

Memorandum

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CITY SECRETARY
DALLAS, TEXAS



DATE September 12, 2014

TO Members of the Budget, Finance & Audit Committee:
Jennifer S. Gates (Vice Chair), Tennell Atkins, Sheffie Kadane, Philip T. Kingston

SUBJECT Budget, Finance & Audit Committee Meeting

Monday, September 15, 2014, 1:00 p.m.
Dallas City Hall - 6ES, 1500 Marilla St., Dallas, TX 75201

The agenda for the meeting is as follows:

1. Consideration of minutes from the September 2, 2014 Budget, Finance & Audit Committee meeting

2. Investment Policy Annual Review

Corrine Steeger, Assistant Director
City Controller's Office

FYI

3. Upcoming Agenda Item: FY 2014-15 Budget Fee Adjustments

4. Upcoming Agenda Item: External Audit Contract

5. Upcoming Agenda Item: Amendments to Chapter 34 of the Dallas City Code, "Personnel Rules"

6. Quarterly Investment Report as of June 30, 2014

Jerry R. Allen, Chair
Budget, Finance & Audit Committee

c: Honorable Mayor and Members of City Council
A.C. Gonzalez, City Manager
Warren M.S. Ernst, City Attorney
Craig D. Kinton, City Auditor
Rosa A. Rios, City Secretary
Daniel F. Solis, Administrative Judge
Ryan S. Evans, First Assistant City Manager
Jill A. Jordan, P.E., Assistant City Manager

Forest E. Turner, Assistant City Manager
Joey Zapata, Assistant City Manager
Mark McDaniel, Assistant City Manager
Charles M. Cato, Interim Assistant City Manager
Theresa O'Donnell, Interim Assistant City Manager
Jeanne Chipperfield, Chief Financial Officer
Sana Syed, Public Information Officer
Elsa Cantu, Assistant to the City Manager

A quorum of the Dallas City Council may attend this Council Committee meeting.

A closed executive session may be held if the discussion of any of the above agenda items concerns one of the following:

1. Contemplated or pending litigation or matters where legal advice is requested of the City Attorney. Section 551.071 of the Texas Open Meetings Act.
2. The purchase, exchange, lease or value of real property, if the deliberation in an open meeting would have a detrimental effect on the position of the City in negotiations with a third person. Section 551.072 of the Texas Open Meetings Act.
3. A contract for a prospective gift or donation to the City, if the deliberation in an open meeting would have a detrimental effect on the position of the City in negotiations with a third person. Section 551.073 of the Texas Open Meetings Act.
4. Personnel matters involving the appointment, employment, evaluation, reassignment, duties, discipline or dismissal of a public officer or employee or to hear a complaint against an officer or employee. Section 551.074 of the Texas Open Meetings Act.
5. The deployment, or specific occasions for implementation of security personnel or devices. Section 551.076 of the Texas Open Meetings Act.

Budget, Finance & Audit Committee

Meeting Record- DRAFT

Meeting Date: 9.2.2014

Convened: 1:00pm

Adjourned: 1:54pm

Committee Members Present:

Jennifer S. Gates, Vice-Chair
Tennell Atkins
Sheffie Kadane

Committee Members Absent:

Jerry R. Allen, Chair
Philip T. Kingston

Other Council Members Present:

N/A

Staff Present:

Jeanne Chipperfield	Chris Bowers	Richard Abernathy	Kelly High
Craig Kinton	Wanda Moreland	Donna Lowe	Donzell Gipson
Lance Sehorn	Rajan Thomas	Geri Strong	Mark Lea
Corrine Steeger	Richard Ngugi	Ron King	Barbara McAninch
Zeronda Smith	Doris Bridges	Warren Ernst	Rosa Rios
Jack Ireland	Jing Xiao	Erick Thompson	Brittany Burrell
Jennifer West	Sarah Standifer	Forest Turner	Tammy Palomino
Molly Carroll			

Others Present:

N/A

AGENDA:

1. Consideration of the August 18, 2014 Minutes

Presenter(s):

Information Only: __

Action Taken/Committee Recommendation(s):

A motion was made to approve the August 18, 2014 minutes. Motion passed unanimously.

Motion made by: Tennell Atkins

Motion seconded by: Sheffie Kadane

2. FY2014-15 Proposed Budget: Reserve Levels

Presenter(s): Jack Ireland, Director, Office of Financial Services

Information Only: __

Action Taken/Committee Recommendation(s):

A motion was made to forward to the City Council for consideration of an increase in the minimum reserve levels. Motion passed unanimously.

Motion made by: Sheffie Kadane

Motion seconded by: Tennell Atkins

Budget, Finance & Audit Committee

Meeting Record- DRAFT

3. **FY2013-14 Appropriation Adjustments**

Presenter(s): Jack Ireland, Director, Office of Financial Services

Information Only: ___

Action Taken/Committee Recommendation(s):

A motion was made to forward to the City Council for consideration on Wednesday, September 10, 2014. Motion passed unanimously.

Motion made by: Tennell Atkins

Motion seconded by: Sheffie Kadane

FYI

4. **Upcoming Agenda Item: Ordinance Amending Chapter 18 of the Dallas City Code for FY2014-15**

Presenter(s):

Information Only: X

Action Taken/Committee Recommendation(s):

A motion was made to forward to the City Council for consideration on Wednesday, September 10, 2014. Motion passed unanimously.

Motion made by: Tennell Atkins

Motion seconded by: Sheffie Kadane

5. **July 2014 Financial Forecast Report**

Presenter(s):

Information Only: X

Action Taken/Committee Recommendation(s):

N/A

Jerry R. Allen, Chair
Budget, Finance & Audit Committee

Memorandum



Date September 12, 2014

To Honorable Members of the Budget, Finance & Audit Committee: Jerry R. Allen (Chair), Jennifer S. Gates (Vice Chair), Tennell Atkins, Sheffie Kadane, Philip T. Kingston

Subject Investment Policy Annual Review

Attached is the Investment Policy Annual Review. This briefing will be presented by Corrine Steeger, Assistant Director in the City Controller's Office.

Please contact me if you need additional information.



Jeanne Chipperfield
Chief Financial Officer

Attachment

c: Honorable Mayor and Members of the City Council
A.C. Gonzalez, City Manager
Warren M.S. Ernst, City Attorney
Judge Daniel F. Solis, Administrative Judge
Rosa A. Rios, City Secretary
Craig D. Kinton, City Auditor
Ryan S. Evans, First Assistant City Manager
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Sana Syed, Public Information Office
Elsa Cantu, Assistant to the City Manager

CITY OF DALLAS

INVESTMENT POLICY ANNUAL REVIEW

BUDGET, FINANCE & AUDIT COMMITTEE

September 15, 2014



INVESTMENT POLICY OVERVIEW

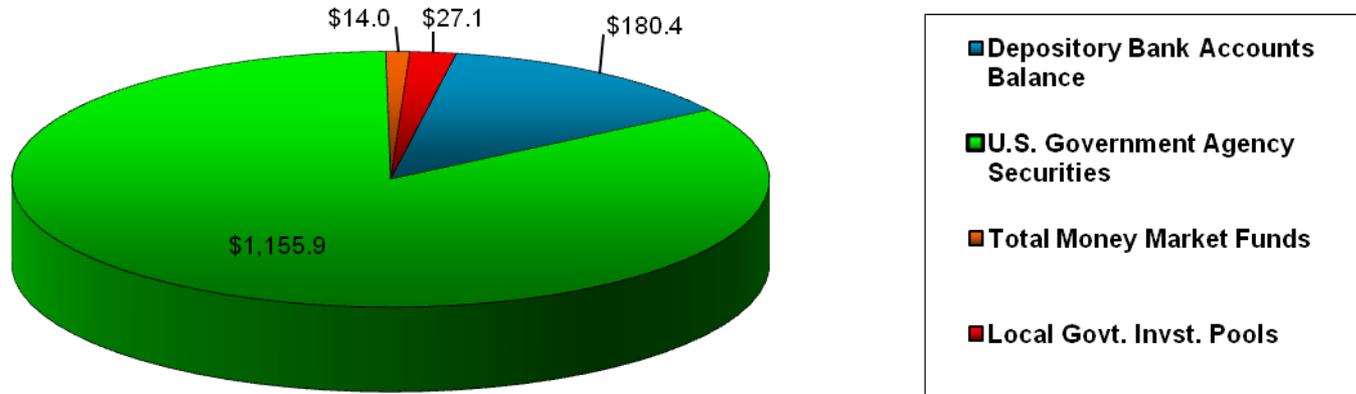
- Federal Regulations
- State Statutes
 - Public Funds Investment Act
 - Public Funds Collateral Act
 - Depositories for Municipal Funds
- City Charter and Code

PUBLIC FUNDS INVESTMENT ACT

- Requires a written investment policy annually reviewed by the City Council
 - “the governing body of the investing entity retains ultimate responsibility as fiduciaries of the assets of the entity.” (Public Funds Investment Act)
- Requires the policy to address:
 - Safety, liquidity, yield, and diversification
 - Investment strategy
 - Authorized investments

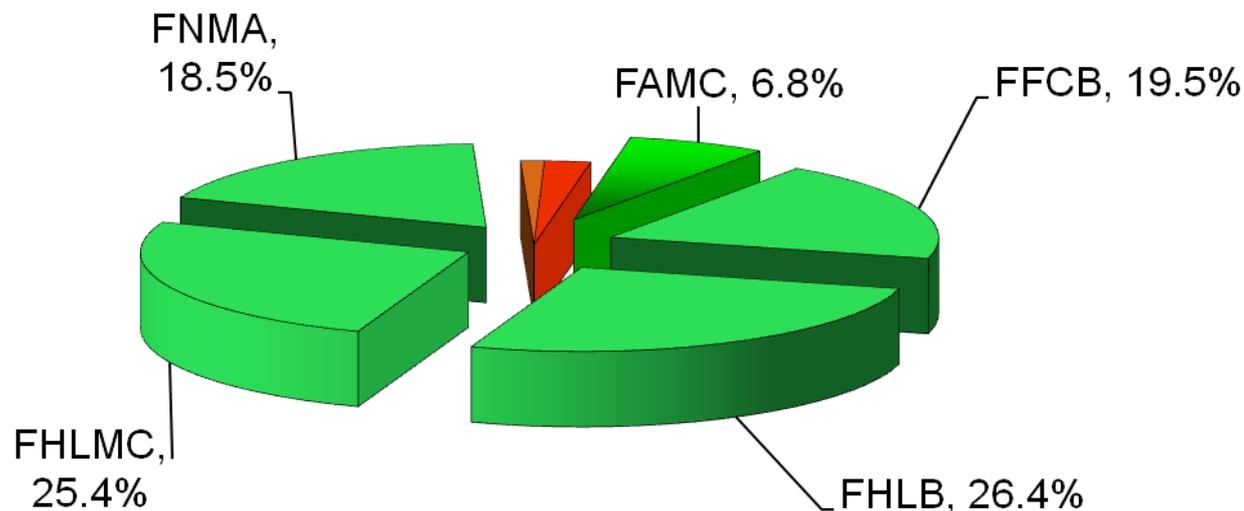
CITY OF DALLAS INVESTMENT POOL

(\$ in Millions)



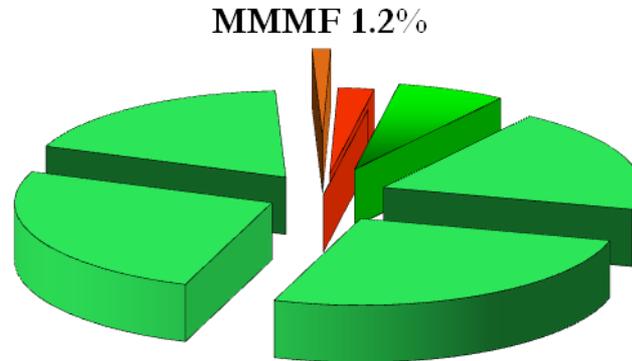
- The City's investment pool includes the following investment types:
 - U.S. Government Agency Securities
 - Money Market Funds
 - Local Government Investment Pools
- The total market value of the City's investment pool as of June 30, 2014 was \$1.2 billion. City's total bank depository account balance as of June 30, 2014 was \$180.4 million. All cash balances in the depository are secured by collateral in excess of FDIC insurance.

U.S. GOVERNMENT AGENCY SECURITIES



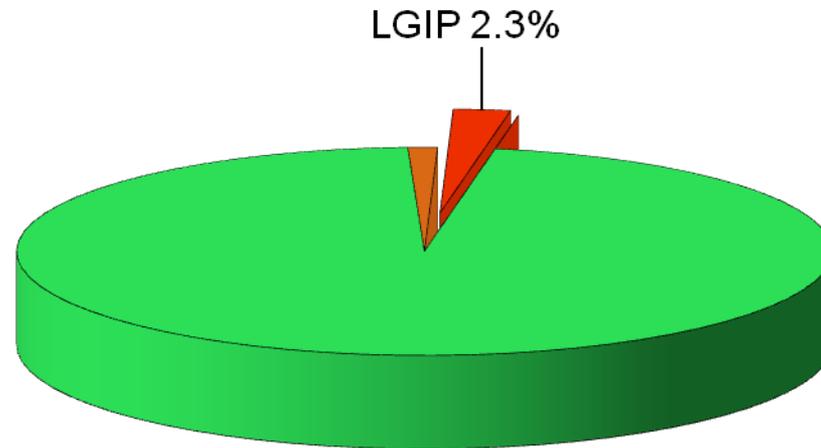
- Direct obligations of U.S. agencies
- Investment pool maximum percentage: 30% by agency (book value)
- Market value as of June 30, 2014 by agency:
 - Federal Agricultural Mortgage Corporation (FAMC or Farmer Mac): \$82,184,594
 - Federal Farm Credit Bank (FFCB): \$233,063,870
 - Federal Home Loan Bank (FHLB): \$315,979,445
 - Federal Home Loan Mortgage Corporation (FHLMC or Freddie Mac): \$304,556,284
 - Federal National Mortgage Association (FNMA or Fannie Mae): \$221,192,683

MONEY MARKET MUTUAL FUNDS



- No-load money market mutual funds
 - Registered with and regulated by the Securities and Exchange Commission
 - Rated not less than Aaa or an equivalent rating by at least one nationally recognized rating service
- Investment pool maximum percentage: 15%
 - Limited by fund to lesser of \$100 million or 5% of the fund's total assets
- Market value as of June 30, 2014 by fund : \$14,004,071

LOCAL GOVERNMENT INVESTMENT POOLS



- Local government investment pools
 - Rated not less than Aaa or an equivalent rating by at least one nationally recognized rating service
- Investment pool maximum percentage: 30%
 - Limited by pool to lesser of \$250 million or 5% of the pool's total assets
- Market value as of June 30, 2014: \$27,106,533

SEPARATELY MANAGED FUNDS

- The City's investment policy also governs funds that are invested separately from the investment pool
 - ONCOR and NTTA Escrow Funds are invested in money market mutual funds
 - DWU commercial paper and GO commercial paper proceeds are invested in tax-exempt money market mutual funds
 - Bond reserve funds and endowment funds are invested in U.S. Government agency securities

ANNUAL INVESTMENT POLICY REVIEW

- City Council adopted the original investment policy in 1987 and approved the current policy on September 11, 2013
- Changes in the investment policy are typically made:
 - To incorporate amendments to state law and/or federal regulatory changes
 - To improve management of the City's investments
 - To increase diversification and reduce risk
 - To reflect organizational changes within the City

ANNUAL INVESTMENT POLICY REVIEW

- Characteristics of the City's investment policy:
 - Guides the investment process
 - Emphasizes safety, liquidity and yield in that order
 - Complies with all state and federal laws governing management of public funds

INVESTMENT POLICY AMENDMENTS

The Investment Committee recommends the following amendments to the Investment Policy (see the attached policy for details)

INVESTMENT POLICY AMENDMENTS

- **Sec. 11 – Collateralization of Deposits**
 - Depository banks are required by state law to pledge securities for the benefit of the local government equal in market value to the amount of the government’s deposit in excess of Federal Deposit Insurance Corporation (FDIC) protection
 - Collateral value is to be maintained as required by state law at a minimum of 100%
 - Local governments adopt written collateral policies that are typically part of the government’s investment policy
 - Collateral policy includes eligible types of pledged securities, acceptable collateral custodians, and collateral minimum value

INVESTMENT POLICY AMENDMENTS

- **Sec. 11 – Collateralization of Deposits (continued)**
 - Expansion of eligible types of pledged securities
 - Direct obligations of the U.S. or other obligations guaranteed by the U.S.
 - Direct debt obligations of an agency of the U.S.
 - Mortgage-backed securities issued directly by an agency of the U.S. eligible under state law
 - Proposed amendment adds obligations of states and local governments rated not less than A
 - Depository bank applicants requested that the City consider this amendment
 - Permitted under the Texas Public Funds Collateral Act

INVESTMENT POLICY AMENDMENTS

- **Sec. 11 – Collateralization of Deposits (continued)**
 - Revised Collateral Value Ratio
 - Current policy requires that market values of pledged securities be maintained at a margin in excess of the value of the deposits
 - For pledged securities maturing in less than 3 years, the minimum value is 102% of the deposit
 - For pledged securities maturing in 3 or more years, the minimum value is 105% of the deposit
 - Proposed amendment will eliminate the margin of 105% for the longer term securities and require that all pledged securities be maintained at a market value of 102% of the deposit

INVESTMENT POLICY AMENDMENTS

- **Sec. 13 – Diversification and Maximum Maturities**
 - SEC voted in July to approve many of the reforms it had proposed for money market mutual funds
 - Local Government Investment Pool (LGIP)
 - Proposed amendment changes the limitations on investment in any one LGIP from the lesser of \$250 million or 5% of the total assets of the LGIP to the lesser of \$400 million or 10% of the total assets of any one pool
 - Proposed amendment increases the maximum percentage of the City's investment pool that can be invested in LGIP's from 30% to 45%

INVESTMENT POLICY AMENDMENTS

- **Sec. 13 – Diversification and Maximum Maturities (continued)**
 - Proposed amendment increases the maximum percentage of the City’s investment pool that can be invested in callable U.S. Agencies from 20% to 30%

KEY DATES

- Investment Committee review and recommendation
– August 14, 2014
- Budget, Finance & Audit Committee briefing
– September 15, 2014
- Council consideration of the City's investment policy
– September 24, 2014

RECOMMENDATION

Forward to the City Council for approval of the attached amended investment policy on the September 24th agenda

Appendix

Attachment A

- Proposed 2014 City of Dallas Investment Policy (redline)

Attachment B

- Proposed 2014 City of Dallas Investment Policy (clean copy with all appendices included)



CITY OF DALLAS

INVESTMENT POLICY

As adopted by City Council

~~September 11, 2013~~ September 24, 2014

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1.0 Policy

It is the policy of the City of Dallas to invest public funds in a manner which will provide security and optimize interest earnings to the maximum extent possible while meeting the daily cash flow demands of the City and conforming to all federal, state and local statutes, rules and regulations governing the investment of public funds. This Policy sets forth the investment program of the City of Dallas and the guidelines to be followed in achieving its objectives.

Not less than annually, City Council shall adopt a written instrument by resolution stating that it has reviewed the Investment Policy and investment strategies and that the written instrument so adopted shall record any changes made to the Investment Policy or investment strategies.

This Policy is intended to satisfy the requirements of the Public Funds Investment Act, Chapter 2256, Texas Government Code (the "PFIA" or the "Act") that an investing entity such as the City of Dallas adopt and review an investment policy governing the investment by the investing entity of its funds and funds under its control.

2.0 Scope

This Policy governs the investment of all funds of the City except those that are identified in Section 2.2 below. With respect to the funds of non-profit corporations that are established by City resolution and act on behalf of the City in accordance with State law, this Policy shall prevail in the absence of a specific investment policy adopted by the non-profit corporation. In addition to this Policy, the investment of bond proceeds and other bond funds (including debt service and reserve funds) of the City or of a non-profit corporation established by City resolution and acting on behalf of the City in accordance with State law shall be governed and controlled by their governing ordinance, resolution or trust indenture, including the authorization of eligible investments, and by the provisions of the Internal Revenue Code of 1986, as amended (the "Internal Revenue Code"), including all regulations and rulings promulgated thereunder applicable to the issuance of tax-exempt obligations.

- 2.1 All funds are managed as a pooled fund group, referenced in this Policy as the City's investment pool, with the exception of the following, which are managed as separately invested assets:
 - 2.1.1 Bond Funds - funds established with the proceeds from specific bond issues when it is determined that segregating these funds from the City's investment pool will result in maximum interest earnings retention under the provisions of the Internal Revenue Code.
 - 2.1.2 Bond Reserve Funds - funds set at prescribed levels by certain bond ordinances to pay principal and/or interest if required to prevent default.
 - 2.1.3 Endowment Funds - funds given to the City with the instructions that the principal is to remain intact, unless otherwise agreed to, and the income generated by the investments will be used for specified purposes.
 - 2.1.4 Commercial Paper Funds - unexpended proceeds from the issuance of commercial paper notes.
- 2.2 Funds not governed by this Policy include:
 - 2.2.1 Employees' Retirement Fund
 - 2.2.2 Dallas Police and Fire Pension System
 - 2.2.3 Deferred Compensation Funds
 - 2.2.4 Private Donations – investments donated to the City are excluded from this Policy if separately managed under terms of use specified by the donor.

3.0 Objective

Investment of the funds covered by this Policy shall be governed by the following investment objectives, in order of priority:

- 3.1 **Safety:** Safety of principal is the primary objective of the Investment Policy. Investment of the City's funds shall be undertaken in a manner that seeks to ensure the preservation of capital for the overall portfolio. The objective will be to mitigate credit risk and interest rate risk.

The City will mitigate credit risk, which is the risk of loss due to the failure of the issuer or backer, by:

- Limiting investments to the types listed in Section 8.0 ("Authorized and Suitable Investments") of this Policy
- Qualifying the broker/dealers and financial institutions with which the City may engage in an investment transaction in accordance with Section 9.0 ("Authorized Broker/Dealers and Financial Institutions")
- Diversifying the investment portfolio so that the impact of potential losses from any one type of investment or from any one individual issuer will be minimized (see Section 13.0 "Diversification and Maximum Maturities").

The City will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by:

- Structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities prior to maturity
- Investing operating funds primarily in shorter-term securities, money market mutual funds, or similar local government investment pools and limiting the weighted average maturity of the portfolio in accordance with this Policy (see Section 17.0 "Investment Strategies").

- 3.2 **Liquidity:** The City's investment portfolio will remain sufficiently liquid to enable the City to meet all operating requirements that might be reasonably anticipated. This is accomplished by structuring the portfolio so that investments mature concurrent with cash needs to meet anticipated demands. A portion of the portfolio will be placed in money market mutual funds or local government investment pools offering same-day liquidity to meet unanticipated demands.

- 3.3 **Yield:** The City's investment portfolio shall be designed with the objective of attaining a market rate of return, throughout budgetary and economic cycles, commensurate with the City's investment risk constraints and the cash flow characteristics of the portfolio.

4.0 Delegation of Authority

The Chief Financial Officer, under the direction and authority of the City Manager, shall direct the cash management program of the City as defined in Section 2-134, "Duties of the Chief Financial Officer", Chapter 2 "Administration" of the Dallas City Code, as amended. City Council shall designate the Chief Financial Officer, City Controller, and the Assistant Director/Treasury Manager as Investment Officers responsible for the investment of its funds, under the direction and authority of the City Manager.

