to efficient and effective investment management, the City will encourage its Investment Officers to obtain appropriate professional certifications and provide training toward such certifications from available funds.

6. Investment Committee

An Investment Committee shall be established to determine investment guidelines, general strategies, and monitor performance. Members of the Investment Committee will include the Director of Financial Services (as chair), the City Treasurer (as Vice Chair), Assistant Treasurer – Investment Management, Assistant Treasurer – Debt Management, the Controller, a public sector investment expert, a Financial Advisor's representative, a representative from Austin Energy, a representative from the Water/Wastewater Utility, and a representative from the Law Department. The committee shall meet quarterly to review performance, strategy, and procedures.

F. Reporting

Investment performance is continually monitored and evaluated by the Treasury Office. The Treasury Office will provide detailed reports, as required by the Public Funds Investment Act (Chapter 2256, Texas Government Code), Section 2256.023, for the Director of Financial Services and the Investment Committee, and City Council on a quarterly basis.

1. General City Funds and the Nuclear Decommissioning Trust Funds

The report will outline conformance to the restrictions of the Investment Policy in the area of diversification and term of maturity. The report will also compare the performance of the City's portfolio to appropriate benchmarks as determined by the Investment Committee. The report will include an economic summary discussing interest rate trends and investment strategy and any other information deemed appropriate by the Director of Financial Services or the Investment Committee.

G. Compliance Audit

In conjunction with its annual financial audit, the City shall perform a compliance audit of management controls on investments and adherence to the City's established investment policies. The results of the audit shall be reported to the Investment Committee and the City Council.

H. Certification

A copy of this investment policy will be provided to the senior management of any bank, dealer, or broker wishing to transact investment business with the City. Before business is transacted with the firm, a certification (Appendix) must be signed by a qualified representative of a firm assigned to the City of Austin account.