The City's Investment Officers shall establish written procedures for the operation of the investment program consistent with this Investment Policy. Such procedures shall include explicit delegation of authority to persons responsible for investment transactions. No person may engage in an investment transaction except as provided under the terms of this Policy and the written procedures. Authority granted to a person to invest the City's funds is effective until rescinded or until termination of the person's employment by the City. The Investment Officers shall be responsible for all transactions undertaken and shall establish a system of controls, to be reviewed by the City Auditor, to regulate the activities of subordinate officials. In order to assure quality and capability of investment management, the Investment Officers shall possess sufficient working knowledge of economics and securities markets, as well as the supervisory experience and judgment necessary to carry out the responsibilities outlined in this Policy.

5.0 Prudence

Investments shall be made with judgment and care - under circumstances then prevailing - which persons of prudence, discretion and intelligence 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.

- 5.1 The standard of prudence to be used by investment officials shall be the "prudent person" standard and shall be applied in the context of managing an overall portfolio. Investment Officers acting in accordance with written procedures and the Investment Policy and exercising due diligence shall be relieved of personal responsibility for an individual security's credit risk or market price changes, provided deviations from expectations are reported in a timely fashion and appropriate action is taken to control adverse developments.
- 5.2 In determining whether an investment official 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 official had responsibility rather than consideration as to the prudence of a single investment and, whether the investment decision was consistent with the City's Investment Policy and written investment procedures.

6.0 Ethics and Conflicts of Interest

Investment Officers who have a personal business relationship with a business organization offering to engage in an investment transaction with the City shall refrain from activities that could conflict with proper execution of the investment program, or which could impair their ability to make impartial investment decisions.

- 6.1 Investment Officers shall sign annual statements agreeing to abide by this section of the Investment Policy and affirming no known conflicts of interest.
- 6.2 Investment Officers must file a disclosure statement with the Texas Ethics Commission and City Council if:
 - a) the Investment Officer has a personal business relationship with a business organization offering to engage in an investment transaction with the City; or
 - b) the Investment Officer is related within the second degree by affinity or consanguinity, as determined under Chapter 573 of the Texas Government Code, to an individual seeking to transact investment business with the City.
- 6.3 An Investment Officer has a personal business relationship with a business organization if:
 - a) the Investment Officer owns 10 percent or more of the voting stock or shares of the business organization or owns \$5,000 or more of the fair market value of the business organization;
 - b) funds received by the Investment Officer from the business organization exceed 10 percent of his/her gross income for the previous year; or
 - c) the Investment Officer has acquired from the business organization during the previous year investments with a book value of \$2,500 or more for his/her personal account.

7.0 Training

The Investment Officers and the persons authorized to execute investment transactions shall attend at least one investment training session within 12 months after taking office or assuming duties and receive not less than 10 hours of instruction relating to investment responsibilities during a two-year period that begins on the first day of the City's fiscal year following the initial 10 hours of instruction and consists of the two consecutive fiscal years after that date. Training must be received from an independent source approved by the City's Investment Committee and must include education in investment controls, security risks, strategy risks, market risks, diversification of investment portfolio and compliance with the Act.

8.0 Authorized and Suitable Investments

City funds governed by this Policy may be invested in the instruments described below, all of which are authorized by Chapter 2256 of the Government Code (Public Funds Investment Act).

- 8.1 Direct obligations of the United States, its agencies or instrumentalities, and other obligations, the principal and interest of which are unconditionally guaranteed or insured by, or backed by the full faith and credit of the United States or its respective 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.
- The City will restrict investments in eligible securities described in this section to discount notes and callable or non-callable fixed-rate securities with a fixed principal repayment amount.
- 8.2 Fully collateralized Certificates of Deposit/Share Certificates that are issued by a bank or credit union that has its main office or branch office within the City and are:
- guaranteed or insured by the Federal Deposit Insurance Corporation or its successor or the National Credit Union Share Insurance Fund or its successor; or
 - secured by obligations in accordance with Section 11.0 herein.
- If the certificate of deposit is collateralized by pledged securities the City must have on file a signed Depository Agreement, approved as to form by the City Attorney, which details eligible collateral, collateralization ratios for pledged securities, standards for collateral custody and control of pledged securities, collateral valuation of pledged securities, and conditions for agreement termination.
- 8.3 Certificates of Deposit obtained through a depository institution or a broker approved by the City's Investment Committee under the provisions of Section 9.0 of this Policy that has its main office or branch office within the City and that contractually agrees to place the funds in federally insured depository institutions in accordance with the conditions prescribed in Section 2256.010(b) of the Act.
- 8.4 Fully collateralized repurchase agreements in accordance with the conditions prescribed in Section 2256.011 of the Act. Prior to investment in a repurchase agreement, the City must have on file a signed Master Repurchase Agreement, approved as to form by the City Attorney, which details eligible collateral, collateralization ratios, standards for collateral custody and control, collateral valuation, and conditions for agreement termination and provided the repurchase agreement:
- has a defined termination date;
 - is secured by a combination of cash and obligations of the United States or its agencies and instrumentalities described by Section 2256.009(a)(1) of the Act. Securities received for repurchase agreements must have a market value greater than or equal to 103% at the time the investment is made and throughout the terms of the repurchase agreement;
 - requires the securities being purchased by the City or cash held by the City to be assigned to the City, held in the City's name, and deposited at the time the investment is made with the City or with a third party selected and approved by the City; and
 - is placed through a primary government securities dealer, as defined by the Federal Reserve, or a financial institution doing business in this state, and which is rated no less than A or its equivalent by two nationally recognized rating services.
- 8.5 A securities lending program is an authorized investment if it meets the following conditions:
- A loan made under the program must allow for termination at any time;
 - A loan made under the program must be placed through a primary government securities dealer, as defined by the Federal Reserve, or a financial institution doing business in this state that is rated no less than A or its equivalent by two nationally recognized rating services. An agreement to lend securities must have a term of one year or less and shall comply with the provisions of section 1058 of the Internal Revenue Code,;
 - A loan made under the program must be secured as prescribed in Section 2256.0115(b)(3) of the Act. Securities being held as collateral must be pledged to the City, held in the City's name, and deposited at the time the investment is made with a third party approved by the City.
 - The amount of collateral must not be less than 100% of the market value of securities loaned, including accrued income. The market value of securities loaned shall be determined daily. Cash received as collateral shall not be invested for a term later than the expiration date of the securities lending agreement and may only be invested in investments as authorized by this Policy.

- 8.6 No-load money market mutual funds that are registered with and regulated by the Securities and Exchange Commission that meet the requirements of the PFIA, and, in addition:
- a) are rated not less than Aaa or an equivalent rating by at least one nationally recognized rating service. A rating is not required for a sweep account investment, which is part of the city's depository contract; and,
 - b) have provided the City with a prospectus and other information as may be required by law.

Investments will be made in a money market mutual fund only after a thorough investigation of the fund and approval by the Investment Committee which shall, at least annually, review, revise and adopt a list of approved funds.

- 8.7 Local government investment pools which are organized in conformity with Chapter 791 (Interlocal Cooperation Contracts Act) and meet the requirements of the PFIA that:
- a) are rated not less than Aaa or an equivalent rating by at least one nationally recognized rating service; and
 - b) have provided the City with an offering circular and other information required by the Act.

To become eligible, investment pools must be approved by City Council action. Investments will be made in a local government investment pool only after a thorough investigation of the pool and approval by the Investment Committee which shall, at least annually, review, revise and adopt a list of approved pools.

The Investment Officers may at times restrict or prohibit the purchase of specific issues due to current market conditions. An investment that requires a minimum rating under this section does not qualify as an authorized investment during the period the investment does not have the minimum rating. Ratings shall be monitored using nationally recognized financial information sources, including actions published on rating agency websites. The City shall take all prudent measures consistent with the Act to liquidate an investment that does not have the minimum rating required by the Act.

9.0 Authorized Broker/Dealers and Financial Institutions

The Investment Committee shall, at least annually, review, revise, and adopt a list of qualified broker/dealers and financial institutions authorized to engage in the purchase and sale of obligations of the U.S. Government, its agencies or instrumentalities with the City. In order to be considered, those firms that desire to become qualified bidders for securities transactions will be required to provide information regarding creditworthiness, experience and reputation. Authorized firms may include primary dealers or regional dealers that qualify under Securities & Exchange Commission Rule 15C3-1 (uniform net capital rule).

A written copy of this Investment Policy shall be presented to any person offering to engage in an investment transaction with the City. Investments shall only be made with those business organizations (including money market mutual funds and local government investment pools) which have provided the City with a written instrument executed by a qualified representative of the firm, acknowledging that the business organization has:

- a) received and reviewed the City's Investment Policy; and
- b) implemented reasonable procedures and controls in an effort to preclude investment transactions conducted between the City and the organization that are not authorized by the City's Investment Policy, except to the extent that this authorization is dependent on an analysis of the makeup of the City's entire portfolio or requires an interpretation of subjective investment standards.

10.0 Competitive Bidding

It is the policy of the City to require competitive bidding for all individual security purchases and sales except for:

- a) transactions with money market mutual funds and local government investment pools (which are deemed to be made at prevailing market rates)
- b) treasury and agency securities purchased at issue through an approved broker/dealer or financial institution
- c) automatic overnight "sweep" transactions with the City Depository
- d) fully insured certificates of deposit placed in accordance with the conditions prescribed in Section 2256.010(b) of the Act or placed with the City's Depository if so authorized by the City Depository Contract.

At least three bids or offers must be solicited for all other transactions involving individual securities. The City's investment advisor is also required to solicit at least three bids or offers when transacting trades on the City's behalf. In situations where the exact security being offered is not offered by other dealers, offers on the closest comparable investment may be used to establish a fair market price for the security. Bids for certificates of deposit may be solicited in any manner permitted by the Act.

11.0 Collateralization of Deposits

The City requires that all uninsured collected balances plus accrued interest, if any, in depository accounts be secured in accordance with the requirements of this Policy and Chapter 2257, Government Code ("Public Funds Collateral Act") and the Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (FIRREA). Financial institutions serving as City depositories will be required to sign a Depository Agreement with the City which details securities that can serve as eligible collateral, collateralization ratios, standards for collateral custody and control, collateral valuation, rights of substitution and conditions for agreement termination.

Pledged securities serving as collateral will always be held by an independent third party with which the City has a current custodial agreement and shall be reviewed at least monthly to ensure that the market value of the pledged securities is ~~adequate. at least 102%.~~ Eligible collateral ~~and collateral ratios~~ are as follows:

Eligible Collateral	Collateral Ratios
1) Direct obligations of the United States or other obligations of the United States or other obligations, the principal and interest of which are unconditionally guaranteed or insured by, or backed by the full faith and credit of the United States.	
a) Maturing in less than three years	102%
b) Maturing in more than three years	105%
2) Direct debt obligations of an agency or instrumentality of the United States.	
a) Maturing in less than three years	102%
b) Maturing in more than three years	105%
3) Mortgage-backed securities issued directly by an agency or instrumentality of the United States eligible under the Public Funds Collateral Act.	105%
4) Direct debt obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than A or its equivalent.	

The use of a letter of credit issued to the City by the Federal Home Loan Bank may be considered by the City to provide collateral for bank deposits and for certificates of deposit.

The City's Investment Officers reserve the right to accept or reject any form of collateral or enhancement at their sole discretion.

12.0 Safekeeping and Custody

Safekeeping and custody of investment securities shall be in accordance with applicable law and accounting standards. All securities transactions, except local government investment pool and money market mutual fund transactions, shall be conducted on a delivery versus payment (DVP) basis. Investment securities will be held by a third party custodian designated by the City, and be required to issue safekeeping receipts clearly detailing that the securities are owned by the City.

Safekeeping and custody of collateral shall be in accordance with applicable law and accounting standards. Pledged securities serving as collateral will be held by a third party custodian designated by the City, and pledged to the City as evidenced by safekeeping receipts of the institution with which the securities are deposited.

13.0 Diversification and Maximum Maturities

The City's investment pool will be diversified to limit market and credit risk by observing the limitations at the time of purchase as listed below. Funds managed as separately invested assets in Section 2.1 of the Policy are subject to all of the following with the exception of the Issuer Limitation on investment in U.S. Agencies and Instrumentalities. Funds managed as separately invested assets may be invested 100% in the obligations of any one U.S. Agency or Instrumentality.

	Maximum Stated Maturity¹	Issuer Limitations
U.S. Treasuries	5 Years	100% of the City's investment pool may be invested in obligations of the U.S. Treasury.
U.S. Agencies/Instrumentalities	5 Years	No more than 30% of the book value of the City's investment pool may be invested in the obligations of any one issuer.
Repurchase Agreements	30 Days	No more than 15% of the City's investment pool may be invested with one counterparty, excluding flexible repurchase agreements for investment of bond proceeds.
Money Market Mutual Funds	N/A	The City may not own more than the lesser of \$100 million or 5% of the total assets of any one fund, excluding tax-exempt money market mutual funds for investment of commercial paper proceeds.
Local Government Investment Pools	N/A	The City may not own more than the lesser of \$250-400 million or 5% <u>10%</u> of the total assets of any one pool.
Certificates of Deposit	5 Years	The City may not own more than \$50 million of any single financial institution's certificates of deposit at any one time, excluding certificates of deposit placed with the City's Depository if so authorized by the City Depository Contract.

In addition to the above limitations, the City's investment pool shall be diversified by market sector as follows:

**Maximum Percentage
of Investment Pool**

U.S. Treasuries	100%
U.S. Agencies/Instrumentalities	100% (maximum 20% 30% callable)
Repurchase Agreements	15%*
Money Market Mutual Funds	15%
Local Government Investment Pools	30% 45%
Certificates of Deposit	20%**

* Excluding flexible repurchase agreements for bond proceeds.

**Excluding certificates of deposit placed with the City's Depository if so authorized by the City Depository Contract.

- (1) Purchases of securities with stated maturities greater than the maximum authorized under this section require prior City Council approval. With respect to bond proceeds and other bond funds, the City may, in the bond ordinance, specifically authorize investments in repurchase agreements with maturities in excess of 30 days subject to any required approvals from bond insurers.

14.0 Sale of Securities

The City's policy is to hold securities to maturity. However, securities may be sold:

- (a) in order to minimize the potential loss of principal on a security whose credit quality has declined;
- (b) in order to reposition the portfolio for the purpose of improving the quality, yield, or target duration of the portfolio; or
- (c) in order to meet unanticipated liquidity needs of the portfolio.

15.0 Investment Committee

An Investment Committee shall be established and meet quarterly to determine investment guidelines, general strategies, and monitor performance. Members of the Investment Committee will include the Investment Officers, the Cash and Investment Manager and the City's Investment Advisor if the City has contracted with an Advisor. The Investment Advisor is a non-voting member of the Investment Committee.

16.0 Investment Advisor

The City may retain the services of an Investment Advisor to assist in the review of cash flow requirements, the formulation of investment strategies, and the execution of security purchases, sales and deliveries.

17.0 Investment Strategies

The City of Dallas maintains separate portfolios for individual funds or groups of funds (as listed under Sec. 2.0 of this Policy) which are managed according to the terms of this Policy and the corresponding investment strategies listed below. The investment strategy for portfolios established after the annual Investment Policy adoption will be managed in accordance with the terms of this Policy and applicable agreements until the next annual review when a specific strategy will be adopted.

- 17.1 Investment Pool Strategy - The City's Investment Pool is an aggregation of the majority of City funds which includes tax receipts, enterprise fund revenues, fine and fee revenues, as well as some, but not all, bond proceeds, grants, gifts and endowments. This portfolio is maintained to meet anticipated daily cash needs for City of Dallas operations, capital projects and debt service. In order to ensure the ability of the City to meet obligations and to minimize potential liquidation losses, the dollar-weighted average stated maturity of the Investment Pool shall not exceed 1.5 years. The objectives of this portfolio are to:
- a) ensure safety of principal by investing only in high-quality securities for which a strong secondary market exists;
 - b) ensure that anticipated cash flows are matched with adequate investment liquidity;
 - c) limit market and credit risk through diversification; and
 - d) attain a market rate of return commensurate with the objectives and restrictions set forth in this Policy by managing the portfolio to meet or exceed the 12 month moving average yield on treasury one-year constant maturities as reported by Federal Reserve Statistical Release H.15.

- 17.2 Bond Funds Strategy - Occasionally, separate non-pooled portfolios are established with the proceeds from bond sales in order to maximize earnings within the constraints of arbitrage regulations. The objectives of these portfolios are to:
- ensure safety of principal by investing only in high-quality securities for which a strong secondary market exists or by maintaining the security of the investment through collateralization according to the standards approved in Section 8.4 of this Policy;
 - ensure that anticipated cash flows are matched with adequate investment liquidity or that the terms of the secured investment agreement permit maximum flexibility for the City in making withdrawals;
 - manage market and credit risk through diversification and control of counterparty risk; and
 - attain a market rate of return commensurate with the objectives and restrictions set forth in this Policy and the bond ordinance by managing the portfolio to meet or exceed the bond yield
- 17.3 Bond Reserve Fund Strategy - Non-pooled reserve funds for outstanding revenue bonds are set at levels required by their respective bond ordinances. These funds will be used to pay the final principal and/or interest due on outstanding bonds that are similarly secured or to make up any shortfalls in debt service funds as required by the bond ordinance. The objectives of Bond Reserve Fund Portfolios are to:
- ensure safety of principal by investing only in high-quality securities for which a strong secondary market exists or by maintaining the security of the investment through collateralization according to the standards approved in Section 8.4 of this Policy;
 - ensure that anticipated cash flows are matched with adequate investment liquidity or that the terms of the secured investment agreement permit maximum flexibility for the City in making withdrawals;
 - manage market and credit risk through diversification and control of counterparty risk; and
 - attain a market rate of return commensurate with the objectives and the restrictions set forth in this Policy and the bond ordinance by managing the portfolio to meet or exceed the bond yield.
- 17.4 Endowment Funds Strategy - Funds received as gifts to the City with instructions that the income generated by the investment of said funds be used for specified purposes may be invested as separate non-pooled portfolios if required by the terms of the gift. The objectives of Endowment Portfolios are to:
- ensure safety of principal and sufficient liquidity by investing only in high-quality securities for which a strong secondary market exists;
 - manage market and credit risk through the use of a competitive process to place investments;
 - attain a market rate of return commensurate with the objectives and restrictions set forth in this Policy and the terms of the gift.
- 17.5 Commercial Paper Funds Strategy – The City issues tax-exempt commercial paper notes as an interim financing tool for construction projects. Proceeds from the issuance of commercial paper debt must be liquid in order to fund periodic payments to contractors and must be invested in tax-exempt securities in order to avoid costly and complex arbitrage rebate computations. In order to meet these requirements, commercial paper proceeds will be invested in tax-exempt money market mutual funds. The objectives of this portfolio are to:
- ensure safety of principal and sufficient liquidity by investing only in tax-exempt money market mutual funds;
 - manage market and credit risk through diversification of funds and requirement of AAA rating; and
 - attain a market rate of return commensurate with the objectives and restrictions set forth in this Policy and governing bond ordinances.
- 17.6 Trinity Parkway Escrow Strategy – This escrow was established pursuant to an Agreement dated as of January 1, 1999 with the North Texas Tollway Authority (“NTTA”) pertaining to development of the Trinity Parkway. These funds will be used to reimburse NTTA for specified payments related to project feasibility. Permitted investments for this portfolio are defined in the Escrow Agreement as those that are consistent with the Act. The objectives of this portfolio are to:
- ensure safety of principal and sufficient liquidity by investing only in high-quality securities for which a strong secondary market exists;
 - ensure that anticipated cash flows are matched with adequate investment liquidity;

- c) manage market and credit risk through diversification of funds and requirement of AAA rating; and
- d) attain a market rate of return commensurate with the objectives and restrictions set forth in this Policy and the Agreement.

18.0 Reporting

Investment performance is regularly monitored by investment staff and reported to the Investment Committee on a monthly basis. Month-end market prices on each security are obtained from nationally recognized securities databases including those provided by the City's depository bank through its safekeeping services and Bloomberg Professional Services. . These prices are recorded in the City's portfolio database and included in all management reports as well as the City's Comprehensive Annual Financial Report.

Not less than quarterly the Investment Officers will submit to the city council finance committee described in Chapter III, Section 13 of the Dallas City Charter, the City Manager, and the Mayor and City Council a written report of the status of the current investment portfolio. The report must meet the requirements of the Act.

An independent auditor shall formally review the quarterly reports prepared under this section at least annually, and that auditor shall report the results of the review to City Council.

19.0 Annual Compliance Audit

In conjunction with the annual financial audit, a compliance audit shall be performed which includes an audit of management controls on investments and adherence to the City's established policy.

20.0 Investment Policy Adoption

The City's Investment Policy is hereby adopted by resolution of the City Council on September ~~1124, 2013~~2014 in accordance with the PFIA.

GLOSSARY

ACCRETION OF DISCOUNT: Periodic straight-line increases in the book or carrying value of a security so the amount of the purchase price discount below face value is completely eliminated by the time the bond matures or by the call date, if applicable.

ACCRUED INTEREST: The interest accumulated on a security from its issue date or since the last payment of interest up to but not including the purchase date. The purchaser of the security pays to the seller the market price plus accrued interest.

AMORTIZATION OF PREMIUM: Periodic straight-line decreases in the book or carrying value of a security so the premium paid for a bond above its face value or call price is completely eliminated.

ASK: The price at which securities are offered by sellers.

BARBELL MATURITY STRATEGY: A maturity pattern within a portfolio in which maturities of the assets in the portfolio are concentrated in both the short and long ends of the maturity spectrum.

BASIS POINT: One one-hundredth (1/100) of one percent; 0.0001 in decimal form.

BENCHMARK: A comparative base for performance evaluation. A benchmark can be a broad-based bond index, a customized bond index, or a specific objective.

BID: The price offered for securities by purchasers. (When selling securities, one asks for a bid.)

BOND EQUIVALENT YIELD: Used to compare yields available from discounted securities that pay interest at maturity with yields available from securities that pay interest semi-annually.

BOOK ENTRY SECURITIES: Stocks, bonds, other securities, and some certificates of deposit that are purchased, sold, and held as electronic computer entries on the records of a central holder. These securities are not available for purchase in physical form; buyers get a receipt or confirmation as evidence of ownership.

BOOK VALUE: The original cost of the security as adjusted for amortization of any premium paid or accretion of discount since the date of purchase.

BROKER: A party who brings buyers and sellers together. Brokers do not take ownership of the property being traded. They are compensated by commissions. They are not the same as dealers; however, the same firms that act as brokers in some transactions may act as dealers in other transactions.

CALLABLE BOND: A bond that the issuer has the right to redeem prior to maturity at a specified price. Some callable bonds may be redeemed on one call date while others may have multiple call dates. Some callable bonds may be redeemed at par while others can be redeemed only at a premium. Some callable bonds are step-up bonds that pay an initial coupon rate for the first period, and then the coupon rate increases for the following periods if the bonds are not called by the issuer.

CERTIFICATE OF DEPOSIT (CD): A time deposit with a specific maturity evidenced by a certificate. Large-denomination (over \$100,000) CD's are typically negotiable.

CODE: The Internal Revenue Code of 1986, as amended.

COLLATERAL: Securities, evidence of deposit or other property which a borrower pledges to secure repayment of a loan. Also refers to securities pledged by a bank to secure deposits of public monies.

COLLATERALIZED MORTGAGE OBLIGATION (CMO): A type of mortgage-backed security created by dividing the rights to receive the principal and interest cash flows from an underlying pool of mortgages in separate classes or tiers.

COMMERCIAL PAPER: Short-term unsecured promissory notes issued by corporations for a maturity specified by the buyer. It is used primarily by corporations for short-term financing needs at a rate which is generally lower than the prime rate.

CONFIRMATION: The document used to state in writing the terms of the trade which had previously been agreed to verbally.

COUPON RATE: The stated annual rate of interest payable on a coupon bond expressed as a percentage of the bond's face value.

CREDIT RISK: The risk that (1) the issuer is downgraded to a lower quality category and/or (2) the issuer fails to make timely payments of interest or principal.

CUSIP NUMBER: A nine-digit number established by the Committee on Uniform Securities Identification Procedures that is used to identify publicly traded securities. Each publicly traded security receives a unique CUSIP number when the security is issued.

CUSTODY: The service of an organization, usually a financial institution, of holding (and reporting) a customer's securities for safekeeping. The financial institution is known as the custodian.

DEALER: A firm which buys and sells for its own account. Dealers have ownership, even if only for an instant, between a purchase from one party and a sale to another party. They are compensated by the spread between the price they pay and the price they receive. Dealers are not the same as brokers; however, the same firms which act as dealers in some transactions may act as brokers in other transactions.

DELIVERY VERSUS PAYMENT (DVP): The safest method of settling a trade involving a book entry security. In a DVP settlement, the funds are wired from the buyer's account and the security is delivered from the seller's account in simultaneous, interdependent wires.

DEPOSITORY TRUST COMPANY (DTC): An organization that holds physical certificates for stocks and bonds and issues receipts to owners. Securities held by DTC are immobilized so that they can be traded on a book entry basis.

DERIVATIVE: A security that derives its value from an underlying asset, group of assets, reference rate, or an index value. Some derivatives can be highly volatile and result in a loss of principal in changing interest rate environments.

DISCOUNT: The amount by which the price paid for a security is less than its face value.

DISCOUNT SECURITIES: Securities that do not pay periodic interest. Investors earn the difference between the discount issue price and the full face value paid at maturity.

DIVERSIFICATION: Dividing investment funds among a variety of securities offering independent returns, to reduce risk inherent in particular securities.

DURATION: A sophisticated measure of the weighted average maturity of a bond's cash flow stream, where the present values of the cash flows serve as the weights.

ECONOMIC CYCLE (BUSINESS CYCLE): As the economy moves through the business cycle, interest rates tend to follow the levels of production, output, and consumption - rising as the economy expands and moves out of recession and declining after the economy peaks, contracts, and heads once again into recession.

EFFECTIVE MATURITY: The average maturity of a bond, given the potential for early call. For a non-callable bond, the final maturity date serves as the effective maturity. For a callable bond, the effective maturity is bounded by the first call date and the final maturity date; the position within this continuum is a function of the call price, the current market price, and the reinvestment rate assumed.

FACE VALUE: The principal amount due and payable to a bondholder at maturity; par value. Also, the amount on which coupon interest is computed.

FAIL: The event of a securities purchase or sale transaction not settling as intended by the parties.

FAIR VALUE: The amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

FEDERAL DEPOSIT INSURANCE CORPORATION (FDIC): A federal agency that insures bank deposits.

FEDERAL FARM CREDIT BANKS (FFCB): A government-sponsored corporation that was created in 1916 and is a nationwide system of banks and associations providing mortgage loans, credit, and related services to farmers, rural homeowners, and agricultural and rural cooperatives. The banks and associations are cooperatively owned, directly or indirectly, by their respective borrowers. The Federal Farm Credit System is supervised by the Farm Credit Administration, an independent agency of the U.S. government. (See Government Sponsored Enterprise)

FEDERAL FUNDS: Monies within the Federal Reserve System representing a member bank's surplus reserve funds. Banks with excess funds may sell their surplus to other banks whose funds are below required reserve levels. Normally, Federal funds are employed in settling all government securities transactions. The Federal Funds Rate is the rate of interest at which Fed funds are traded. This rate is currently pegged by the Federal Reserve through open-market operations.

FEDERAL HOME LOAN BANKS (FHLB): Government-sponsored wholesale banks (currently twelve regional banks) which lend funds and provide correspondent banking services to member commercial bank, thrift institutions, credit unions and insurance companies. The mission of the FHLBs is to liquefy the housing related assets of its members who must purchase stock in their district Bank. (See Government Sponsored Enterprises)

FEDERAL HOME LOAN MORTGAGE CORPORATION (FHLMC or "Freddie Mac"): A government-sponsored corporation that was created in July 1970, by the enactment of Title III of the Emergency Home Finance Act of 1970. Freddie Mac was established to help maintain the availability of mortgage credit for residential housing, primarily through developing and maintaining an active, nationwide secondary market in conventional residential mortgages. (See Government Sponsored Enterprises)

FEDERAL NATIONAL MORTGAGE ASSOCIATION (FNMA or Fannie Mae): FNMA, like GNMA was chartered under the Federal National Mortgage Association Act in 1938. FNMA is a federal corporation working under the auspices of the Department of Housing and Urban Development (HUD). It is the largest single provider of residential mortgage funds in the United States. Fannie Mae is a private stockholder-owned corporation. FNMA securities are highly liquid and are widely accepted. FNMA assumes and guarantees that all security holders will receive timely payment of principal and interest. (See Government Sponsored Enterprises)

FEDERAL OPEN MARKET COMMITTEE (FOMC): Consists of seven members of the Federal Reserve Board and five of the twelve Federal Reserve Bank presidents. The president of the New York Federal Reserve Bank is a permanent member while the other presidents serve on a rotating basis. The Committee periodically meets to set Federal Reserve guidelines regarding purchases and sales of government securities in the open market as a means of influencing the volume of bank credit and money.

FEDERAL RESERVE SYSTEM: The central bank of the United States created by Congress and consisting of a seven member Board of Governors in Washington, D.C., twelve regional banks and about 5700 commercial banks that are members of the system.

FIXED-INCOME SECURITY: A financial instrument promising a fixed amount of periodic income over a specified future time span.

GOVERNMENT-SPONSORED ENTERPRISES (GSE's): Payment of principal and interest on securities issued by these corporations is not guaranteed explicitly by the U.S. government, however, most investors consider these securities to carry an implicit U.S. government guarantee. The debt is fully guaranteed by the issuing corporations. GSE's include: Farm Credit System, Federal Home Loan Bank System, Federal Home Loan Mortgage Corporation, and Federal National Mortgage Association.

INSTRUMENTALITIES: See Government-Sponsored Enterprises

INTEREST RATE RISK: The risk that the general level of interest rates will change, causing unexpected price appreciations or depreciations.

LADDERED MATURITY STRATEGY: A maturity pattern within a portfolio in which maturities of the assets in the portfolio are equally spaced. Over time, the shortening of the remaining lives of the assets provides a steady source of liquidity or cash flow. Given a normal yield curve with a positive slope this passive strategy provides the benefit of being able to take advantage of the higher, longer-term yields without sacrificing safety or liquidity.

LIQUIDITY: An entity's capacity to meet future monetary outflows (whether they are required or optional) from available resources. Liquidity is often obtained from reductions of cash or by converting assets into cash.

LIQUIDITY RISK: The risk that an investment will be difficult to sell at a fair market price in a timely fashion.

MARKET RISK: The risk that the value of a security will rise or decline as a result of changes in market conditions. It is that part of a security's risk that is common to all securities of the same general class (stocks and bonds) and thus cannot be eliminated by diversification; also known as systematic risk.

MARKET VALUE: The price at which a security is trading and could presumably be purchased or sold.

MARKING-TO-MARKET: The practice of valuing a security or portfolio according to its market value, rather than its cost or book value.

MASTER REPURCHASE AGREEMENT: A written contract covering all future transactions between the parties to repurchase agreements that establishes each party's rights in the transactions. A master agreement will often specify, among other things, the right of the buyer to liquidate the underlying securities in the event of default by the seller.

MATURITY DATE: The date on which the principal or face value of an investment becomes due and payable.

MONEY MARKET INSTRUMENT: Generally, a short-term debt instrument that is purchased from a broker, dealer, or bank. Sometimes the term "money market" with "short-term", defines an instrument with no more than 12 months remaining from the purchase date until the maturity date. Sometimes the term "money market" is used more restrictively to mean only those instruments that have active secondary markets.

MORTGAGE-BACKED SECURITIES (MBS): Securities composed of, or collateralized by, loans that are themselves collateralized by liens on real property.

OFFER: The price asked by a seller of securities. (When purchasing securities, one asks for an offer.)

OPEN MARKET OPERATIONS: Purchases and sales of government and certain other securities in the open market by the New York Federal Reserve Bank as directed by the FOMC in order to influence the volume of money and credit in the economy. Purchases inject reserves into the bank system and stimulate growth of money and credit; sales have the opposite effect. Open market operations are the Federal Reserve's most important and most flexible monetary policy tool.

OPPORTUNITY COST: The cost of pursuing one course of action measured in terms of the foregone return that could have been earned on an alternative course of action that was not undertaken.

PAR: See Face Value

PFIA OR ACT: The Public Funds Investment Act, Chapter 2256, Texas Government Code, as amended.

POOLED FUND GROUP: An internally created fund of an investing entity in which one or more institutional accounts of the investing entity are invested (as defined by the Public Funds Investment Act).

PREMIUM: The amount by which the price paid for a security exceeds its face value.

PRIMARY DEALER: A group of government securities dealers that submit daily reports of market activity and positions and monthly financial statements to the Federal Reserve Bank of New York and are subject to its informal oversight. Primary dealers include Securities and Exchange Commission (SEC)-registered securities broker-dealers, banks, and a few unregulated firms.

PRINCIPAL: The face or par value of an instrument, exclusive of accrued interest.

PRUDENT PERSON RULE: An investment standard. In some states the law requires that a fiduciary, such as a trustee, may invest money only in a list of securities selected by the state. In other states the trustee may invest in a security if it is one which would be bought by a prudent person of discretion and intelligence who is seeking a reasonable income and preservation of capital.

QUALIFIED REPRESENTATIVE: A person who holds a position with - and is authorized to act on behalf of - a business organization (as defined by the Public Funds Investment Act).

RATE OF RETURN: The amount of income received from an investment, expressed as a percentage. A market rate of return is the yield that an investor can expect to receive in the current interest-rate environment utilizing a buy-and-hold to maturity investment strategy.

REINVESTMENT RATE: The interest rate earned on the reinvestment of coupon payments.

REINVESTMENT RATE RISK: The risk that the actual reinvestment rate falls short of the expected or assumed reinvestment rate.

REPURCHASE AGREEMENT (RP or REPO): An agreement of one party to sell securities at a specified price to a second party and a simultaneous agreement of the first party to repurchase the securities at a specified price on demand or at a specified later date. The difference between the selling price and the repurchase price provides the interest income to the party that provided the funds. Every transaction where a security is sold under an agreement to be repurchased is a repo from the seller/borrower's point of view and a reverse repo from the buyer/lender's point of view.

REVERSE REPURCHASE AGREEMENT: (See Repurchase Agreement)

SAFEKEEPING: A procedure where securities are held by a third party acting as custodian for a fee.

SECONDARY MARKET: A market made for the purchase and sale of outstanding issues following the initial distribution.

SECURITIES AND EXCHANGE COMMISSION (SEC): Agency created by Congress to protect investors in securities transactions by administering securities legislation.

SECURITIES LENDING: The temporary transfer of securities by one party, the lender, to another, the borrower. The securities borrower is required to provide acceptable assets as collateral to the securities lender in the form of cash or other securities. If the borrower provides securities as collateral to the lender, it pays a fee to borrow the lent securities. If it provides cash as collateral, the lender pays interest to the borrower and reinvests the cash at a higher rate.

SEC RULE 15C3-1: See Uniform Net Capital Rule

STRUCTURED NOTES: Debt obligations whose principal or interest payments are determined by an index or formula.

SEPARATELY INVESTED ASSET: An account or fund of a state agency or local government that is not invested in a pooled fund group (as defined by the Public Funds Investment Act).

SPREAD: Most commonly used when referring to the difference between the bid and asked prices in a quote. Additionally, it may also refer to additional basis points that a non-Treasury security earns over and above a Treasury with a comparable maturity date.

STRIPS: Separation of the principal and interest cash flows due from any interest-bearing securities into different financial instruments. Each coupon payment is separated from the underlying investment to create a separate security. Each individual cash flow is sold at a discount. The amount of the discount and the time until the cash flow is paid determine the investor's return.

SWAP: The trading of one asset for another. Sometimes used in active portfolio management to increase investment returns by "swapping" one type of security for another.

TOTAL RETURN: Interest income plus capital gains (or minus losses) on an investment.

TREASURY BILLS: A non-interest bearing discount security issued by the U.S. Treasury, generally having initial maturities of 3 months, 6 months, or 1 year.

TREASURY BONDS: Long-term, coupon bearing U.S. Treasury securities having initial maturities of more than 10 years.

TREASURY NOTES: Intermediate-term, coupon bearing U.S. Treasury securities having initial maturities of 2 - 10 years.

UNIFORM NET CAPITAL RULE: Securities and Exchange Commission requirement that member firms as well as nonmember broker-dealers in securities maintain a maximum ratio of indebtedness to liquid capital of 15 to 1; also called *net capital rule* and *net capital ratio*. Indebtedness covers all money owed to a firm, including margin loans and commitments to purchase securities, one reason new public issues are spread among members of underwriting syndicates. Liquid capital includes cash and assets easily converted into cash.

YIELD TO MATURITY (YTM): The promised return assuming all interest and principal payments are made and reinvested at the same rate taking into account price appreciation (if priced below par) or depreciation (if priced above par).

CITY OF DALLAS

INVESTMENT POLICY

**As adopted by City Council
September 24, 2014**

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1.0 Policy

It is the policy of the City of Dallas to invest public funds in a manner which will provide security and optimize interest earnings to the maximum extent possible while meeting the daily cash flow demands of the City and conforming to all federal, state and local statutes, rules and regulations governing the investment of public funds. This Policy sets forth the investment program of the City of Dallas and the guidelines to be followed in achieving its objectives.

Not less than annually, City Council shall adopt a written instrument by resolution stating that it has reviewed the Investment Policy and investment strategies and that the written instrument so adopted shall record any changes made to the Investment Policy or investment strategies.

This Policy is intended to satisfy the requirements of the Public Funds Investment Act, Chapter 2256, Texas Government Code (the "PFIA" or the "Act") that an investing entity such as the City of Dallas adopt and review an investment policy governing the investment by the investing entity of its funds and funds under its control.

2.0 Scope

This Policy governs the investment of all funds of the City except those that are identified in Section 2.2 below. With respect to the funds of non-profit corporations that are established by City resolution and act on behalf of the City in accordance with State law, this Policy shall prevail in the absence of a specific investment policy adopted by the non-profit corporation. In addition to this Policy, the investment of bond proceeds and other bond funds (including debt service and reserve funds) of the City or of a non-profit corporation established by City resolution and acting on behalf of the City in accordance with State law shall be governed and controlled by their governing ordinance, resolution or trust indenture, including the authorization of eligible investments, and by the provisions of the Internal Revenue Code of 1986, as amended (the "Internal Revenue Code"), including all regulations and rulings promulgated thereunder applicable to the issuance of tax-exempt obligations.

- 2.1 All funds are managed as a pooled fund group, referenced in this Policy as the City's investment pool, with the exception of the following, which are managed as separately invested assets:
 - 2.1.1 Bond Funds - funds established with the proceeds from specific bond issues when it is determined that segregating these funds from the City's investment pool will result in maximum interest earnings retention under the provisions of the Internal Revenue Code.
 - 2.1.2 Bond Reserve Funds - funds set at prescribed levels by certain bond ordinances to pay principal and/or interest if required to prevent default.
 - 2.1.3 Endowment Funds - funds given to the City with the instructions that the principal is to remain intact, unless otherwise agreed to, and the income generated by the investments will be used for specified purposes.
 - 2.1.4 Commercial Paper Funds - unexpended proceeds from the issuance of commercial paper notes.
- 2.2 Funds not governed by this Policy include:
 - 2.2.1 Employees' Retirement Fund
 - 2.2.2 Dallas Police and Fire Pension System
 - 2.2.3 Deferred Compensation Funds
 - 2.2.4 Private Donations – investments donated to the City are excluded from this Policy if separately managed under terms of use specified by the donor.

3.0 Objective

Investment of the funds covered by this Policy shall be governed by the following investment objectives, in order of priority:

- 3.1 **Safety:** Safety of principal is the primary objective of the Investment Policy. Investment of the City's funds shall be undertaken in a manner that seeks to ensure the preservation of capital for the overall portfolio. The objective will be to mitigate credit risk and interest rate risk.

The City will mitigate credit risk, which is the risk of loss due to the failure of the issuer or backer, by:

- Limiting investments to the types listed in Section 8.0 ("Authorized and Suitable Investments") of this Policy
- Qualifying the broker/dealers and financial institutions with which the City may engage in an investment transaction in accordance with Section 9.0 ("Authorized Broker/Dealers and Financial Institutions")
- Diversifying the investment portfolio so that the impact of potential losses from any one type of investment or from any one individual issuer will be minimized (see Section 13.0 "Diversification and Maximum Maturities").

The City will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by:

- Structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities prior to maturity
- Investing operating funds primarily in shorter-term securities, money market mutual funds, or similar local government investment pools and limiting the weighted average maturity of the portfolio in accordance with this Policy (see Section 17.0 "Investment Strategies").

- 3.2 **Liquidity:** The City's investment portfolio will remain sufficiently liquid to enable the City to meet all operating requirements that might be reasonably anticipated. This is accomplished by structuring the portfolio so that investments mature concurrent with cash needs to meet anticipated demands. A portion of the portfolio will be placed in money market mutual funds or local government investment pools offering same-day liquidity to meet unanticipated demands.
- 3.3 **Yield:** The City's investment portfolio shall be designed with the objective of attaining a market rate of return, throughout budgetary and economic cycles, commensurate with the City's investment risk constraints and the cash flow characteristics of the portfolio.

4.0 Delegation of Authority

The Chief Financial Officer, under the direction and authority of the City Manager, shall direct the cash management program of the City as defined in Section 2-134, "Duties of the Chief Financial Officer", Chapter 2 "Administration" of the Dallas City Code, as amended. City Council shall designate the Chief Financial Officer, City Controller, and the Assistant Director/Treasury Manager as Investment Officers responsible for the investment of its funds, under the direction and authority of the City Manager.

The City's Investment Officers shall establish written procedures for the operation of the investment program consistent with this Investment Policy. Such procedures shall include explicit delegation of authority to persons responsible for investment transactions. No person may engage in an investment transaction except as provided under the terms of this Policy and the written procedures. Authority granted to a person to invest the City's funds is effective until rescinded or until termination of the person's employment by the City. The Investment Officers shall be responsible for all transactions undertaken and shall establish a system of controls, to be reviewed by the City Auditor, to regulate the activities of subordinate officials. In order to assure quality and capability of investment management, the Investment Officers shall possess sufficient working knowledge of economics and securities markets, as well as the supervisory experience and judgment necessary to carry out the responsibilities outlined in this Policy.

5.0 Prudence

Investments shall be made with judgment and care - under circumstances then prevailing - which persons of prudence, discretion and intelligence 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.

- 5.1 The standard of prudence to be used by investment officials shall be the “prudent person” standard and shall be applied in the context of managing an overall portfolio. Investment Officers acting in accordance with written procedures and the Investment Policy and exercising due diligence shall be relieved of personal responsibility for an individual security’s credit risk or market price changes, provided deviations from expectations are reported in a timely fashion and appropriate action is taken to control adverse developments.
- 5.2 In determining whether an investment official 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 official had responsibility rather than consideration as to the prudence of a single investment and, whether the investment decision was consistent with the City’s Investment Policy and written investment procedures.

6.0 Ethics and Conflicts of Interest

Investment Officers who have a personal business relationship with a business organization offering to engage in an investment transaction with the City shall refrain from activities that could conflict with proper execution of the investment program, or which could impair their ability to make impartial investment decisions.

- 6.1 Investment Officers shall sign annual statements agreeing to abide by this section of the Investment Policy and affirming no known conflicts of interest.
- 6.2 Investment Officers must file a disclosure statement with the Texas Ethics Commission and City Council if:
 - a) the Investment Officer has a personal business relationship with a business organization offering to engage in an investment transaction with the City; or
 - b) the Investment Officer is related within the second degree by affinity or consanguinity, as determined under Chapter 573 of the Texas Government Code, to an individual seeking to transact investment business with the City.
- 6.3 An Investment Officer has a personal business relationship with a business organization if:
 - a) the Investment Officer owns 10 percent or more of the voting stock or shares of the business organization or owns \$5,000 or more of the fair market value of the business organization;
 - b) funds received by the Investment Officer from the business organization exceed 10 percent of his/her gross income for the previous year; or
 - c) the Investment Officer has acquired from the business organization during the previous year investments with a book value of \$2,500 or more for his/her personal account.

7.0 Training

The Investment Officers and the persons authorized to execute investment transactions shall attend at least one investment training session within 12 months after taking office or assuming duties and receive not less than 10 hours of instruction relating to investment responsibilities during a two-year period that begins on the first day of the City’s fiscal year following the initial 10 hours of instruction and consists of the two consecutive fiscal years after that date. Training must be received from an independent source approved by the City’s Investment Committee and must include education in investment controls, security risks, strategy risks, market risks, diversification of investment portfolio and compliance with the Act.

8.0 Authorized and Suitable Investments

City funds governed by this Policy may be invested in the instruments described below, all of which are authorized by Chapter 2256 of the Government Code (Public Funds Investment Act).

- 8.1 Direct obligations of the United States, its agencies or instrumentalities, and other obligations, the principal and interest of which are unconditionally guaranteed or insured by, or backed by the full faith and credit of the United States or its respective 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.
- The City will restrict investments in eligible securities described in this section to discount notes and callable or non-callable fixed-rate securities with a fixed principal repayment amount.
- 8.2 Fully collateralized Certificates of Deposit/Share Certificates that are issued by a bank or credit union that has its main office or branch office within the City and are:
- a) guaranteed or insured by the Federal Deposit Insurance Corporation or its successor or the National Credit Union Share Insurance Fund or its successor; or
 - b) secured by obligations in accordance with Section 11.0 herein.
- If the certificate of deposit is collateralized by pledged securities the City must have on file a signed Depository Agreement, approved as to form by the City Attorney, which details eligible collateral, collateralization ratios for pledged securities, standards for collateral custody and control of pledged securities, collateral valuation of pledged securities, and conditions for agreement termination.
- 8.3 Certificates of Deposit obtained through a depository institution or a broker approved by the City's Investment Committee under the provisions of Section 9.0 of this Policy that has its main office or branch office within the City and that contractually agrees to place the funds in federally insured depository institutions in accordance with the conditions prescribed in Section 2256.010(b) of the Act.
- 8.4 Fully collateralized repurchase agreements in accordance with the conditions prescribed in Section 2256.011 of the Act. Prior to investment in a repurchase agreement, the City must have on file a signed Master Repurchase Agreement, approved as to form by the City Attorney, which details eligible collateral, collateralization ratios, standards for collateral custody and control, collateral valuation, and conditions for agreement termination and provided the repurchase agreement:
- a) has a defined termination date;
 - b) is secured by a combination of cash and obligations of the United States or its agencies and instrumentalities described by Section 2256.009(a) (1) of the Act. Securities received for repurchase agreements must have a market value greater than or equal to 103% at the time the investment is made and throughout the terms of the repurchase agreement;
 - c) requires the securities being purchased by the City or cash held by the City to be assigned to the City, held in the City's name, and deposited at the time the investment is made with the City or with a third party selected and approved by the City; and
 - d) is placed through a primary government securities dealer, as defined by the Federal Reserve, or a financial institution doing business in this state, and which is rated no less than A or its equivalent by two nationally recognized rating services.
- 8.5 A securities lending program is an authorized investment if it meets the following conditions:
- a) A loan made under the program must allow for termination at any time;
 - b) A loan made under the program must be placed through a primary government securities dealer, as defined by the Federal Reserve, or a financial institution doing business in this state that is rated no less than A or its equivalent by two nationally recognized rating services. An agreement to lend securities must have a term of one year or less and shall comply with the provisions of section 1058 of the Internal Revenue Code,;
 - c) A loan made under the program must be secured as prescribed in Section 2256.0115(b)(3) of the Act. Securities being held as collateral must be pledged to the City, held in the City's name, and deposited at the time the investment is made with a third party approved by the City.
 - d) The amount of collateral must not be less than 100% of the market value of securities loaned, including accrued income. The market value of securities loaned shall be determined daily. Cash received as collateral shall not be invested for a term later than the expiration date of the

securities lending agreement and may only be invested in investments as authorized by this Policy.

- 8.6 No-load money market mutual funds that are registered with and regulated by the Securities and Exchange Commission that meet the requirements of the PFIA, and, in addition:
- a) are rated not less than Aaa or an equivalent rating by at least one nationally recognized rating service. A rating is not required for a sweep account investment, which is part of the city's depository contract; and,
 - b) have provided the City with a prospectus and other information as may be required by law.

Investments will be made in a money market mutual fund only after a thorough investigation of the fund and approval by the Investment Committee which shall, at least annually, review, revise and adopt a list of approved funds.

- 8.7 Local government investment pools which are organized in conformity with Chapter 791 (Interlocal Cooperation Contracts Act) and meet the requirements of the PFIA that:
- a) are rated not less than Aaa or an equivalent rating by at least one nationally recognized rating service; and
 - b) have provided the City with an offering circular and other information required by the Act.

To become eligible, investment pools must be approved by City Council action. Investments will be made in a local government investment pool only after a thorough investigation of the pool and approval by the Investment Committee which shall, at least annually, review, revise and adopt a list of approved pools.

The Investment Officers may at times restrict or prohibit the purchase of specific issues due to current market conditions. An investment that requires a minimum rating under this section does not qualify as an authorized investment during the period the investment does not have the minimum rating. Ratings shall be monitored using nationally recognized financial information sources, including actions published on rating agency websites. The City shall take all prudent measures consistent with the Act to liquidate an investment that does not have the minimum rating required by the Act.

9.0 Authorized Broker/Dealers and Financial Institutions

The Investment Committee shall, at least annually, review, revise, and adopt a list of qualified broker/dealers and financial institutions authorized to engage in the purchase and sale of obligations of the U.S. Government, its agencies or instrumentalities with the City. In order to be considered, those firms that desire to become qualified bidders for securities transactions will be required to provide information regarding creditworthiness, experience and reputation. Authorized firms may include primary dealers or regional dealers that qualify under Securities & Exchange Commission Rule 15C3-1 (uniform net capital rule).

A written copy of this Investment Policy shall be presented to any person offering to engage in an investment transaction with the City. Investments shall only be made with those business organizations (including money market mutual funds and local government investment pools) which have provided the City with a written instrument executed by a qualified representative of the firm, acknowledging that the business organization has:

- a) received and reviewed the City's Investment Policy; and
- b) implemented reasonable procedures and controls in an effort to preclude investment transactions conducted between the City and the organization that are not authorized by the City's Investment Policy, except to the extent that this authorization is dependent on an analysis of the makeup of the City's entire portfolio or requires an interpretation of subjective investment standards.

10.0 Competitive Bidding

It is the policy of the City to require competitive bidding for all individual security purchases and sales except for:

- a) transactions with money market mutual funds and local government investment pools (which are deemed to be made at prevailing market rates)
- b) treasury and agency securities purchased at issue through an approved broker/dealer or financial institution
- c) automatic overnight "sweep" transactions with the City Depository
- d) fully insured certificates of deposit placed in accordance with the conditions prescribed in Section 2256.010(b) of the Act or placed with the City's Depository if so authorized by the City Depository Contract.

At least three bids or offers must be solicited for all other transactions involving individual securities. The City's investment advisor is also required to solicit at least three bids or offers when transacting trades on the City's behalf. In situations where the exact security being offered is not offered by other dealers, offers on the closest comparable investment may be used to establish a fair market price for the security. Bids for certificates of deposit may be solicited in any manner permitted by the Act.

11.0 Collateralization of Deposits

The City requires that all uninsured collected balances plus accrued interest, if any, in depository accounts be secured in accordance with the requirements of this Policy and Chapter 2257, Government Code ("Public Funds Collateral Act") and the Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (FIRREA). Financial institutions serving as City depositories will be required to sign a Depository Agreement with the City which details securities that can serve as eligible collateral, collateralization ratios, standards for collateral custody and control, collateral valuation, rights of substitution and conditions for agreement termination.

Pledged securities serving as collateral will always be held by an independent third party with which the City has a current custodial agreement and shall be reviewed at least monthly to ensure that the market value of the pledged securities is at least 102%. Eligible collateral are as follows:

Eligible Collateral

- 1) Direct obligations of the United States or other obligations of the United States or other obligations, the principal and interest of which are unconditionally guaranteed or insured by, or backed by the full faith and credit of the United States.
- 2) Direct debt obligations of an agency or instrumentality of the United States.
- 3) Mortgage-backed securities issued directly by an agency or instrumentality of the United States eligible under the Public Funds Collateral Act.
- 4) Direct debt obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than A or its equivalent.

The use of a letter of credit issued to the City by the Federal Home Loan Bank may be considered by the City to provide collateral for bank deposits and for certificates of deposit.

The City's Investment Officers reserve the right to accept or reject any form of collateral or enhancement at their sole discretion.

12.0 Safekeeping and Custody

Safekeeping and custody of investment securities shall be in accordance with applicable law and accounting standards. All securities transactions, except local government investment pool and money market mutual fund transactions, shall be conducted on a delivery versus payment (DVP) basis. Investment securities will be held by a third party custodian designated by the City, and be required to issue safekeeping receipts clearly detailing that the securities are owned by the City.

Safekeeping and custody of collateral shall be in accordance with applicable law and accounting standards. Pledged securities serving as collateral will be held by a third party custodian designated by the City, and pledged to the City as evidenced by safekeeping receipts of the institution with which the securities are deposited.

13.0 Diversification and Maximum Maturities

The City's investment pool will be diversified to limit market and credit risk by observing the limitations at the time of purchase as listed below. Funds managed as separately invested assets in Section 2.1 of the Policy are subject to all of the following with the exception of the Issuer Limitation on investment in U.S. Agencies and Instrumentalities. Funds managed as separately invested assets may be invested 100% in the obligations of any one U.S. Agency or Instrumentality.

	Maximum Stated Maturity¹	Issuer Limitations
U.S. Treasuries	5 Years	100% of the City's investment pool may be invested in obligations of the U.S. Treasury.
U.S. Agencies/Instrumentalities	5 Years	No more than 30% of the book value of the City's investment pool may be invested in the obligations of any one issuer.
Repurchase Agreements	30 Days	No more than 15% of the City's investment pool may be invested with one counterparty, excluding flexible repurchase agreements for investment of bond proceeds.
Money Market Mutual Funds	N/A	The City may not own more than the lesser of \$100 million or 5% of the total assets of any one fund, excluding tax-exempt money market mutual funds for investment of commercial paper proceeds.
Local Government Investment Pools	N/A	The City may not own more than the lesser of \$400 million or 10% of the total assets of any one pool.
Certificates of Deposit	5 Years	The City may not own more than \$50 million of any single financial institution's certificates of deposit at any one time, excluding certificates of deposit placed with the City's Depository if so authorized by the City Depository Contract.

In addition to the above limitations, the City's investment pool shall be diversified by market sector as follows:

	Maximum Percentage of Investment Pool
U.S. Treasuries	100%
U.S. Agencies/Instrumentalities	100% (maximum 30% callable)
Repurchase Agreements	15%*
Money Market Mutual Funds	15%
Local Government Investment Pools	45%
Certificates of Deposit	20%**

* Excluding flexible repurchase agreements for bond proceeds.

**Excluding certificates of deposit placed with the City's Depository if so authorized by the City Depository Contract.

- (1) Purchases of securities with stated maturities greater than the maximum authorized under this section require prior City Council approval. With respect to bond proceeds and other bond funds, the City may, in the bond ordinance, specifically authorize investments in repurchase agreements with maturities in excess of 30 days subject to any required approvals from bond insurers.

14.0 Sale of Securities

The City's policy is to hold securities to maturity. However, securities may be sold:

- (a) in order to minimize the potential loss of principal on a security whose credit quality has declined;
- (b) in order to reposition the portfolio for the purpose of improving the quality, yield, or target duration of the portfolio; or
- (c) in order to meet unanticipated liquidity needs of the portfolio.

15.0 Investment Committee

An Investment Committee shall be established and meet quarterly to determine investment guidelines, general strategies, and monitor performance. Members of the Investment Committee will include the Investment Officers, the Cash and Investment Manager and the City's Investment Advisor if the City has contracted with an Advisor. The Investment Advisor is a non-voting member of the Investment Committee.

16.0 Investment Advisor

The City may retain the services of an Investment Advisor to assist in the review of cash flow requirements, the formulation of investment strategies, and the execution of security purchases, sales and deliveries.

17.0 Investment Strategies

The City of Dallas maintains separate portfolios for individual funds or groups of funds (as listed under Sec. 2.0 of this Policy) which are managed according to the terms of this Policy and the corresponding investment strategies listed below. The investment strategy for portfolios established after the annual Investment Policy adoption will be managed in accordance with the terms of this Policy and applicable agreements until the next annual review when a specific strategy will be adopted.

- 17.1 Investment Pool Strategy - The City's Investment Pool is an aggregation of the majority of City funds which includes tax receipts, enterprise fund revenues, fine and fee revenues, as well as some, but not all, bond proceeds, grants, gifts and endowments. This portfolio is maintained to meet anticipated daily cash needs for City of Dallas operations, capital projects and debt service. In order to ensure the ability of the City to meet obligations and to minimize potential liquidation losses, the dollar-weighted average stated maturity of the Investment Pool shall not exceed 1.5 years. The objectives of this portfolio are to:
- a) ensure safety of principal by investing only in high-quality securities for which a strong secondary market exists;
 - b) ensure that anticipated cash flows are matched with adequate investment liquidity;
 - c) limit market and credit risk through diversification; and
 - d) attain a market rate of return commensurate with the objectives and restrictions set forth in this Policy by managing the portfolio to meet or exceed the 12 month moving average yield on treasury one-year constant maturities as reported by Federal Reserve Statistical Release H.15.

- 17.2 Bond Funds Strategy - Occasionally, separate non-pooled portfolios are established with the proceeds from bond sales in order to maximize earnings within the constraints of arbitrage regulations. The objectives of these portfolios are to:
- ensure safety of principal by investing only in high-quality securities for which a strong secondary market exists or by maintaining the security of the investment through collateralization according to the standards approved in Section 8.4 of this Policy;
 - ensure that anticipated cash flows are matched with adequate investment liquidity or that the terms of the secured investment agreement permit maximum flexibility for the City in making withdrawals;
 - manage market and credit risk through diversification and control of counterparty risk; and
 - attain a market rate of return commensurate with the objectives and restrictions set forth in this Policy and the bond ordinance by managing the portfolio to meet or exceed the bond yield
- 17.3 Bond Reserve Fund Strategy - Non-pooled reserve funds for outstanding revenue bonds are set at levels required by their respective bond ordinances. These funds will be used to pay the final principal and/or interest due on outstanding bonds that are similarly secured or to make up any shortfalls in debt service funds as required by the bond ordinance. The objectives of Bond Reserve Fund Portfolios are to:
- ensure safety of principal by investing only in high-quality securities for which a strong secondary market exists or by maintaining the security of the investment through collateralization according to the standards approved in Section 8.4 of this Policy;
 - ensure that anticipated cash flows are matched with adequate investment liquidity or that the terms of the secured investment agreement permit maximum flexibility for the City in making withdrawals;
 - manage market and credit risk through diversification and control of counterparty risk; and
 - attain a market rate of return commensurate with the objectives and the restrictions set forth in this Policy and the bond ordinance by managing the portfolio to meet or exceed the bond yield.
- 17.4 Endowment Funds Strategy - Funds received as gifts to the City with instructions that the income generated by the investment of said funds be used for specified purposes may be invested as separate non-pooled portfolios if required by the terms of the gift. The objectives of Endowment Portfolios are to:
- ensure safety of principal and sufficient liquidity by investing only in high-quality securities for which a strong secondary market exists;
 - manage market and credit risk through the use of a competitive process to place investments;
 - attain a market rate of return commensurate with the objectives and restrictions set forth in this Policy and the terms of the gift.
- 17.5 Commercial Paper Funds Strategy – The City issues tax-exempt commercial paper notes as an interim financing tool for construction projects. Proceeds from the issuance of commercial paper debt must be liquid in order to fund periodic payments to contractors and must be invested in tax-exempt securities in order to avoid costly and complex arbitrage rebate computations. In order to meet these requirements, commercial paper proceeds will be invested in tax-exempt money market mutual funds. The objectives of this portfolio are to:
- ensure safety of principal and sufficient liquidity by investing only in tax-exempt money market mutual funds;
 - manage market and credit risk through diversification of funds and requirement of AAA rating; and
 - attain a market rate of return commensurate with the objectives and restrictions set forth in this Policy and governing bond ordinances.
- 17.6 Trinity Parkway Escrow Strategy – This escrow was established pursuant to an Agreement dated as of January 1, 1999 with the North Texas Tollway Authority (“NTTA”) pertaining to development of the Trinity Parkway. These funds will be used to reimburse NTTA for specified payments related to project feasibility. Permitted investments for this portfolio are defined in the Escrow Agreement as those that are consistent with the Act. The objectives of this portfolio are to:
- ensure safety of principal and sufficient liquidity by investing only in high-quality securities for which a strong secondary market exists;

- b) ensure that anticipated cash flows are matched with adequate investment liquidity;
- c) manage market and credit risk through diversification of funds and requirement of AAA rating; and
- d) attain a market rate of return commensurate with the objectives and restrictions set forth in this Policy and the Agreement.

18.0 Reporting

Investment performance is regularly monitored by investment staff and reported to the Investment Committee on a monthly basis. Month-end market prices on each security are obtained from nationally recognized securities databases including those provided by the City's depository bank through its safekeeping services and Bloomberg Professional Services. . These prices are recorded in the City's portfolio database and included in all management reports as well as the City's Comprehensive Annual Financial Report.

Not less than quarterly the Investment Officers will submit to the city council finance committee described in Chapter III, Section 13 of the Dallas City Charter, the City Manager, and the Mayor and City Council a written report of the status of the current investment portfolio. The report must meet the requirements of the Act.

An independent auditor shall formally review the quarterly reports prepared under this section at least annually, and that auditor shall report the results of the review to City Council.

19.0 Annual Compliance Audit

In conjunction with the annual financial audit, a compliance audit shall be performed which includes an audit of management controls on investments and adherence to the City's established policy.

20.0 Investment Policy Adoption

The City's Investment Policy is hereby adopted by resolution of the City Council on September 24, 2014 in accordance with the PFIA.

GLOSSARY

ACCRETION OF DISCOUNT: Periodic straight-line increases in the book or carrying value of a security so the amount of the purchase price discount below face value is completely eliminated by the time the bond matures or by the call date, if applicable.

ACCRUED INTEREST: The interest accumulated on a security from its issue date or since the last payment of interest up to but not including the purchase date. The purchaser of the security pays to the seller the market price plus accrued interest.

AMORTIZATION OF PREMIUM: Periodic straight-line decreases in the book or carrying value of a security so the premium paid for a bond above its face value or call price is completely eliminated.

ASK: The price at which securities are offered by sellers.

BARBELL MATURITY STRATEGY: A maturity pattern within a portfolio in which maturities of the assets in the portfolio are concentrated in both the short and long ends of the maturity spectrum.

BASIS POINT: One one-hundredth (1/100) of one percent; 0.0001 in decimal form.

BENCHMARK: A comparative base for performance evaluation. A benchmark can be a broad-based bond index, a customized bond index, or a specific objective.

BID: The price offered for securities by purchasers. (When selling securities, one asks for a bid.)

BOND EQUIVALENT YIELD: Used to compare yields available from discounted securities that pay interest at maturity with yields available from securities that pay interest semi-annually.

BOOK ENTRY SECURITIES: Stocks, bonds, other securities, and some certificates of deposit that are purchased, sold, and held as electronic computer entries on the records of a central holder. These securities are not available for purchase in physical form; buyers get a receipt or confirmation as evidence of ownership.

BOOK VALUE: The original cost of the security as adjusted for amortization of any premium paid or accretion of discount since the date of purchase.

BROKER: A party who brings buyers and sellers together. Brokers do not take ownership of the property being traded. They are compensated by commissions. They are not the same as dealers; however, the same firms that act as brokers in some transactions may act as dealers in other transactions.

CALLABLE BOND: A bond that the issuer has the right to redeem prior to maturity at a specified price. Some callable bonds may be redeemed on one call date while others may have multiple call dates. Some callable bonds may be redeemed at par while others can be redeemed only at a premium. Some callable bonds are step-up bonds that pay an initial coupon rate for the first period, and then the coupon rate increases for the following periods if the bonds are not called by the issuer.

CERTIFICATE OF DEPOSIT (CD): A time deposit with a specific maturity evidenced by a certificate. Large-denomination (over \$100,000) CD's are typically negotiable.

CODE: The Internal Revenue Code of 1986, as amended.

COLLATERAL: Securities, evidence of deposit or other property which a borrower pledges to secure repayment of a loan. Also refers to securities pledged by a bank to secure deposits of public monies.

COLLATERALIZED MORTGAGE OBLIGATION (CMO): A type of mortgage-backed security created by dividing the rights to receive the principal and interest cash flows from an underlying pool of mortgages in separate classes or tiers.

COMMERCIAL PAPER: Short-term unsecured promissory notes issued by corporations for a maturity specified by the buyer. It is used primarily by corporations for short-term financing needs at a rate which is generally lower than the prime rate.

CONFIRMATION: The document used to state in writing the terms of the trade which had previously been agreed to verbally.

COUPON RATE: The stated annual rate of interest payable on a coupon bond expressed as a percentage of the bond's face value.

CREDIT RISK: The risk that (1) the issuer is downgraded to a lower quality category and/or (2) the issuer fails to make timely payments of interest or principal.

CUSIP NUMBER: A nine-digit number established by the Committee on Uniform Securities Identification Procedures that is used to identify publicly traded securities. Each publicly traded security receives a unique CUSIP number when the security is issued.

CUSTODY: The service of an organization, usually a financial institution, of holding (and reporting) a customer's securities for safekeeping. The financial institution is known as the custodian.

DEALER: A firm which buys and sells for its own account. Dealers have ownership, even if only for an instant, between a purchase from one party and a sale to another party. They are compensated by the spread between the price they pay and the price they receive. Dealers are not the same as brokers; however, the same firms which act as dealers in some transactions may act as brokers in other transactions.

DELIVERY VERSUS PAYMENT (DVP): The safest method of settling a trade involving a book entry security. In a DVP settlement, the funds are wired from the buyer's account and the security is delivered from the seller's account in simultaneous, interdependent wires.

DEPOSITORY TRUST COMPANY (DTC): An organization that holds physical certificates for stocks and bonds and issues receipts to owners. Securities held by DTC are immobilized so that they can be traded on a book entry basis.

DERIVATIVE: A security that derives its value from an underlying asset, group of assets, reference rate, or an index value. Some derivatives can be highly volatile and result in a loss of principal in changing interest rate environments.

DISCOUNT: The amount by which the price paid for a security is less than its face value.

DISCOUNT SECURITIES: Securities that do not pay periodic interest. Investors earn the difference between the discount issue price and the full face value paid at maturity.

DIVERSIFICATION: Dividing investment funds among a variety of securities offering independent returns, to reduce risk inherent in particular securities.

DURATION: A sophisticated measure of the weighted average maturity of a bond's cash flow stream, where the present values of the cash flows serve as the weights.

ECONOMIC CYCLE (BUSINESS CYCLE): As the economy moves through the business cycle, interest rates tend to follow the levels of production, output, and consumption - rising as the economy expands and moves out of recession and declining after the economy peaks, contracts, and heads once again into recession.

EFFECTIVE MATURITY: The average maturity of a bond, given the potential for early call. For a non-callable bond, the final maturity date serves as the effective maturity. For a callable bond, the effective maturity is bounded by the first call date and the final maturity date; the position within this continuum is a function of the call price, the current market price, and the reinvestment rate assumed.

FACE VALUE: The principal amount due and payable to a bondholder at maturity; par value. Also, the amount on which coupon interest is computed.

FAIL: The event of a securities purchase or sale transaction not settling as intended by the parties.

FAIR VALUE: The amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

FEDERAL DEPOSIT INSURANCE CORPORATION (FDIC): A federal agency that insures bank deposits.

FEDERAL FARM CREDIT BANKS (FFCB): A government-sponsored corporation that was created in 1916 and is a nationwide system of banks and associations providing mortgage loans, credit, and related services to farmers, rural homeowners, and agricultural and rural cooperatives. The banks and associations are cooperatively owned, directly or indirectly, by their respective borrowers. The Federal Farm Credit System is supervised by the Farm Credit Administration, an independent agency of the U.S. government. (See Government Sponsored Enterprise)

FEDERAL FUNDS: Monies within the Federal Reserve System representing a member bank's surplus reserve funds. Banks with excess funds may sell their surplus to other banks whose funds are below required reserve levels. Normally, Federal funds are employed in settling all government securities transactions. The Federal Funds Rate is the rate of interest at which Fed funds are traded. This rate is currently pegged by the Federal Reserve through open-market operations.

FEDERAL HOME LOAN BANKS (FHLB): Government-sponsored wholesale banks (currently twelve regional banks) which lend funds and provide correspondent banking services to member commercial bank, thrift institutions, credit unions and insurance companies. The mission of the FHLBs is to liquefy the housing related assets of its members who must purchase stock in their district Bank. (See Government Sponsored Enterprises)

FEDERAL HOME LOAN MORTGAGE CORPORATION (FHLMC or "Freddie Mac"): A government-sponsored corporation that was created in July 1970, by the enactment of Title III of the Emergency Home Finance Act of 1970. Freddie Mac was established to help maintain the availability of mortgage credit for residential housing, primarily through developing and maintaining an active, nationwide secondary market in conventional residential mortgages. (See Government Sponsored Enterprises)

FEDERAL NATIONAL MORTGAGE ASSOCIATION (FNMA or Fannie Mae): FNMA, like GNMA was chartered under the Federal National Mortgage Association Act in 1938. FNMA is a federal corporation working under the auspices of the Department of Housing and Urban Development (HUD). It is the largest single provider of residential mortgage funds in the United States. Fannie Mae is a private stockholder-owned corporation. FNMA securities are highly liquid and are widely accepted. FNMA assumes and guarantees that all security holders will receive timely payment of principal and interest. (See Government Sponsored Enterprises)

FEDERAL OPEN MARKET COMMITTEE (FOMC): Consists of seven members of the Federal Reserve Board and five of the twelve Federal Reserve Bank presidents. The president of the New York Federal Reserve Bank is a permanent member while the other presidents serve on a rotating basis. The Committee periodically meets to set Federal Reserve guidelines regarding purchases and sales of government securities in the open market as a means of influencing the volume of bank credit and money.

FEDERAL RESERVE SYSTEM: The central bank of the United States created by Congress and consisting of a seven member Board of Governors in Washington, D.C., twelve regional banks and about 5700 commercial banks that are members of the system.

FIXED-INCOME SECURITY: A financial instrument promising a fixed amount of periodic income over a specified future time span.

GOVERNMENT-SPONSORED ENTERPRISES (GSE's): Payment of principal and interest on securities issued by these corporations is not guaranteed explicitly by the U.S. government, however, most investors consider these securities to carry an implicit U.S. government guarantee. The debt is fully guaranteed by the issuing corporations. GSE's include: Farm Credit System, Federal Home Loan Bank System, Federal Home Loan Mortgage Corporation, and Federal National Mortgage Association.

INSTRUMENTALITIES: See Government-Sponsored Enterprises

INTEREST RATE RISK: The risk that the general level of interest rates will change, causing unexpected price appreciations or depreciations.

LADDERED MATURITY STRATEGY: A maturity pattern within a portfolio in which maturities of the assets in the portfolio are equally spaced. Over time, the shortening of the remaining lives of the assets provides a steady source of liquidity or cash flow. Given a normal yield curve with a positive slope this passive strategy provides the benefit of being able to take advantage of the higher, longer-term yields without sacrificing safety or liquidity.

LIQUIDITY: An entity's capacity to meet future monetary outflows (whether they are required or optional) from available resources. Liquidity is often obtained from reductions of cash or by converting assets into cash.

LIQUIDITY RISK: The risk that an investment will be difficult to sell at a fair market price in a timely fashion.

MARKET RISK: The risk that the value of a security will rise or decline as a result of changes in market conditions. It is that part of a security's risk that is common to all securities of the same general class (stocks and bonds) and thus cannot be eliminated by diversification; also known as systematic risk.

MARKET VALUE: The price at which a security is trading and could presumably be purchased or sold.

MARKING-TO-MARKET: The practice of valuing a security or portfolio according to its market value, rather than its cost or book value.

MASTER REPURCHASE AGREEMENT: A written contract covering all future transactions between the parties to repurchase agreements that establishes each party's rights in the transactions. A master agreement will often specify, among other things, the right of the buyer to liquidate the underlying securities in the event of default by the seller.

MATURITY DATE: The date on which the principal or face value of an investment becomes due and payable.

MONEY MARKET INSTRUMENT: Generally, a short-term debt instrument that is purchased from a broker, dealer, or bank. Sometimes the term "money market" with "short-term", defines an instrument with no more than 12 months remaining from the purchase date until the maturity date. Sometimes the term "money market" is used more restrictively to mean only those instruments that have active secondary markets.

MORTGAGE-BACKED SECURITIES (MBS): Securities composed of, or collateralized by, loans that are themselves collateralized by liens on real property.

OFFER: The price asked by a seller of securities. (When purchasing securities, one asks for an offer.)

OPEN MARKET OPERATIONS: Purchases and sales of government and certain other securities in the open market by the New York Federal Reserve Bank as directed by the FOMC in order to influence the volume of money and credit in the economy. Purchases inject reserves into the bank system and stimulate growth of money and credit; sales have the opposite effect. Open market operations are the Federal Reserve's most important and most flexible monetary policy tool.

OPPORTUNITY COST: The cost of pursuing one course of action measured in terms of the foregone return that could have been earned on an alternative course of action that was not undertaken.

PAR: See Face Value

PFIA OR ACT: The Public Funds Investment Act, Chapter 2256, Texas Government Code, as amended.

POOLED FUND GROUP: An internally created fund of an investing entity in which one or more institutional accounts of the investing entity are invested (as defined by the Public Funds Investment Act).

PREMIUM: The amount by which the price paid for a security exceeds its face value.

PRIMARY DEALER: A group of government securities dealers that submit daily reports of market activity and positions and monthly financial statements to the Federal Reserve Bank of New York and are subject to its informal oversight. Primary dealers include Securities and Exchange Commission (SEC)-registered securities broker-dealers, banks, and a few unregulated firms.

PRINCIPAL: The face or par value of an instrument, exclusive of accrued interest.

PRUDENT PERSON RULE: An investment standard. In some states the law requires that a fiduciary, such as a trustee, may invest money only in a list of securities selected by the state. In other states the trustee may invest in a security if it is one which would be bought by a prudent person of discretion and intelligence who is seeking a reasonable income and preservation of capital.

QUALIFIED REPRESENTATIVE: A person who holds a position with - and is authorized to act on behalf of - a business organization (as defined by the Public Funds Investment Act).

RATE OF RETURN: The amount of income received from an investment, expressed as a percentage. A market rate of return is the yield that an investor can expect to receive in the current interest-rate environment utilizing a buy-and-hold to maturity investment strategy.

REINVESTMENT RATE: The interest rate earned on the reinvestment of coupon payments.

REINVESTMENT RATE RISK: The risk that the actual reinvestment rate falls short of the expected or assumed reinvestment rate.

REPURCHASE AGREEMENT (RP or REPO): An agreement of one party to sell securities at a specified price to a second party and a simultaneous agreement of the first party to repurchase the securities at a specified price on demand or at a specified later date. The difference between the selling price and the repurchase price provides the interest income to the party that provided the funds. Every transaction where a security is sold under an agreement to be repurchased is a repo from the seller/borrower's point of view and a reverse repo from the buyer/lender's point of view.

REVERSE REPURCHASE AGREEMENT: (See Repurchase Agreement)

SAFEKEEPING: A procedure where securities are held by a third party acting as custodian for a fee.

SECONDARY MARKET: A market made for the purchase and sale of outstanding issues following the initial distribution.

SECURITIES AND EXCHANGE COMMISSION (SEC): Agency created by Congress to protect investors in securities transactions by administering securities legislation.

SECURITIES LENDING: The temporary transfer of securities by one party, the lender, to another, the borrower. The securities borrower is required to provide acceptable assets as collateral to the securities lender in the form of cash or other securities. If the borrower provides securities as collateral to the lender, it pays a fee to borrow the lent securities. If it provides cash as collateral, the lender pays interest to the borrower and reinvests the cash at a higher rate.

SEC RULE 15C3-1: See Uniform Net Capital Rule

STRUCTURED NOTES: Debt obligations whose principal or interest payments are determined by an index or formula.

SEPARATELY INVESTED ASSET: An account or fund of a state agency or local government that is not invested in a pooled fund group (as defined by the Public Funds Investment Act).

SPREAD: Most commonly used when referring to the difference between the bid and asked prices in a quote. Additionally, it may also refer to additional basis points that a non-Treasury security earns over and above a Treasury with a comparable maturity date.

STRIPS: Separation of the principal and interest cash flows due from any interest-bearing securities into different financial instruments. Each coupon payment is separated from the underlying investment to create a separate security. Each individual cash flow is sold at a discount. The amount of the discount and the time until the cash flow is paid determine the investor's return.

SWAP: The trading of one asset for another. Sometimes used in active portfolio management to increase investment returns by "swapping" one type of security for another.

TOTAL RETURN: Interest income plus capital gains (or minus losses) on an investment.

TREASURY BILLS: A non-interest bearing discount security issued by the U.S. Treasury, generally having initial maturities of 3 months, 6 months, or 1 year.

TREASURY BONDS: Long-term, coupon bearing U.S. Treasury securities having initial maturities of more than 10 years.

TREASURY NOTES: Intermediate-term, coupon bearing U.S. Treasury securities having initial maturities of 2 - 10 years.

UNIFORM NET CAPITAL RULE: Securities and Exchange Commission requirement that member firms as well as nonmember broker-dealers in securities maintain a maximum ratio of indebtedness to liquid capital of 15 to 1; also called *net capital rule* and *net capital ratio*. Indebtedness covers all money owed to a firm, including margin loans and commitments to purchase securities, one reason new public issues are spread among members of underwriting syndicates. Liquid capital includes cash and assets easily converted into cash.

YIELD TO MATURITY (YTM): The promised return assuming all interest and principal payments are made and reinvested at the same rate taking into account price appreciation (if priced below par) or depreciation (if priced above par).

APPENDIX A
PUBLIC FUNDS INVESTMENT ACT

GOVERNMENT CODE
TITLE 10. GENERAL GOVERNMENT
SUBTITLE F. STATE AND LOCAL CONTRACTS AND FUND MANAGEMENT
CHAPTER 2256. PUBLIC FUNDS INVESTMENT

SUBCHAPTER A. AUTHORIZED INVESTMENTS FOR GOVERNMENTAL ENTITIES

Sec. 2256.001. SHORT TITLE. This chapter may be cited as the Public Funds Investment Act.

Amended by Acts 1995, 74th Leg., ch. 402, Sec. 1, eff. Sept. 1, 1995.

Sec. 2256.002. DEFINITIONS. In this chapter:

(1) "Bond proceeds" means the proceeds from the sale of bonds, notes, and other obligations issued by an entity, and reserves and funds maintained by an entity for debt service purposes.

(2) "Book value" means the original acquisition cost of an investment plus or minus the accrued amortization or accretion.

(3) "Funds" means public funds in the custody of a state agency or local government that:

(A) are not required by law to be deposited in the state treasury; and

(B) the investing entity has authority to invest.

(4) "Institution of higher education" has the meaning assigned by Section 61.003, Education Code.

(5) "Investing entity" and "entity" mean an entity subject to this chapter and described by Section 2256.003.

(6) "Investment pool" means an entity created under this code to invest public funds jointly on behalf of the entities that participate in the pool and whose investment objectives in order of priority are:

(A) preservation and safety of principal;

(B) liquidity; and

(C) yield.

(7) "Local government" means a municipality, a county, a school district, a district or authority created under Section 52(b)(1) or (2), Article III, or Section 59, Article XVI, Texas Constitution, a fresh water supply

district, a hospital district, and any political subdivision, authority, public corporation, body politic, or instrumentality of the State of Texas, and any nonprofit corporation acting on behalf of any of those entities.

(8) "Market value" means the current face or par value of an investment multiplied by the net selling price of the security as quoted by a recognized market pricing source quoted on the valuation date.

(9) "Pooled fund group" means an internally created fund of an investing entity in which one or more institutional accounts of the investing entity are invested.

(10) "Qualified representative" means a person who holds a position with a business organization, who is authorized to act on behalf of the business organization, and who is one of the following:

(A) for a business organization doing business that is regulated by or registered with a securities commission, a person who is registered under the rules of the National Association of Securities Dealers;

(B) for a state or federal bank, a savings bank, or a state or federal credit union, a member of the loan committee for the bank or branch of the bank or a person authorized by corporate resolution to act on behalf of and bind the banking institution;

(C) for an investment pool, the person authorized by the elected official or board with authority to administer the activities of the investment pool to sign the written instrument on behalf of the investment pool; or

(D) for an investment management firm registered under the Investment Advisers Act of 1940 (15 U.S.C. Section 80b-1 et seq.) or, if not subject to registration under that Act, registered with the State Securities Board, a person who is an officer or principal of the investment management firm.

(11) "School district" means a public school district.

(12) "Separately invested asset" means an account or fund of a state agency or local government that is not invested in a pooled fund group.

(13) "State agency" means an office, department, commission, board, or other agency that is part of any branch of state government, an institution of higher education, and any nonprofit corporation acting on behalf of any of those entities.

Amended by Acts 1995, 74th Leg., ch. 402, Sec. 1, eff. Sept. 1, 1995; Acts 1997, 75th Leg., ch. 1421, Sec. 1, eff. Sept. 1, 1997; Acts 1999, 76th Leg., ch. 1454, Sec. 1, eff. Sept. 1, 1999.

Sec. 2256.003. AUTHORITY TO INVEST FUNDS; ENTITIES SUBJECT TO THIS CHAPTER. (a) Each governing body of the following entities may purchase, sell, and invest its funds and funds under its control in investments authorized under this subchapter in compliance with investment policies approved by the governing body and according to the standard of care prescribed by Section 2256.006:

- (1) a local government;
- (2) a state agency;
- (3) a nonprofit corporation acting on behalf of a local government or a state agency; or
- (4) an investment pool acting on behalf of two or more local governments, state agencies, or a

combination of those entities.

(b) In the exercise of its powers under Subsection (a), the governing body of an investing entity may contract with an investment management firm registered under the Investment Advisers Act of 1940 (15 U.S.C. Section 80b-1 et seq.) or with the State Securities Board to provide for the investment and management of its public funds or other funds under its control. A contract made under authority of this subsection may not be for a term longer than two years. A renewal or extension of the contract must be made by the governing body of the investing entity by order, ordinance, or resolution.

(c) This chapter does not prohibit an investing entity or investment officer from using the entity's employees or the services of a contractor of the entity to aid the investment officer in the execution of the officer's duties under this chapter.

Amended by Acts 1995, 74th Leg., ch. 402, Sec. 1, eff. Sept. 1, 1995; Acts 1999, 76th Leg., ch. 1454, Sec. 2, eff. Sept. 1, 1999.

Sec. 2256.004. APPLICABILITY. (a) This subchapter does not apply to:

- (1) a public retirement system as defined by Section 802.001;
- (2) state funds invested as authorized by Section 404.024;
- (3) an institution of higher education having total endowments of at least \$95 million in book value

on May 1, 1995;

(4) funds invested by the Veterans' Land Board as authorized by Chapter 161, 162, or 164, Natural Resources Code;

(5) registry funds deposited with the county or district clerk under Chapter 117, Local Government Code; or

(6) a deferred compensation plan that qualifies under either Section 401(k) or 457 of the Internal Revenue Code of 1986 (26 U.S.C. Section 1 et seq.), as amended.

(b) This subchapter does not apply to an investment donated to an investing entity for a particular purpose or under terms of use specified by the donor.

Amended by Acts 1995, 74th Leg., ch. 402, Sec. 1, eff. Sept. 1, 1995; Acts 1997, 75th Leg., ch. 505, Sec. 24, eff. Sept. 1, 1997; Acts 1997, 75th Leg., ch. 1421, Sec. 2, eff. Sept. 1, 1997; Acts 1999, 76th Leg., ch. 62, Sec. 8.21, eff. Sept. 1, 1999; Acts 1999, 76th Leg., ch. 1454, Sec. 3, eff. Sept. 1, 1999.

Sec. 2256.005. INVESTMENT POLICIES; INVESTMENT STRATEGIES; INVESTMENT OFFICER. (a) The governing body of an investing entity shall adopt by rule, order, ordinance, or resolution, as appropriate, a written investment policy regarding the investment of its funds and funds under its control.

(b) The investment policies must:

(1) be written;

(2) primarily emphasize safety of principal and liquidity;

(3) address investment diversification, yield, and maturity and the quality and capability of investment management; and

(4) include:

(A) a list of the types of authorized investments in which the investing entity's funds may be invested;

(B) the maximum allowable stated maturity of any individual investment owned by the entity;

(C) for pooled fund groups, the maximum dollar-weighted average maturity allowed based on the stated maturity date for the portfolio;

(D) methods to monitor the market price of investments acquired with public funds;

(E) a requirement for settlement of all transactions, except investment pool funds and mutual funds, on a delivery versus payment basis; and

(F) procedures to monitor rating changes in investments acquired with public funds and the liquidation of such investments consistent with the provisions of Section 2256.021.

(c) The investment policies may provide that bids for certificates of deposit be solicited:

- (1) orally;
- (2) in writing;
- (3) electronically; or
- (4) in any combination of those methods.

(d) As an integral part of an investment policy, the governing body shall adopt a separate written investment strategy for each of the funds or group of funds under its control. Each investment strategy must describe the investment objectives for the particular fund using the following priorities in order of importance:

- (1) understanding of the suitability of the investment to the financial requirements of the entity;
- (2) preservation and safety of principal;
- (3) liquidity;
- (4) marketability of the investment if the need arises to liquidate the investment before maturity;
- (5) diversification of the investment portfolio; and
- (6) yield.

(e) The governing body of an investing entity shall review its investment policy and investment strategies not less than annually. The governing body shall adopt a written instrument by rule, order, ordinance, or resolution stating that it has reviewed the investment policy and investment strategies and that the written instrument so adopted shall record any changes made to either the investment policy or investment strategies.

(f) Each investing entity shall designate, by rule, order, ordinance, or resolution, as appropriate, one or more officers or employees of the state agency, local government, or investment pool as investment officer to be responsible for the investment of its funds consistent with the investment policy adopted by the entity. If the governing body of an investing entity has contracted with another investing entity to invest its funds, the investment officer of the other investing entity is considered to be the investment officer of the first investing entity for purposes of this chapter. Authority granted to a person to invest an entity's funds is effective until rescinded by the investing entity, until the expiration of the officer's term or the termination of the person's employment by the investing entity, or if an investment management firm, until the expiration of the contract with the investing entity. In the administration of the duties of an investment officer, the person designated as investment officer shall exercise the

judgment and care, under prevailing circumstances, that a prudent person would exercise in the management of the person's own affairs, but the governing body of the investing entity retains ultimate responsibility as fiduciaries of the assets of the entity. Unless authorized by law, a person may not deposit, withdraw, transfer, or manage in any other manner the funds of the investing entity.

(g) Subsection (f) does not apply to a state agency, local government, or investment pool for which an officer of the entity is assigned by law the function of investing its funds.

Text of subsec. (h) as amended by Acts 1997, 75th Leg., ch. 685, Sec. 1

(h) An officer or employee of a commission created under Chapter 391, Local Government Code, is ineligible to be an investment officer for the commission under Subsection (f) if the officer or employee is an investment officer designated under Subsection (f) for another local government.

Text of subsec. (h) as amended by Acts 1997, 75th Leg., ch. 1421, Sec. 3

(h) An officer or employee of a commission created under Chapter 391, Local Government Code, is ineligible to be designated as an investment officer under Subsection (f) for any investing entity other than for that commission.

(i) An investment officer of an entity who has a personal business relationship with a business organization offering to engage in an investment transaction with the entity shall file a statement disclosing that personal business interest. An investment officer who is related within the second degree by affinity or consanguinity, as determined under Chapter 573, to an individual seeking to sell an investment to the investment officer's entity shall file a statement disclosing that relationship. A statement required under this subsection must be filed with the Texas Ethics Commission and the governing body of the entity. For purposes of this subsection, an investment officer has a personal business relationship with a business organization if:

(1) the investment officer owns 10 percent or more of the voting stock or shares of the business organization or owns \$5,000 or more of the fair market value of the business organization;

(2) funds received by the investment officer from the business organization exceed 10 percent of the investment officer's gross income for the previous year; or

(3) the investment officer has acquired from the business organization during the previous year investments with a book value of \$2,500 or more for the personal account of the investment officer.

(j) The governing body of an investing entity may specify in its investment policy that any investment authorized by this chapter is not suitable.

(k) A written copy of the investment policy shall be presented to any person offering to engage in an investment transaction with an investing entity or to an investment management firm under contract with an investing entity to invest or manage the entity's investment portfolio. For purposes of this subsection, a business organization includes investment pools and an investment management firm under contract with an investing entity to invest or manage the entity's investment portfolio. Nothing in this subsection relieves the investing entity of the responsibility for monitoring the investments made by the investing entity to determine that they are in compliance with the investment policy. The qualified representative of the business organization offering to engage in an investment transaction with an investing entity shall execute a written instrument in a form acceptable to the investing entity and the business organization substantially to the effect that the business organization has:

(1) received and reviewed the investment policy of the entity; and

(2) acknowledged that the business organization has implemented reasonable procedures and controls in an effort to preclude investment transactions conducted between the entity and the organization that are not authorized by the entity's investment policy, except to the extent that this authorization is dependent on an analysis of the makeup of the entity's entire portfolio or requires an interpretation of subjective investment standards.

(l) The investment officer of an entity may not acquire or otherwise obtain any authorized investment described in the investment policy of the investing entity from a person who has not delivered to the entity the instrument required by Subsection (k).

(m) An investing entity other than a state agency, in conjunction with its annual financial audit, shall perform a compliance audit of management controls on investments and adherence to the entity's established investment policies.

(n) Except as provided by Subsection (o), at least once every two years a state agency shall arrange for a compliance audit of management controls on investments and adherence to the agency's established investment policies. The compliance audit shall be performed by the agency's internal auditor or by a private auditor employed in the manner provided by Section 321.020. Not later than January 1 of each even-numbered year a state agency

shall report the results of the most recent audit performed under this subsection to the state auditor. Subject to a risk assessment and to the legislative audit committee's approval of including a review by the state auditor in the audit plan under Section 321.013, the state auditor may review information provided under this section. If review by the state auditor is approved by the legislative audit committee, the state auditor may, based on its review, require a state agency to also report to the state auditor other information the state auditor determines necessary to assess compliance with laws and policies applicable to state agency investments. A report under this subsection shall be prepared in a manner the state auditor prescribes.

(o) The audit requirements of Subsection (n) do not apply to assets of a state agency that are invested by the comptroller under Section 404.024.

Amended by Acts 1995, 74th Leg., ch. 402, Sec. 1, eff. Sept. 1, 1995; Acts 1997, 75th Leg., ch. 685, Sec. 1, eff. Sept. 1, 1997; Acts 1997, 75th Leg., ch. 1421, Sec. 3, eff. Sept. 1, 1997; Acts 1999, 76th Leg., ch. 1454, Sec. 4, eff. Sept. 1, 1999; Acts 2003, 78th Leg., ch. 785, Sec. 41, eff. Sept. 1, 2003.

Amended by:

Acts 2011, 82nd Leg., R.S., Ch. [1004](#), Sec. 1, eff. June 17, 2011.

Sec. 2256.006. STANDARD OF CARE. (a) Investments shall be made with judgment and care, under prevailing circumstances, that a person of prudence, discretion, and intelligence would exercise in the management of the person's own affairs, not for speculation, but for investment, considering the probable safety of capital and the probable income to be derived. Investment of funds shall be governed by the following investment objectives, in order of priority:

- (1) preservation and safety of principal;
- (2) liquidity; and
- (3) yield.

(b) In determining whether an investment officer has exercised prudence with respect to an investment decision, the determination shall be made taking into consideration:

- (1) the investment of all funds, or funds under the entity's control, over which the officer had responsibility rather than a consideration as to the prudence of a single investment; and
- (2) whether the investment decision was consistent with the written investment policy of the entity.

Amended by Acts 1995, 74th Leg., ch. 402, Sec. 1, eff. Sept. 1, 1995.

Sec. 2256.007. INVESTMENT TRAINING; STATE AGENCY BOARD MEMBERS AND OFFICERS. (a) Each member of the governing board of a state agency and its investment officer shall attend at least one training session relating to the person's responsibilities under this chapter within six months after taking office or assuming duties.

(b) The Texas Higher Education Coordinating Board shall provide the training under this section.

(c) Training under this section must include education in investment controls, security risks, strategy risks, market risks, diversification of investment portfolio, and compliance with this chapter.

(d) An investment officer shall attend a training session not less than once each state fiscal biennium and may receive training from any independent source approved by the governing body of the state agency. The investment officer shall prepare a report on this subchapter and deliver the report to the governing body of the state agency not later than the 180th day after the last day of each regular session of the legislature.

Amended by Acts 1995, 74th Leg., ch. 402, Sec. 1, eff. Sept. 1, 1995; Acts 1997, 75th Leg., ch. 73, Sec. 1, eff. May 9, 1997; Acts 1997, 75th Leg., ch. 1421, Sec. 4, eff. Sept. 1, 1997; Acts 1999, 76th Leg., ch. 1454, Sec. 5, eff. Sept. 1, 1999.

Amended by:

Acts 2011, 82nd Leg., R.S., Ch. [1004](#), Sec. 2, eff. June 17, 2011.

Sec. 2256.008. INVESTMENT TRAINING; LOCAL GOVERNMENTS. (a) Except as provided by Subsections (b) and (e), the treasurer, the chief financial officer if the treasurer is not the chief financial officer, and the investment officer of a local government shall:

(1) attend at least one training session from an independent source approved by the governing body of the local government or a designated investment committee advising the investment officer as provided for in the investment policy of the local government and containing at least 10 hours of instruction relating to the treasurer's or officer's responsibilities under this subchapter within 12 months after taking office or assuming duties; and

(2) except as provided by Subsections (b) and (e), attend an investment training session not less than once in a two-year period that begins on the first day of that local government's fiscal year and consists of the two consecutive fiscal years after that date, and receive not less than 10 hours of instruction relating to investment

responsibilities under this subchapter from an independent source approved by the governing body of the local government or a designated investment committee advising the investment officer as provided for in the investment policy of the local government.

(b) An investing entity created under authority of Section 52(b), Article III, or Section 59, Article XVI, Texas Constitution, that has contracted with an investment management firm under Section 2256.003(b) and has fewer than five full-time employees or an investing entity that has contracted with another investing entity to invest the entity's funds may satisfy the training requirement provided by Subsection (a)(2) by having an officer of the governing body attend four hours of appropriate instruction in a two-year period that begins on the first day of that local government's fiscal year and consists of the two consecutive fiscal years after that date. The treasurer or chief financial officer of an investing entity created under authority of Section 52(b), Article III, or Section 59, Article XVI, Texas Constitution, and that has fewer than five full-time employees is not required to attend training required by this section unless the person is also the investment officer of the entity.

(c) Training under this section must include education in investment controls, security risks, strategy risks, market risks, diversification of investment portfolio, and compliance with this chapter.

(d) Not later than December 31 each year, each individual, association, business, organization, governmental entity, or other person that provides training under this section shall report to the comptroller a list of the governmental entities for which the person provided required training under this section during that calendar year. An individual's reporting requirements under this subsection are satisfied by a report of the individual's employer or the sponsoring or organizing entity of a training program or seminar.

(e) This section does not apply to a district governed by Chapter 36 or 49, Water Code.

Amended by Acts 1995, 74th Leg., ch. 402, Sec. 1, eff. Sept. 1, 1995; Acts 1997, 75th Leg., ch. 1421, Sec. 5, eff. Sept. 1, 1997; Acts 1999, 76th Leg., ch. 1454, Sec. 6, eff. Sept. 1, 1999; Acts 2001, 77th Leg., ch. 69, Sec. 4, eff. May 14, 2001.

Amended by:

Acts 2011, 82nd Leg., R.S., Ch. [1004](#), Sec. 3, eff. June 17, 2011.

Sec. 2256.009. AUTHORIZED INVESTMENTS: OBLIGATIONS OF, OR GUARANTEED BY GOVERNMENTAL ENTITIES. (a) Except as provided by Subsection (b), the following are authorized investments under this subchapter:

(1) obligations, including letters of credit, of the United States or its agencies and instrumentalities;

(2) direct obligations of this state or its agencies and instrumentalities;

(3) collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States;

(4) other obligations, the principal and interest of which are unconditionally guaranteed or insured by, or backed by the full faith and credit of, this state or the United States or their respective 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;

(5) obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than A or its equivalent; and

(6) bonds issued, assumed, or guaranteed by the State of Israel.

(b) The following are not authorized investments under this section:

(1) obligations whose payment represents the coupon payments on the outstanding principal balance of the underlying mortgage-backed security collateral and pays no principal;

(2) obligations whose payment represents the principal stream of cash flow from the underlying mortgage-backed security collateral and bears no interest;

(3) collateralized mortgage obligations that have a stated final maturity date of greater than 10 years; and

(4) collateralized mortgage obligations the interest rate of which is determined by an index that adjusts opposite to the changes in a market index.

Amended by Acts 1995, 74th Leg., ch. 402, Sec. 1, eff. Sept. 1, 1995; Acts 1999, 76th Leg., ch. 1454, Sec. 7, eff. Sept. 1, 1999; Acts 2001, 77th Leg., ch. 558, Sec. 1, eff. Sept. 1, 2001.

Amended by:

Acts 2011, 82nd Leg., R.S., Ch. [1004](#), Sec. 4, eff. June 17, 2011.

Sec. 2256.010. AUTHORIZED INVESTMENTS: CERTIFICATES OF DEPOSIT AND SHARE CERTIFICATES. (a) A certificate of deposit or share certificate is an authorized investment under this subchapter if the certificate is issued by a depository institution that has its main office or a branch office in this state and is:

(1) guaranteed or insured by the Federal Deposit Insurance Corporation or its successor or the National Credit Union Share Insurance Fund or its successor;

(2) secured by obligations that are described by Section 2256.009(a), including mortgage backed securities directly issued by a federal agency or instrumentality that have a market value of not less than the principal amount of the certificates, but excluding those mortgage backed securities of the nature described by Section 2256.009(b); or

(3) secured in any other manner and amount provided by law for deposits of the investing entity.

(b) In addition to the authority to invest funds in certificates of deposit under Subsection (a), an investment in certificates of deposit made in accordance with the following conditions is an authorized investment under this subchapter:

(1) the funds are invested by an investing entity through:

(A) a broker that has its main office or a branch office in this state and is selected from a list adopted by the investing entity as required by Section 2256.025; or

(B) a depository institution that has its main office or a branch office in this state and that is selected by the investing entity;

(2) the broker or the depository institution selected by the investing entity under Subdivision (1) arranges for the deposit of the funds in certificates of deposit in one or more federally insured depository institutions, wherever located, for the account of the investing entity;

(3) the full amount of the principal and accrued interest of each of the certificates of deposit is insured by the United States or an instrumentality of the United States; and

(4) the investing entity appoints the depository institution selected by the investing entity under Subdivision (1), an entity described by Section 2257.041(d), or a clearing broker-dealer registered with the Securities and Exchange Commission and operating pursuant to Securities and Exchange Commission Rule 15c3-3 (17 C.F.R. Section 240.15c3-3) as custodian for the investing entity with respect to the certificates of deposit issued for the account of the investing entity.

Amended by Acts 1995, 74th Leg., ch. 32, Sec. 1, eff. April 28, 1995; Acts 1995, 74th Leg., ch. 402, Sec. 1, eff. Sept. 1, 1995; Acts 1997, 75th Leg., ch. 1421, Sec. 6, eff. Sept. 1, 1997.

Amended by:

Acts 2005, 79th Leg., Ch. [128](#), Sec. 1, eff. September 1, 2005.

Acts 2011, 82nd Leg., R.S., Ch. [1004](#), Sec. 5, eff. June 17, 2011.

Sec. 2256.011. AUTHORIZED INVESTMENTS: REPURCHASE AGREEMENTS. (a) A fully collateralized repurchase agreement is an authorized investment under this subchapter if the repurchase agreement:

(1) has a defined termination date;

(2) is secured by a combination of cash and obligations described by Section 2256.009(a)(1); and

(3) requires the securities being purchased by the entity or cash held by the entity to be pledged to the entity, held in the entity's name, and deposited at the time the investment is made with the entity or with a third party selected and approved by the entity; and

(4) is placed through a primary government securities dealer, as defined by the Federal Reserve, or a financial institution doing business in this state.

(b) In this section, "repurchase agreement" means a simultaneous agreement to buy, hold for a specified time, and sell back at a future date obligations described by Section 2256.009(a)(1), at a market value at the time the funds are disbursed of not less than the principal amount of the funds disbursed. The term includes a direct security repurchase agreement and a reverse security repurchase agreement.

(c) Notwithstanding any other law, the term of any reverse security repurchase agreement may not exceed 90 days after the date the reverse security repurchase agreement is delivered.

(d) Money received by an entity under the terms of a reverse security repurchase agreement shall be used to acquire additional authorized investments, but the term of the authorized investments acquired must mature not later than the expiration date stated in the reverse security repurchase agreement.

Amended by Acts 1995, 74th Leg., ch. 402, Sec. 1, eff. Sept. 1, 1995.

Amended by:

Acts 2011, 82nd Leg., R.S., Ch. [1004](#), Sec. 6, eff. June 17, 2011.

Sec. 2256.0115. AUTHORIZED INVESTMENTS: SECURITIES LENDING PROGRAM. (a) A securities lending program is an authorized investment under this subchapter if it meets the conditions provided by this section.

(b) To qualify as an authorized investment under this subchapter:

(1) the value of securities loaned under the program must be not less than 100 percent collateralized, including accrued income;

(2) a loan made under the program must allow for termination at any time;

(3) a loan made under the program must be secured by:

(A) pledged securities described by Section 2256.009;

(B) pledged irrevocable letters of credit issued by a bank that is:

(i) organized and existing under the laws of the United States or any other state;

and

(ii) continuously rated by at least one nationally recognized investment rating firm

at not less than A or its equivalent; or

(C) cash invested in accordance with Section:

(i) 2256.009;

(ii) 2256.013;

(iii) 2256.014; or

(iv) 2256.016;

(4) the terms of a loan made under the program must require that the securities being held as collateral be:

(A) pledged to the investing entity;

(B) held in the investing entity's name; and

(C) deposited at the time the investment is made with the entity or with a third party selected by or approved by the investing entity;

(5) a loan made under the program must be placed through:

(A) a primary government securities dealer, as defined by 5 C.F.R. Section 6801.102(f), as that regulation existed on September 1, 2003; or

(B) a financial institution doing business in this state; and

(6) an agreement to lend securities that is executed under this section must have a term of one year or less.

Added by Acts 2003, 78th Leg., ch. 1227, Sec. 1, eff. Sept. 1, 2003.

Sec. 2256.012. AUTHORIZED INVESTMENTS: BANKER'S ACCEPTANCES. A bankers' acceptance is an authorized investment under this subchapter if the bankers' acceptance:

- (1) has a stated maturity of 270 days or fewer from the date of its issuance;
- (2) will be, in accordance with its terms, liquidated in full at maturity;
- (3) is eligible for collateral for borrowing from a Federal Reserve Bank; and
- (4) is accepted by a bank organized and existing under the laws of the United States or any state,

if the short-term obligations of the bank, or of a bank holding company of which the bank is the largest subsidiary, are rated not less than A-1 or P-1 or an equivalent rating by at least one nationally recognized credit rating agency.

Amended by Acts 1995, 74th Leg., ch. 402, Sec. 1, eff. Sept. 1, 1995.

Sec. 2256.013. AUTHORIZED INVESTMENTS: COMMERCIAL PAPER. Commercial paper is an authorized investment under this subchapter if the commercial paper:

- (1) has a stated maturity of 270 days or fewer from the date of its issuance; and
- (2) is rated not less than A-1 or P-1 or an equivalent rating by at least:

(A) two nationally recognized credit rating agencies; or

(B) 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.

Amended by Acts 1995, 74th Leg., ch. 402, Sec. 1, eff. Sept. 1, 1995.

Sec. 2256.014. AUTHORIZED INVESTMENTS: MUTUAL FUNDS. (a) A no-load money market mutual fund is an authorized investment under this subchapter if the mutual fund:

- (1) is registered with and regulated by the Securities and Exchange Commission;
- (2) provides the investing entity with a prospectus and other information required by the Securities Exchange Act of 1934 (15 U.S.C. Section 78a et seq.) or the Investment Company Act of 1940 (15 U.S.C. Section 80a-1 et seq.);
- (3) has a dollar-weighted average stated maturity of 90 days or fewer; and
- (4) includes in its investment objectives the maintenance of a stable net asset value of \$1 for each

share.

(b) In addition to a no-load money market mutual fund permitted as an authorized investment in Subsection (a), a no-load mutual fund is an authorized investment under this subchapter if the mutual fund:

- (1) is registered with the Securities and Exchange Commission;
- (2) has an average weighted maturity of less than two years;
- (3) is invested exclusively in obligations approved by this subchapter;
- (4) is continuously rated as to investment quality by at least one nationally recognized investment rating firm of not less than AAA or its equivalent; and
- (5) conforms to the requirements set forth in Sections 2256.016(b) and (c) relating to the eligibility of investment pools to receive and invest funds of investing entities.

(c) An entity is not authorized by this section to:

- (1) invest in the aggregate more than 15 percent of its monthly average fund balance, excluding bond proceeds and reserves and other funds held for debt service, in mutual funds described in Subsection (b);
- (2) invest any portion of bond proceeds, reserves and funds held for debt service, in mutual funds described in Subsection (b); or
- (3) invest its funds or funds under its control, including bond proceeds and reserves and other funds held for debt service, in any one mutual fund described in Subsection (a) or (b) in an amount that exceeds 10 percent of the total assets of the mutual fund.

Amended by Acts 1995, 74th Leg., ch. 402, Sec. 1, eff. Sept. 1, 1995; Acts 1997, 75th Leg., ch. 1421, Sec. 7, eff. Sept. 1, 1997; Acts 1999, 76th Leg., ch. 1454, Sec. 8, eff. Sept. 1, 1999.

Sec. 2256.015. AUTHORIZED INVESTMENTS: GUARANTEED INVESTMENT CONTRACTS. (a) A guaranteed investment contract is an authorized investment for bond proceeds under this subchapter if the guaranteed investment contract:

- (1) has a defined termination date;
- (2) is secured by obligations described by Section 2256.009(a)(1), excluding those obligations described by Section 2256.009(b), in an amount at least equal to the amount of bond proceeds invested under the contract; and
- (3) is pledged to the entity and deposited with the entity or with a third party selected and approved by the entity.

(b) Bond proceeds, other than bond proceeds representing reserves and funds maintained for debt service purposes, may not be invested under this subchapter in a guaranteed investment contract with a term of longer than five years from the date of issuance of the bonds.

(c) To be eligible as an authorized investment:

(1) the governing body of the entity must specifically authorize guaranteed investment contracts as an eligible investment in the order, ordinance, or resolution authorizing the issuance of bonds;

(2) the entity must receive bids from at least three separate providers with no material financial interest in the bonds from which proceeds were received;

(3) the entity must purchase the highest yielding guaranteed investment contract for which a qualifying bid is received;

(4) the price of the guaranteed investment contract must take into account the reasonably expected drawdown schedule for the bond proceeds to be invested; and

(5) the provider must certify the administrative costs reasonably expected to be paid to third parties in connection with the guaranteed investment contract.

Amended by Acts 1995, 74th Leg., ch. 402, Sec. 1, eff. Sept. 1, 1995; Acts 1997, 75th Leg., ch. 1421, Sec. 8, eff. Sept. 1, 1997; Acts 1999, 76th Leg., ch. 1454, Sec. 9, 10, eff. Sept. 1, 1999.

Sec. 2256.016. AUTHORIZED INVESTMENTS: INVESTMENT POOLS. (a) An entity may invest its funds and funds under its control through an eligible investment pool if the governing body of the entity by rule, order, ordinance, or resolution, as appropriate, authorizes investment in the particular pool. An investment pool shall invest the funds it receives from entities in authorized investments permitted by this subchapter. An investment pool may invest its funds in money market mutual funds to the extent permitted by and consistent with this subchapter and the investment policies and objectives adopted by the investment pool.

(b) To be eligible to receive funds from and invest funds on behalf of an entity under this chapter, an investment pool must furnish to the investment officer or other authorized representative of the entity an offering circular or other similar disclosure instrument that contains, at a minimum, the following information:

(1) the types of investments in which money is allowed to be invested;

(2) the maximum average dollar-weighted maturity allowed, based on the stated maturity date, of the pool;

- (3) the maximum stated maturity date any investment security within the portfolio has;
- (4) the objectives of the pool;
- (5) the size of the pool;
- (6) the names of the members of the advisory board of the pool and the dates their terms expire;
- (7) the custodian bank that will safekeep the pool's assets;
- (8) whether the intent of the pool is to maintain a net asset value of one dollar and the risk of

market price fluctuation;

(9) whether the only source of payment is the assets of the pool at market value or whether there is a secondary source of payment, such as insurance or guarantees, and a description of the secondary source of payment;

(10) the name and address of the independent auditor of the pool;

(11) the requirements to be satisfied for an entity to deposit funds in and withdraw funds from the pool and any deadlines or other operating policies required for the entity to invest funds in and withdraw funds from the pool; and

(12) the performance history of the pool, including yield, average dollar-weighted maturities, and expense ratios.

(c) To maintain eligibility to receive funds from and invest funds on behalf of an entity under this chapter, an investment pool must furnish to the investment officer or other authorized representative of the entity:

(1) investment transaction confirmations; and

(2) a monthly report that contains, at a minimum, the following information:

(A) the types and percentage breakdown of securities in which the pool is invested;

(B) the current average dollar-weighted maturity, based on the stated maturity date, of the pool;

(C) the current percentage of the pool's portfolio in investments that have stated maturities of more than one year;

(D) the book value versus the market value of the pool's portfolio, using amortized cost valuation;

(E) the size of the pool;

(F) the number of participants in the pool;

- (G) the custodian bank that is safekeeping the assets of the pool;
- (H) a listing of daily transaction activity of the entity participating in the pool;
- (I) the yield and expense ratio of the pool, including a statement regarding how yield is calculated;
- (J) the portfolio managers of the pool; and
- (K) any changes or addenda to the offering circular.

(d) An entity by contract may delegate to an investment pool the authority to hold legal title as custodian of investments purchased with its local funds.

(e) In this section, "yield" shall be calculated in accordance with regulations governing the registration of open-end management investment companies under the Investment Company Act of 1940, as promulgated from time to time by the federal Securities and Exchange Commission.

(f) To be eligible to receive funds from and invest funds on behalf of an entity under this chapter, a public funds investment pool created to function as a money market mutual fund must mark its portfolio to market daily, and, to the extent reasonably possible, stabilize at a \$1 net asset value. If the ratio of the market value of the portfolio divided by the book value of the portfolio is less than 0.995 or greater than 1.005, portfolio holdings shall be sold as necessary to maintain the ratio between 0.995 and 1.005. In addition to the requirements of its investment policy and any other forms of reporting, a public funds investment pool created to function as a money market mutual fund shall report yield to its investors in accordance with regulations of the federal Securities and Exchange Commission applicable to reporting by money market funds.

(g) To be eligible to receive funds from and invest funds on behalf of an entity under this chapter, a public funds investment pool must have an advisory board composed:

(1) equally of participants in the pool and other persons who do not have a business relationship with the pool and are qualified to advise the pool, for a public funds investment pool created under Chapter 791 and managed by a state agency; or

(2) of participants in the pool and other persons who do not have a business relationship with the pool and are qualified to advise the pool, for other investment pools.

(h) To maintain eligibility to receive funds from and invest funds on behalf of an entity under this chapter, an investment pool must be continuously rated no lower than AAA or AAA-m or at an equivalent rating by at least one nationally recognized rating service.

(i) If the investment pool operates an Internet website, the information in a disclosure instrument or report described in Subsections (b), (c)(2), and (f) must be posted on the website.

(j) To maintain eligibility to receive funds from and invest funds on behalf of an entity under this chapter, an investment pool must make available to the entity an annual audited financial statement of the investment pool in which the entity has funds invested.

(k) If an investment pool offers fee breakpoints based on fund balances invested, the investment pool in advertising investment rates must include either all levels of return based on the breakpoints provided or state the lowest possible level of return based on the smallest level of funds invested.

Amended by Acts 1995, 74th Leg., ch. 402, Sec. 1, eff. Sept. 1, 1995; Acts 1997, 75th Leg., ch. 1421, Sec. 9, eff. Sept. 1, 1997.

Amended by:

Acts 2011, 82nd Leg., R.S., Ch. [1004](#), Sec. 7, eff. June 17, 2011.

Sec. 2256.017. EXISTING INVESTMENTS. An entity is not required to liquidate investments that were authorized investments at the time of purchase.

Added by Acts 1995, 74th Leg., ch. 76, Sec. 5.46(a), eff. Sept. 1, 1995; Acts 1995, 74th Leg., ch. 402, Sec. 1, eff. Sept. 1, 1995. Amended by Acts 1997, 75th Leg., ch. 1421, Sec. 10, eff. Sept. 1, 1997.

Sec. 2256.019. RATING OF CERTAIN INVESTMENT POOLS. A public funds investment pool must be continuously rated no lower than AAA or AAA-m or at an equivalent rating by at least one nationally recognized rating service.

Added by Acts 1995, 74th Leg., ch. 402, Sec. 1, eff. Sept. 1, 1995. Amended by Acts 1997, 75th Leg., ch. 1421, Sec. 11, eff. Sept. 1, 1997.

Amended by:

Acts 2011, 82nd Leg., R.S., Ch. [1004](#), Sec. 8, eff. June 17, 2011.

Sec. 2256.020. AUTHORIZED INVESTMENTS: INSTITUTIONS OF HIGHER EDUCATION. In addition to the authorized investments permitted by this subchapter, an institution of higher education may purchase, sell, and invest its funds and funds under its control in the following:

(1) cash management and fixed income funds sponsored by organizations exempt from federal income taxation under Section 501(f), Internal Revenue Code of 1986 (26 U.S.C. Section 501(f));

(2) negotiable certificates of deposit issued by a bank that has a certificate of deposit rating of at least 1 or the equivalent by a nationally recognized credit rating agency or that is associated with a holding company having a commercial paper rating of at least A-1, P-1, or the equivalent by a nationally recognized credit rating agency; and

(3) corporate bonds, debentures, or similar debt obligations rated by a nationally recognized investment rating firm in one of the two highest long-term rating categories, without regard to gradations within those categories.

Added by Acts 1995, 74th Leg., ch. 402, Sec. 1, eff. Sept. 1, 1995.

Sec. 2256.0201. AUTHORIZED INVESTMENTS; MUNICIPAL UTILITY. (a) A municipality that owns a municipal electric utility that is engaged in the distribution and sale of electric energy or natural gas to the public may enter into a hedging contract and related security and insurance agreements in relation to fuel oil, natural gas, coal, nuclear fuel, and electric energy to protect against loss due to price fluctuations. A hedging transaction must comply with the regulations of the Commodity Futures Trading Commission and the Securities and Exchange Commission. If there is a conflict between the municipal charter of the municipality and this chapter, this chapter prevails.

(b) A payment by a municipally owned electric or gas utility under a hedging contract or related agreement in relation to fuel supplies or fuel reserves is a fuel expense, and the utility may credit any amounts it receives under the contract or agreement against fuel expenses.

(c) The governing body of a municipally owned electric or gas utility or the body vested with power to manage and operate the municipally owned electric or gas utility may set policy regarding hedging transactions.

(d) In this section, "hedging" means the buying and selling of fuel oil, natural gas, coal, nuclear fuel, and electric energy futures or options or similar contracts on those commodities and related transportation costs as a protection against loss due to price fluctuation.

Added by Acts 1999, 76th Leg., ch. 405, Sec. 48, eff. Sept. 1, 1999.

Amended by:

Acts 2007, 80th Leg., R.S., Ch. [Z](#), Sec. 1, eff. April 13, 2007.

Sec. 2256.0202. AUTHORIZED INVESTMENTS: MUNICIPAL FUNDS FROM MANAGEMENT AND DEVELOPMENT OF MINERAL RIGHTS. (a) In addition to other investments authorized under this subchapter, a municipality may invest funds received by the municipality from a lease or contract for the management and development of land owned by the municipality and leased for oil, gas, or other mineral development in any investment authorized to be made by a trustee under Subtitle B, Title 9, Property Code (Texas Trust Code).

(b) Funds invested by a municipality under this section shall be segregated and accounted for separately from other funds of the municipality.

Added by Acts 2009, 81st Leg., R.S., Ch. [1371](#), Sec. 1, eff. September 1, 2009.

Sec. 2256.0203. AUTHORIZED INVESTMENTS: PORTS AND NAVIGATION DISTRICTS. (a) In this section, "district" means a navigation district organized under Section 52, Article III, or Section 59, Article XVI, Texas Constitution.

(b) In addition to the authorized investments permitted by this subchapter, a port or district may purchase, sell, and invest its funds and funds under its control in negotiable certificates of deposit issued by a bank that has a certificate of deposit rating of at least 1 or the equivalent by a nationally recognized credit rating agency or that is associated with a holding company having a commercial paper rating of at least A-1, P-1, or the equivalent by a nationally recognized credit rating agency.

Added by Acts 2011, 82nd Leg., R.S., Ch. [804](#), Sec. 1, eff. September 1, 2011.

Sec. 2256.0204. AUTHORIZED INVESTMENTS: INDEPENDENT SCHOOL DISTRICTS. (a) In this section, "corporate bond" means a senior secured debt obligation issued by a domestic business entity and rated not lower than "AA-" or the equivalent by a nationally recognized investment rating firm. The term does not include a debt obligation that:

- (1) on conversion, would result in the holder becoming a stockholder or shareholder in the entity, or any affiliate or subsidiary of the entity, that issued the debt obligation; or
- (2) is an unsecured debt obligation.

(b) This section applies only to an independent school district that qualifies as an issuer as defined by Section 1371.001.

(c) In addition to authorized investments permitted by this subchapter, an independent school district subject to this section may purchase, sell, and invest its funds and funds under its control in corporate bonds that, at the time of purchase, are rated by a nationally recognized investment rating firm "AA-" or the equivalent and have a stated final maturity that is not later than the third anniversary of the date the corporate bonds were purchased.

(d) An independent school district subject to this section is not authorized by this section to:

(1) invest in the aggregate more than 15 percent of its monthly average fund balance, excluding bond proceeds, reserves, and other funds held for the payment of debt service, in corporate bonds; or

(2) invest more than 25 percent of the funds invested in corporate bonds in any one domestic business entity, including subsidiaries and affiliates of the entity.

(e) An independent school district subject to this section may purchase, sell, and invest its funds and funds under its control in corporate bonds if the governing body of the district:

(1) amends its investment policy to authorize corporate bonds as an eligible investment;

(2) adopts procedures to provide for:

(A) monitoring rating changes in corporate bonds acquired with public funds; and

(B) liquidating the investment in corporate bonds; and

(3) identifies the funds eligible to be invested in corporate bonds.

(f) The investment officer of an independent school district, acting on behalf of the district, shall sell corporate bonds in which the district has invested its funds not later than the seventh day after the date a nationally recognized investment rating firm:

(1) issues a release that places the corporate bonds or the domestic business entity that issued the corporate bonds on negative credit watch or the equivalent, if the corporate bonds are rated "AA-" or the equivalent at the time the release is issued; or

(2) changes the rating on the corporate bonds to a rating lower than "AA-" or the equivalent.

(g) Corporate bonds are not an eligible investment for a public funds investment pool.

Added by Acts 2011, 82nd Leg., R.S., Ch. [1347](#), Sec. 1, eff. June 17, 2011.

Sec. 2256.0205. AUTHORIZED INVESTMENTS; DECOMMISSIONING TRUST. (a) In this section:

(1) "Decommissioning trust" means a trust created to provide the Nuclear Regulatory Commission assurance that funds will be available for decommissioning purposes as required under 10 C.F.R. Part 50 or other similar regulation.

(2) "Funds" includes any money held in a decommissioning trust regardless of whether the money is considered to be public funds under this subchapter.

(b) In addition to other investments authorized under this subchapter, a municipality that owns a municipal electric utility that is engaged in the distribution and sale of electric energy or natural gas to the public may invest funds held in a decommissioning trust in any investment authorized by Subtitle B, Title 9, Property Code.

Added by Acts 2005, 79th Leg., Ch. [121](#), Sec. 1, eff. September 1, 2005.

Sec. 2256.021. EFFECT OF LOSS OF REQUIRED RATING. An investment that requires a minimum rating under this subchapter does not qualify as an authorized investment during the period the investment does not have the minimum rating. An entity shall take all prudent measures that are consistent with its investment policy to liquidate an investment that does not have the minimum rating.

Added by Acts 1995, 74th Leg., ch. 402, Sec. 1, eff. Sept. 1, 1995.

Sec. 2256.022. EXPANSION OF INVESTMENT AUTHORITY. Expansion of investment authority granted by this chapter shall require a risk assessment by the state auditor or performed at the direction of the state auditor, subject to the legislative audit committee's approval of including the review in the audit plan under Section 321.013.

Added by Acts 1995, 74th Leg., ch. 402, Sec. 1, eff. Sept. 1, 1995. Amended by Acts 2003, 78th Leg., ch. 785, Sec. 42, eff. Sept. 1, 2003.

Sec. 2256.023. INTERNAL MANAGEMENT REPORTS. (a) Not less than quarterly, the investment officer shall prepare and submit to the governing body of the entity a written report of investment transactions for all funds covered by this chapter for the preceding reporting period.

(b) The report must:

- (1) describe in detail the investment position of the entity on the date of the report;
- (2) be prepared jointly by all investment officers of the entity;
- (3) be signed by each investment officer of the entity;

(4) contain a summary statement of each pooled fund group that states the:

(A) beginning market value for the reporting period;

(B) ending market value for the period; and

(C) fully accrued interest for the reporting period;

(5) state the book value and market value of each separately invested asset at the end of the reporting period by the type of asset and fund type invested;

(6) state the maturity date of each separately invested asset that has a maturity date;

(7) state the account or fund or pooled group fund in the state agency or local government for which each individual investment was acquired; and

(8) state the compliance of the investment portfolio of the state agency or local government as it relates to:

(A) the investment strategy expressed in the agency's or local government's investment policy; and

(B) relevant provisions of this chapter.

(c) The report shall be presented not less than quarterly to the governing body and the chief executive officer of the entity within a reasonable time after the end of the period.

(d) If an entity invests in other than money market mutual funds, investment pools or accounts offered by its depository bank in the form of certificates of deposit, or money market accounts or similar accounts, the reports prepared by the investment officers under this section shall be formally reviewed at least annually by an independent auditor, and the result of the review shall be reported to the governing body by that auditor.

Added by Acts 1995, 74th Leg., ch. 402, Sec. 1, eff. Sept. 1, 1995. Amended by Acts 1997, 75th Leg., ch. 1421, Sec. 12, eff. Sept. 1, 1997.

Amended by:

Acts 2011, 82nd Leg., R.S., Ch. [1004](#), Sec. 9, eff. June 17, 2011.

Sec. 2256.024. SUBCHAPTER CUMULATIVE. (a) The authority granted by this subchapter is in addition to that granted by other law. Except as provided by Subsection (b), this subchapter does not:

(1) prohibit an investment specifically authorized by other law; or

(2) authorize an investment specifically prohibited by other law.

(b) Except with respect to those investing entities described in Subsection (c), a security described in Section 2256.009(b) is not an authorized investment for a state agency, a local government, or another investing entity, notwithstanding any other provision of this chapter or other law to the contrary.

(c) Mortgage pass-through certificates and individual mortgage loans that may constitute an investment described in Section 2256.009(b) are authorized investments with respect to the housing bond programs operated by:

(1) the Texas Department of Housing and Community Affairs or a nonprofit corporation created to act on its behalf;

(2) an entity created under Chapter 392, Local Government Code; or

(3) an entity created under Chapter 394, Local Government Code.

Added by Acts 1995, 74th Leg., ch. 402, Sec. 1, eff. Sept. 1, 1995.

Sec. 2256.025. SELECTION OF AUTHORIZED BROKERS. The governing body of an entity subject to this subchapter or the designated investment committee of the entity shall, at least annually, review, revise, and adopt a list of qualified brokers that are authorized to engage in investment transactions with the entity.

Added by Acts 1997, 75th Leg., ch. 1421, Sec. 13, eff. Sept. 1, 1997.

Sec. 2256.026. STATUTORY COMPLIANCE. All investments made by entities must comply with this subchapter and all federal, state, and local statutes, rules, or regulations.

Added by Acts 1997, 75th Leg., ch. 1421, Sec. 13, eff. Sept. 1, 1997.

SUBCHAPTER B. MISCELLANEOUS PROVISIONS

Sec. 2256.051. ELECTRONIC FUNDS TRANSFER. Any local government may use electronic means to transfer or invest all funds collected or controlled by the local government.

Amended by Acts 1995, 74th Leg., ch. 402, Sec. 1, eff. Sept. 1, 1995.

Sec. 2256.052. PRIVATE AUDITOR. Notwithstanding any other law, a state agency shall employ a private auditor if authorized by the legislative audit committee either on the committee's initiative or on request of the governing body of the agency.

Amended by Acts 1995, 74th Leg., ch. 402, Sec. 1, eff. Sept. 1, 1995.

Sec. 2256.053. PAYMENT FOR SECURITIES PURCHASED BY STATE. The comptroller or the disbursing officer of an agency that has the power to invest assets directly may pay for authorized securities purchased from or through a member in good standing of the National Association of Securities Dealers or from or through a national or state bank on receiving an invoice from the seller of the securities showing that the securities have been purchased by the board or agency and that the amount to be paid for the securities is just, due, and unpaid. A purchase of securities may not be made at a price that exceeds the existing market value of the securities.

Amended by Acts 1995, 74th Leg., ch. 402, Sec. 1, eff. Sept. 1, 1995; Acts 1997, 75th Leg., ch. 1423, Sec. 8.67, eff. Sept. 1, 1997.

Sec. 2256.054. DELIVERY OF SECURITIES PURCHASED BY STATE. A security purchased under this chapter may be delivered to the comptroller, a bank, or the board or agency investing its funds. The delivery shall be made under normal and recognized practices in the securities and banking industries, including the book entry procedure of the Federal Reserve Bank.

Amended by Acts 1995, 74th Leg., ch. 402, Sec. 1, eff. Sept. 1, 1995; Acts 1997, 75th Leg., ch. 1423, Sec. 8.68, eff. Sept. 1, 1997.

Sec. 2256.055. DEPOSIT OF SECURITIES PURCHASED BY STATE. At the direction of the comptroller or the agency, a security purchased under this chapter may be deposited in trust with a bank or federal reserve bank or branch designated by the comptroller, whether in or outside the state. The deposit shall be held in the entity's name as evidenced by a trust receipt of the bank with which the securities are deposited.

Amended by Acts 1995, 74th Leg., ch. 402, Sec. 1, eff. Sept. 1, 1995; Acts 1997, 75th Leg., ch. 1423, Sec. 8.69, eff. Sept. 1, 1997.

APPENDIX B
COUNCIL RESOLUTION
September 24, 2014

September 24, 2014

WHEREAS, in 1987 the City Council adopted the City's Investment Policy which was in compliance with the federal and state law and the City Charter; and

WHEREAS, in 1995 and 1997 through 2013, the City Council amended the City's Investment Policy to incorporate amendments to the Public Funds Investment Act, improve management of the City's investments and reflect organizational changes; and

WHEREAS, the Public Funds Investment Act requires that the investment shall be made in accordance with written policies approved, at least annually, by the governing body; and

WHEREAS, investment policies must address safety of principal, liquidity, yield, diversification and maturity, with primary emphasis on safety of principal. **Now, Therefore,**

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

Section 1. That the attached City of Dallas Investment Policy has been reviewed by the City Council and shall be adopted as the guiding policy in the ongoing management of the specified funds in accordance with federal and state law and the City Charter.

Section 2. That this resolution shall be take effect immediately from and after its passage in accordance with the provisions of the Charter of the City of Dallas and it is accordingly so resolved.

Memorandum



CITY OF DALLAS

DATE September 12, 2014

TO Members of the Budget, Finance & Audit Committee: Jerry R. Allen (Chair),
Jennifer S. Gates (Vice Chair), Tennell Atkins, Sheffie Kadane, Philip T. Kingston

SUBJECT Upcoming Agenda Item: FY 2014-15 Budget Fee Amendments

In compliance with the City's Financial Performance Management Criteria (FMPC) #15, an annual review of selected fees and charges is conducted to determine the extent to which the full cost of associated services is being recovered by revenues.

In 2014 the City's consultant, MGT of America, Inc. reviewed 20 fees and charges in five departments. The review was performed with participation of representatives from each department.

- Dallas Police – 8 fees
- Street Services – 1 fee
- Sustainable Development (general fund) – 1 fee
- Office of Environmental Quality – 1 fee
- Public Works – 9 fees

The primary goals of the review were to:

- Develop a schedule of current fees and charges
- Define the costs for the City to provide various fee related services
- Recommend fee adjustments based on the full cost of services and other economic or policy considerations
- Develop revenue projections based on recommended increases or decreases to fees

The cost review was comprised of two basic elements: (1) staff time spent to provide the service and hourly rates of staff providing the service including benefits and City overhead costs and (2) other applicable cost incurred by the City to provide the service.

Based on the consultant's review, fee adjustments have been included in the proposed FY 2014-15 budget. The net impact of the fee adjustments is \$15,695. A table that details the current and proposed rates is attached for your review.

In addition to the consultant's review, Sanitation Services Department reviews its charges and fees annually to ensure the rates are adequate. Due to increased fleet maintenance cost and establishing a storm contingency, a \$0.67 per month residential rate increase is included in the FY 2014-15 budget in order to recover cost of service. The monthly sanitation residential fee is proposed to increase from current \$20.64 to \$21.31 per month and the estimated annual revenue increase is \$1,683,867. This sanitation fee change is also included in the proposed FY 2014-15 fee ordinance.

Please let me know if you need additional information.



Jeanne Chipperfield
Chief Financial Officer

Attachment

- c: Honorable Mayor and Members of City Council Forest E. Turner, Assistant City Manager
 A.C. Gonzalez, City Manager Joey Zapata, Assistant City Manager
 Warren M.S. Ernst, City Attorney Mark McDaniel, Assistant City Manager
 Craig D. Kinton, City Auditor Charles M. Cato, Interim Assistant City Manager
 Rosa A. Rios, City Secretary Theresa O'Donnell, Interim Assistant City Manager
 Daniel F. Solis, Administrative Judge Sana Syed, Public Information Officer
 Ryan S. Evans, First Assistant City Manager Elsa Cantu, Assistant to the City Manager
 Jill A. Jordan, P.E., Assistant City Manager

City of Dallas - FY 2014-15 Fee Adjustments

	Department	Name of Fee	Current Rate	Proposed Rate	FY 2014-15 Revenue Change
1	Dallas Police	Dance Hall Class A (dancing is permitted 3 days or more a week)	\$1,400	\$634	(\$55,897)
2	Dallas Police	Dance Hall Class B (dancing is permitted less than 3 days a week)	\$400	\$634	\$1,640
3	Dallas Police	Dance Hall Class C (dancing is scheduled one day at a time)	\$200	\$634	\$0
4	Dallas Police	Dance Hall Class E (dancing is permitted 7 days a week for persons age 14 -18 only)	\$1,400	\$688	\$0
5	Dallas Police	Late Hour Permit for Dance Hall Class A, B, or C	\$500	\$673	\$6,040
6	Dallas Police	Sexually Oriented Business License	\$1,400	\$808	(\$24,863)
7	Dallas Police	Amusement Center License	\$8	\$17	\$273
8	Dallas Police	Billiard Hall License	\$30	\$40	\$997
9	Public Works	Used car lot annual registration (3 or less spaces)	\$0	\$200	\$1,000
10	Public Works	Used car lot annual registration (4 to 9 spaces)	\$165	\$200	\$3,465
11	Public Works	Used car lot annual registration (10 to 49 spaces)	\$215	\$245	\$7,350
12	Public Works	Used car lot annual registration (50 or more spaces)	\$260	\$295	\$1,750
13	Public Works	Class 1 industrial facility, annual registration fee (air emissions >= 100 ton/year)	\$1,910	\$1,465	(\$9,345)
14	Public Works	Class 2 industrial facility, annual registration fee (potential air emissions >=100 ton/year but actual < 100 ton/year)	\$1,910	\$1,200	(\$6,390)
15	Public Works	Class 3 industrial facility, annual registration fee (potential air emissions > 5 and <100 ton/year)	\$1,535	\$940	(\$41,650)
16	Public Works	Class 4 industrial facility, annual registration fee (potential air emissions < 5 ton/year, with nuisance potential)	\$1,065	\$960	(\$15,435)
17	Public Works	Class 5 industrial facility, annual registration fee (for dry cleaners that use certain compounds)	\$50	\$80	\$2,760
18	Street Services	Street Barricade Permit	\$45	\$145	\$74,000
19	Sustainable Development	Application Review (for property abandonment, in whole or in part of abutting ROW)	\$2,500	\$4,250	\$70,000
20	Office of Environmental Quality	Municipal Setting Designation Fee (for deed restriction that prohibits use of shallow groundwater on known historical contaminated property)	\$11,500	\$11,500	\$0
Total Revenue Change					\$15,695

Memorandum



CITY OF DALLAS

DATE September 12, 2014

TO Members of the Budget, Finance & Audit Committee: Jerry R. Allen (Chair),
Jennifer S. Gates (Vice Chair), Tennell Atkins, Sheffie Kadane, Philip T. Kingston

SUBJECT Upcoming Agenda Item: External Audit Contract

On August 25, 2010, the City Council authorized a professional services contract with Grant Thornton LLP to perform the annual external audit and various related services for the City's fiscal years ending September 30, 2010 through September 30, 2012. The contract also provided for two one-year renewal options for fiscal years ending September 30, 2013 and 2014. Grant Thornton LLP has provided external audit services to the City of Dallas since the fiscal year 2007 annual audit.

The council agenda for September 24, 2014 includes a resolution to authorize the second and final renewal of the contract with Grant Thornton for the annual external audit of the City's fiscal year 2014 financial operations and grant activities in accordance with the terms provided in the current contract. The renewal reflects an increase of \$17,767 to the existing annual amount, from \$988,373 to \$1,006,140, as a result of the maximum 2% increase allowed in the original contract.

Funding will be provided as follows:

Current funds	\$ 919,253
Capital projects funds for services related to bond offerings	\$ 7,959
Tax Increment Financing Zones	\$ 22,934
Dallas Water Utilities for services related to bond offerings	\$ 7,959
Aviation fund for the audit of Passenger Facilities Charges	\$ 10,081

The contract also provides for the cost of other audit services to related City organizations. Although the costs were negotiated in the City's contract with Grant Thornton, they are approved and paid for by the organizations listed below:

Convention Center Hotel Development Corp.	\$ 25,469
Southwest Airlines for the audit of the Love Field Modernization Corp.	\$ 12,485

Please let me know if you need additional information.

Jeanne Chipperfield
Chief Financial Officer

c: Honorable Mayor and Members of City Council
A.C. Gonzalez, City Manager
Warren M.S. Ernst, City Attorney
Craig D. Kinton, City Auditor
Rosa A. Rios, City Secretary
Daniel F. Solis, Administrative Judge
Ryan S. Evans, First Assistant City Manager
Jill A. Jordan, P.E., Assistant City Manager

Forest E. Turner, Assistant City Manager
Joey Zapata, Assistant City Manager
Mark McDaniel, Assistant City Manager
Charles M. Cato, Interim Assistant City Manager
Theresa O'Donnell, Interim Assistant City Manager
Sana Syed, Public Information Officer
Elsa Cantu, Assistant to the City Manager

Memorandum



CITY OF DALLAS

DATE September 12, 2014

TO Members of the Budget, Finance & Audit Committee: Jerry R. Allen (Chair),
Jennifer S. Gates (Vice Chair), Tennell Atkins, Sheffie Kadane, Philip T. Kingston

SUBJECT September 24, 2014 Agenda Item #3: Amendments to Chapter 34 of the Dallas City
Code, "Personnel Rules"

Annually, the Department of Human Resources and the City Attorney's Office review and modify Chapter 34 of the Dallas City Code (City of Dallas Personnel Rules) to address outdated and/or obsolete information, changes to federal and state laws, and changes to updated City processes and procedures.

These rule changes require City Council approval and are scheduled for the September 24, 2014 Agenda. Attached are a list of the proposed changes and a copy of the ordinance changes.

If you have any questions, please contact Molly Carroll, Human Resources Director, at molly.carroll@dallascityhall.com or at 214-671-9810.

A handwritten signature in blue ink, appearing to read 'A.C. Gonzalez'.

A.C. Gonzalez
City Manager

Attachment

c: Honorable Mayor and Members of City Council
Warren M.S. Ernst, City Attorney
Craig D. Kinton, City Auditor
Rosa A. Rios, City Secretary
Daniel F. Solis, Administrative Judge
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Joey Zapata, Assistant City Manager
Mark McDaniel, Assistant City Manager
Jeanne Chipperfield, Chief Financial Officer
Charles M. Cato, Interim Assistant City Manager
Theresa O'Donnell, Interim Assistant City Manager
Molly Carroll, Director, Human Resources
Patricia Marsolais, Director, Civil Service
Sana Syed, Public Information Officer
Elsa Cantu, Assistant to the City Manager

Proposed Personnel Rule Changes - 2014

Item	Personnel Rules Reference	Personnel Rule Wording (Current)	Recommended Personnel Rule Wording	Reason
1	34-4 DEFINITIONS in alphabetical order, make this the new (23) and move remaining definitions down by one letter	No Current Wording	GENDER IDENTITY AND EXPRESSION means an individual's real or perceived gender identity as male, female, both, or neither.	Added a definition of gender identity and expression.
2	34-4 Definitions (34)	PAID LEAVE means sick leave, vacation leave, holiday leave, court leave, death-in-family leave, military leave, and mandatory city leave	PAID LEAVE means sick leave, vacation leave, holiday leave, court leave, death-in-family leave, <u>fifteen days of military leave each calendar year</u> , and mandatory city leave	State law used to require public employers to pay 15 days of military leave each year. That law changed. While employers must still allow employees time off to serve, it is no longer required that employers provide paid military leave. This change allows the City to continue paying employees for 15 days of military service each year.
3	34-4 DEFINITIONS (46) Sexual Orientation. Insert this language and delete (a) and (b). Note: with the precious revision, #47, (46) will be renumbered to (47)	SEXUAL ORIENTATION means an individuals: (A) real or perceived orientation as heterosexual, homosexual, or bisexual; or (B) real or perceived gender identity. the actual or perceived status of an individual with respect to the individual's sexuality. Heterosexual, homosexual, and bisexual are examples of sexual orientation.	SEXUAL ORIENTATION means the actual or perceived status of an individual with respect to the individual's sexuality. Heterosexual, homosexual, and bisexual are examples of sexual orientation.	Revised definition of sexual orientation.
4	34-22 SICK LEAVE (o) Sick leave during leave without pay.	An employee on leave without pay forfeits use and accrual of sick leave for the duration of the leave without pay, except to the extent that the leave without pay is authorized by the Family and Medical Leave Act. Upon completion of the leave without pay, the employee must either physically return to work or, if ill, submit an approved doctor's statement justifying inability to return to work before sick leave credit and accrual may be restored.	An employee on leave without pay forfeits use and accrual of sick leave for the duration of the leave without pay, except to the extent that the leave without pay is authorized by the <u>City's</u> Family and Medical Leave provisions. Upon completion of the leave without pay, the employee must either physically return to work or, if ill, submit an approved doctor's statement justifying inability to return to work before sick leave credit and accrual may be restored.	Clarifies that the referenced document is the City of Dallas' Family and Medical Leave provisions which includes 'designated care recipients'.

Proposed Personnel Rule Changes - 2014

Item	Personnel Rules Reference	Personnel Rule Wording (Current)	Recommended Personnel Rule Wording	Reason
5	34-23 VACATION LEAVE (m) Vacation leave during leave without pay	An employee on leave without pay forfeits use and accrual of vacation leave for the duration of the leave without pay, except to the extent that the leave without pay is authorized by the Family and Medical Leave Act. Upon completion of the leave without pay, the employee must either physically return to work or, if ill, submit an approved doctor's statement justifying inability to return to work before sick leave credit and accrual may be restored.	An employee on leave without pay forfeits use and accrual of vacation leave for the duration of the leave without pay, except to the extent that the leave without pay is authorized by the City's Family and Medical Leave provisions. Upon completion of the leave without pay, the employee must either physically return to work or, if ill, submit an approved doctor's statement justifying inability to return to work before sick leave credit and accrual may be restored.	Clarifies that the referenced document is the City of Dallas' Family and Medical Leave provisions which includes 'designated care recipients'.
6	34-24 COMPENSATORY LEAVE. (b) Accrual	Compensatory leave is accrued at the rate of one full hour leave for each full hour worked over 80 hours in a pay period, up to a maximum balance of 80 hours.	Compensatory leave is accrued in <u>half hour increments</u> for each half hour worked over 80 hours in a pay period, up to a maximum balance of 80 hours.	Update rules to match current practice.
7	34-25 HOLIDAYS (f) Loss of holiday pay (3)	on approved leave without pay the day before and the day following an official holiday, except to the extent the leave is authorized by the Family and Medical Leave Act.	on approved leave without pay the day before and the day following an official holiday, except to the extent the leave is authorized by the City's Family and Medical Leave provisions.	Clarifies that the referenced document is the City of Dallas' Family and Medical Leave provisions which includes 'designated care recipients'.
8	34-27 DEATH-IN-FAMILY Leave (a) Eligibility	An allowance of three work days with pay is extended to every permanent employee when a member of the employee's immediate family dies.	An allowance of three work days with pay is extended to every permanent employee when a member of the employee's immediate family or a designated care recipient, as defined in Sec 34-24.1 (c) (2) of this chapter, dies.	Extends death leave to include 'designated care recipients'.
9	34-28 LEAVE WITHOUTH PAY (d) Service Credit (1)	An employee who is on leave without pay from work for more than six consecutive calendar weeks loses service credit for that period in excess of six calendar weeks, except to the extent that the leave without pay is authorized by the Family and Medical Leave Act.	An employee who is on leave without pay from work for more than six consecutive calendar weeks loses service credit for that period in excess of six calendar weeks, except to the extent that the leave without pay is authorized by the City's Family and Medical Leave provisions.	Clarifies that the referenced document is the City of Dallas' Family and Medical Leave provisions which includes 'designated care recipients'.
10	34-35 FAIR EMPLOYMENT PRACTICES. (a)	City management may not discharge an individual, fail or refuse to hire an individual, or otherwise discriminate against an individual with respect to compensation, terms, conditions, or privileges of employment because of the individual's race, color, age, religion, sex, marital status, sexual orientation, national origin, disability, political opinions, or affiliations.	City management may not discharge an individual, fail or refuse to hire an individual, or otherwise discriminate against an individual with respect to compensation, terms, conditions, or privileges of employment because of the individual's race, color, age, religion, sex, marital status, sexual orientation, <u>gender identity and expression, genetic characteristics,</u> national origin, disability, <u>military or veteran status,</u> political opinions, or affiliations.	Expands listing to include gender identity and expression, genetic characteristics, military and veteran status.

Proposed Personnel Rule Changes - 2014

Item	Personnel Rules Reference	Personnel Rule Wording (Current)	Recommended Personnel Rule Wording	Reason
11	34-35 FAIR EMPLOYMENT PRACTICES. (b)	City management may not limit, segregate, or classify employees or applicants for employment in a way that would deprive or tend to deprive and individual of employment opportunities or otherwise adversely affect an employee's status because of the individual's race, color, age, religion, sex, marital status, sexual orientation, national origin, disability, political opinions, or affiliations.	City management may not limit, segregate, or classify employees or applicants for employment in a way that would deprive or tend to deprive and individual of employment opportunities or otherwise adversely affect an employee's status because of the individual's race, color, age, religion, sex, marital status, sexual orientation, <u>gender identity and expression, genetic characteristics</u> , national origin, disability, <u>military or veteran status</u> , political opinions, or affiliations.	Expands listing to include gender identity and expression, genetic characteristics, military and veteran status.
12	34-38(c)(4)(A) GRIEVANCE AND APPEAL PROCEDURES.	a claim of discrimination because of the employee's race, color, religion, sex, sexual orientation, national origin, age, or disability as it affects the employee's training, promotion, advancement, or transfer; or	a claim of discrimination because of the employee's race, color, age, religion, sex, sexual orientation, <u>gender identity and expression, genetic characteristics</u> , national origin, disability, or <u>military or veteran status</u> as it affects the employee's training, promotion, advancement, or transfer; or	Expands listing to include gender identity and expression, genetic characteristics, military and veteran status.
13	34-38 GRIEVANCE AND APPEAL PROCEDURES (c) Terms and conditions add (21)	No Current Wording	at every grievance appeal level, the hearing officer shall only hear matters contained in the original grievance.	Clarifies that appeals are limited to the issues presented in the original grievance.
14	34-38 GRIEVANCE AND APPEAL PROCEDURES (i)(1)(a) final decision.	a claim of discrimination because of an employee's race, color, religion, sex, sexual orientation, national origin, age, or disability as it affects the employee's training, promotion, advancement, or transfer, which may be appealed to the civil service board;	a claim of discrimination because of an employee's race, color, age, religion, sex, sexual orientation, <u>gender identity and expression, genetic characteristics</u> , national origin, disability, or <u>military or veteran status</u> as it affects the employee's training, promotion, advancement, or transfer, which may be appealed to the civil service board;	Expands listing to include gender identity and expression, genetic characteristics, military and veteran status.
15	34-39 APPEALS TO THE CIVIL SERVICE BOARD (a)General provisions, applicability, jurisdiction, and quorum (3) This sections does not apply to: add (c)	No Current Wording	(c) Applicants for employment	Limits the right to file internal grievances to city employees only.
16	34-39 APPEALS TO THE CIVIL SERVICE BOARD. (a)(4)(A) General provisions, applicability, jurisdiction, and quorum	A grievance of a current employee that is not settled at the final grievance and appeal procedure step and that involves a claim of discrimination because of an employee's race, color, religion, sex, sexual orientation, national origin, age, or disability as it affects the employee's training, promotion, advancement, or transfer, but only if the request for a grievance hearing:	A grievance of a current employee that is not settled at the final grievance and appeal procedure step and that involves a claim of discrimination because of an employee's race, color, age, religion, sex, sexual orientation, <u>gender identity and expression, genetic characteristics</u> , national origin, disability, or <u>military or veteran status</u> as it affects the employee's training, promotion, advancement, or transfer, but only if the request for a grievance hearing:	Expands listing to include gender identity and expression, genetic characteristics, military and veteran status.

Proposed Personnel Rule Changes - 2014

Item	Personnel Rules Reference	Personnel Rule Wording (Current)	Recommended Personnel Rule Wording	Reason
17	34-39 APPEALS TO THE CIVIL SERVICE BOARD. (a) General provisions, applicability, jurisdiction, and quorum (4) (C)	Outlines provisions for an applicant to file a grievance.	Delete entire section (C)	Limits the right to file internal grievances to city employees only.
18	34-39 APPEALS TO THE CIVIL SERVICE BOARD. (a) General provisions, applicability, jurisdiction, and quorum (6)	Any three members of the civil service board constitute a quorum for purposes of conducting any meeting or hearing under this section. All decisions or actions of the board under this section must be made by a majority of the board members present at a meeting or hearing.	Any <u>four</u> members of the civil service board constitute a quorum for purposes of conducting any meeting or hearing under this section. All decisions or actions of the board under this section must be made by a majority of the board members present at a meeting or hearing.	The Civil Service Board used to have five members, so a quorum was three. The Board now has seven members, so a quorum is four. This change reflects the new size of the Board.
19	34-39 APPEALS TO THE CIVIL SERVICE BOARD. (b) Prehearing deadlines (1)	Within five working days after the date of service of the request to the secretary of the civil service board, as shown on the certificate attached to the request under Subsection (a)(4)(A), (a)(4)(B), or (a)(4)(C) of this section, the secretary shall do the following:	To the fullest extent possible, within fifteen working days after the date of service of the request to the secretary of the civil service board, as shown on the certificate attached to the request under Subsection (a)(4)(A), (a)(4)(B), or (a)(4)(C) of this section, the secretary shall do the following:	This change provides the Civil Service Board Secretary additional time to process requests for hearings before the Civil Service Board.
20	34-39 APPEALS TO THE CIVIL SERVICE BOARD. (b) Prehearing deadlines (1)(A) add (i)	No Current Wording	The secretary of the civil service board may, with the approval of the civil service board chair, schedule a hearing outside of 60 to 90 calendar days from the date of the request.	This change provides the Civil Service Board Secretary additional time to schedule hearings when necessary.
21	34-39 APPEALS TO THE CIVIL SERVICE BOARD. (b) Prehearing deadlines.(1)(B)(i)	If the grievance involves a claim of discrimination, the statement of questions must read "Did the employee establish, by a preponderance of the evidence, the existence of discrimination based on the employee's (choose appropriate category - race, color, age, religion, sex, sexual orientation, national origin, or disability) as it affects the employee's (choose appropriate category - training, promotion, advancement, or transfer)?"	If the grievance involves a claim of discrimination, the statement of questions must read "Did the employee establish, by a preponderance of the evidence, the existence of discrimination based on the employee's (choose appropriate category - race, color, age, religion, sex, sexual orientation, <u>gender identity and expression, genetic characteristics, national origin, disability, or military or veteran status</u>) as it affects the employee's (choose appropriate category - training, promotion, advancement, or transfer)?"	Expands listing to include gender identity and expression, genetic characteristics, military and veteran status.

Proposed Personnel Rule Changes - 2014

Item	Personnel Rules Reference	Personnel Rule Wording (Current)	Recommended Personnel Rule Wording	Reason
22	34-39 APPEALS TO THE CIVIL SERVICE BOARD. (b) Prehearing deadlines (1)(B)(iii)	If a complaint is filed by an applicant for employment or an employee on initial probation, the statement of questions must read, "Did the applicant (or employee) establish, by a preponderance of the evidence, the existence of discrimination based on the applicant's (or employee's) (choose appropriate category - race, color, age, religion, sex, sexual orientation, national origin, or disability) as it affects the applicant's (or employee's) hiring?"	Delete entire section (iii)	Limits the right to file internal grievances to city employees only.
23	34-39 APPEALS TO THE CIVIL SERVICE BOARD. (a) (6) (b) Prehearing deadlines (1)(B)(iv)		No wording change. Make this section the new (iii) following the deletion of the previous section	Adjusts item numbering due to document deletions.
24	34-39(b)(3) <u>Continuances.</u>	(C) If the parties agree to a continuance, the hearing will be continued for up to 60 calendar days.	(C) Other than in cases in which the parties agree to abate a hearing in order to await the final adjudication of underlying criminal charges, the parties may agree to a continuance, in which case the hearing will be continued for up to 60 calendar days. Agreed continuances in excess of 180 days from the date of the original setting of the hearing must be approved by the Civil Service Board Chair, or his or her designee who shall be a member of the Civil Service Board.	Requires approval by the Civil Service Board Chair or his or her designee for continuances of a hearing for more than 180 days.
25	34-39 APPEALS TO THE CIVIL SERVICE BOARD. (b) Preparing Deadlines (5) Request for subpoenas	At least 20 working days before the hearing, each party may file with the secretary, and copy to the opposing party, a request for subpoena of witnesses and documents, in accordance with the following:	At least <u>30</u> working days before the hearing, each party may file with the secretary, and copy to the opposing party, a request for subpoena of witnesses and documents, in accordance with the following:	Changes the deadline for a request for subpoena of witnesses and documents.
26	34-39 APPEALS TO THE CIVIL SERVICE BOARD. (b) Preparing Deadlines (5) Request for subpoenas (iii)	the specific identification of books, papers, documents, or other tangible things sought to be subpoenaed.	if documents are being subpoenaed, the specific identification of books, papers, documents, or other tangible things sought to be subpoenaed.	Clarification regarding subpoenaed items.
27	34-39 APPEALS TO THE CIVIL SERVICE BOARD. (b) Preparing Deadlines (5) Request for subpoenas add (D)	No Current Wording	Either party may object to a subpoena request within seven working days after receiving notice of the subpoena request. Objections to subpoenas will be in writing, submitted to the secretary and copied to the opposing party, which will have three working days after receipt of the objections to respond in writing to the substantive reasons for the objections to the requested subpoenas.	Creates processes for subpoena requests for hearings before the Civil Service Board.

Proposed Personnel Rule Changes - 2014

Item	Personnel Rules Reference	Personnel Rule Wording (Current)	Recommended Personnel Rule Wording	Reason
28	34-39 APPEALS TO THE CIVIL SERVICE BOARD. (b) Preparing Deadlines (5) Request for subpoenas add (E)	No Current Wording	The secretary will forward the objections and the response to the objections, if any, to the Board Chair for resolution. If the Board Chair is unavailable, the objections will be ruled upon by his or her designee, who shall be a member of the Civil Service Board.	Creates processes for subpoena requests for hearings before the Civil Service Board.
29	34-39 APPEALS TO THE CIVIL SERVICE BOARD. (b) Preparing Deadlines (5) Request for subpoenas add (F)	No Current Wording	Once the scope of subpoenas is determined by the Board Chair, or if there are no objections to subpoena requests, each party will organize and number the responsive information ("the released documents") before turning it over to the secretary. The information will be provided within an amount of time determined by the Board Chair or, if there are no objections to the subpoena requests, in an amount of time determined by the secretary. The secretary shall provide a complete copy of the released documents to both parties of the hearing, at the expense of the party who issued the subpoena for the documents.	Creates processes for subpoena requests for hearings before the Civil Service Board.
30	34-39 APPEALS TO THE CIVIL SERVICE BOARD. (b) Preparing Deadlines (5) Request for subpoenas add (G)	No Current Wording	The individual picking up the released documents will sign for the produced information. The requesting party will then have three working days to submit, in writing, any objections to the completeness of the material produced. The producing party will have three working days to respond, in writing, to the substantive reasons for the requesting party's objections. The secretary shall maintain one complete copy of the subpoenaed material, to allow the Board Chair to fully assess and rule on any objections to the completeness of compliance with the subpoena.	Creates processes for subpoena requests for hearings before the Civil Service Board.
31	34-39 APPEALS TO THE CIVIL SERVICE BOARD. (b) Preparing Deadlines (5) Request for subpoenas add (H)	No Current Wording	The secretary will forward the objections and any response to the objections to the Board Chair for resolution. If the Board Chair is unavailable, the objections will be ruled upon by his or her designee, who shall be a member of the Civil Service Board.	Creates processes for subpoena requests for hearings before the Civil Service Board.
32	34-39 APPEALS TO THE CIVIL SERVICE BOARD. (b) Preparing Deadlines (5) Request for subpoenas add (I)	No Current Wording	Decisions rendered by the Board Chair (or his or her designee, if applicable) regarding subpoenas or responsive information are final and are not subject to further appeal.	Creates processes for subpoena requests for hearings before the Civil Service Board.

Proposed Personnel Rule Changes - 2014

Item	Personnel Rules Reference	Personnel Rule Wording (Current)	Recommended Personnel Rule Wording	Reason
33	34-39 APPEALS TO THE CIVIL SERVICE BOARD. (b) Preparing Deadlines (5) Request for subpoenas add (J)	No Current Wording	After all decisions have been rendered by the Board Chair regarding the scope of documents to be released pursuant to a subpoena, the secretary shall provide a complete copy of the released documents to both parties of the hearing, at the expense of the party who issued the subpoena for the documents.	Creates processes for subpoena requests for hearings before the Civil Service Board.
34	34-39 APPEALS TO THE CIVIL SERVICE BOARD. (c) Hearings (1)	Any three members of the board constitute a quorum for a hearing this section. The board chair (or, in the chair's absence, the vice chair or longest serving board member present) shall preside at any hearing and make rulings regarding evidence or procedure. Upon motion of any board member, the board, by majority vote, may overrule or modify any ruling by the chair.	Any <u>four</u> members of the board constitute a quorum for a hearing this section. The board chair (or, in the chair's absence, the vice chair or longest serving board member present) shall preside at any hearing and make rulings regarding evidence or procedure. Upon motion of any board member, the board, by majority vote, may overrule or modify any ruling by the chair.	The Civil Service Board used to have five members, so a quorum was three. The Board now has seven members, so a quorum is four. This change reflects the new size of the Board.
35	34-39 APPEALS TO THE CIVIL SERVICE BOARD. (c) Hearings (2), (3), and (4)	(2) The employee or applicant has the burden of establishing, by a preponderance of the evidence, that the city discriminated against the employee or the applicant or misapplied or misinterpreted a rule as alleged. (3) If the board, by majority vote determines, by a preponderance of the evidence, that the city discriminated against the employee or applicant or misapplied or misinterpreted a rule as alleged, the board shall direct such relief as it deems just and equitable. (4) The appealing employee or applicant:	remove the words "or applicant" where applicable.	Limits the right to file internal grievances to city employees only.
36	34-39 APPEALS TO THE CIVIL SERVICE BOARD. (d) Disposition (1) Dismissal (A), (B), and (C)	(A) The appealing employee or applicant fails to appear in person at the hearing, unless: (i) good cause for the failure to appear is shown; and (ii) the city would not be unduly prejudiced if the grievance or complaint is not dismissed. (B) The appealing employee or applicant fails to introduce sufficient evidence to prove the alleged discrimination or misapplication or misinterpretation of a rule. (C) The board cannot grant the relief that the appealing employee or applicant has requested.	remove the words "or applicant" where applicable.	Limits the right to file internal grievances to city employees only.

Proposed Personnel Rule Changes - 2014

Item	Personnel Rules Reference	Personnel Rule Wording (Current)	Recommended Personnel Rule Wording	Reason
37	34-40 APPEALS TO THE TRIAL BOARD OR ADMINISTRATIVE LAW JUDGE (c) Prehearing Deadlines (1)	Within five working days after the date of service of the request to the secretary, as shown on the certificate attached to the request under Subsection (a)(4)(C) of this section, the secretary shall do the following;	To the fullest extent possible, within fifteen days after the date of service of the request to the secretary, as shown on the certificate attached to the request under Subsection (a)(4)(C) of this section, the secretary shall do the following;	Provides the Civil Service Board Secretary additional time to process requests for hearings before the Civil Service Trial Board or an ALJ.
38	34-40 APPEALS TO THE TRIAL BOARD OR ADMINISTRATIVE LAW JUDGE (c) Prehearing Deadlines (1) (A) add (i)	No Current Wording	The secretary of the civil service board may, with the approval of the trial board chair or the administrative law judge, schedule a hearing outside of 60 to 90 calendar days from the date of the request.	Provides the Civil Service Board Secretary additional time to schedule hearings when necessary.
39	34-40(c)(3) <u>Continuances.</u>	(C) If the parties agree to a continuance, the hearing will be continued for up to 60 calendar days.	(C) Other than in cases in which the parties agree to abate a hearing in order to await the final adjudication of underlying criminal charges, the parties may agree to a continuance, in which case the hearing will be continued for up to 60 calendar days. Agreed continuances in excess of 180 days from the date of the original setting of the hearing must be approved by the Administrative Law Judge or the Trial Board Chair, or his or her designee, who shall be a member of the Trial Board.	Requires approval by the Trial Board Chair or the ALJ for continuances of a hearing for more than 180 days.
40	34-40 APPEALS TO THE TRIAL BOARD OR ADMINISTRATIVE LAW JUDGE (c) Preparing Deadlines (5) Request for subpoenas	At least 20 working days before the hearing, each party may file with the secretary, a request for subpoena of witnesses and documents, in accordance with the following:	Request for subpoenas. At least <u>30</u> working days before the hearing, each party may file with the secretary, and copy to the opposing party, a request for subpoena of witnesses and documents, in accordance with the following:	Changes the deadline for a request for subpoena of witnesses and documents.
41	34-40 APPEALS TO THE TRIAL BOARD OR ADMINISTRATIVE LAW JUDGE (c) (5) Request for subpoenas (iii)	the specific identification of books, papers, documents, or other tangible things sought to be subpoenaed.	if documents are being subpoenaed, the specific identification of books, papers, documents, or other tangible things sought to be subpoenaed.	Clarification regarding subpoenaed items.
42	34-40 APPEALS TO THE TRIAL BOARD OR ADMINISTRATIVE LAW JUDGE (c) (5) Request for subpoenas add (D)	No Current Wording	Either party may object to a subpoena request within seven working days after receiving notice of the subpoena request. Objections to subpoenas will be in writing, submitted to the Secretary and copied to the opposing party, which will have three working days after receipt of the objections to respond in writing to the substantive reasons for the objections to the requested subpoenas.	Creates processes for subpoena requests for hearings before a Trial Board or an ALJ.

Proposed Personnel Rule Changes - 2014

Item	Personnel Rules Reference	Personnel Rule Wording (Current)	Recommended Personnel Rule Wording	Reason
43	34-40 APPEALS TO THE TRIAL BOARD OR ADMINISTRATIVE LAW JUDGE (c) (5) Request for subpoenas add (E)	No Current Wording	The secretary will forward the objections and the response to the objections, if any, to the ALJ or Trial Board Chair for resolution. If the Trial Board Chair is unavailable, the objections will be ruled upon by his or her designee, who shall be a member of the Trial Board.	Creates processes for subpoena requests for hearings before a Trial Board or an ALJ.
44	34-40 APPEALS TO THE TRIAL BOARD OR ADMINISTRATIVE LAW JUDGE (c) (5) Request for subpoenas add (F)	No Current Wording	Once the scope of subpoenas is determined by the ALJ or Trial Board Chair, or if there are no objections to subpoena requests, each party will organize and number the responsive information ("the released documents") before turning it over to the secretary. The information will be provided within an amount of time determined by the ALJ or Trial Board Chair or, if there are no objections to the subpoena requests, in an amount of time determined by the secretary. The secretary shall release a complete copy of the released documents to both parties of the hearing, at the expense of the party who issued the subpoena for the documents.	Creates processes for subpoena requests for hearings before a Trial Board or an ALJ.
45	34-40 APPEALS TO THE TRIAL BOARD OR ADMINISTRATIVE LAW JUDGE (c) (5) Request for subpoenas add (G)	No Current Wording	The individual picking up the released documents will sign for the produced information. The requesting party will then have three working days to submit, in writing, any objections to the completeness of the material produced. The producing party will have three working days to respond, in writing, to the substantive reasons for the requesting party's objections. The secretary shall maintain one complete copy of the subpoenaed material, to allow the ALJ or Trial Board Chair to fully assess and rule on any objections to the completeness of compliance with the subpoena.	Creates processes for subpoena requests for hearings before a Trial Board or an ALJ.
46	34-40 APPEALS TO THE TRIAL BOARD OR ADMINISTRATIVE LAW JUDGE (c) (5) Request for subpoenas add (H)	No Current Wording	The secretary will forward the objections and any response to the objections to the ALJ or Trial Board Chair for resolution. If the Trial Board Chair is unavailable, the objections will be ruled upon by his or her designee, who shall be a member of the Trial Board.	Creates processes for subpoena requests for hearings before a Trial Board or an ALJ.
47	34-40 APPEALS TO THE TRIAL BOARD OR ADMINISTRATIVE LAW JUDGE (c) (5) Request for subpoenas add (I)	No Current Wording	Decisions rendered by the ALJ or Trial Board Chair (or his or her designee, if applicable) regarding subpoenas or responsive information are final and are not subject to further appeal.	Creates processes for subpoena requests for hearings before a Trial Board or an ALJ.

Proposed Personnel Rule Changes - 2014

Item	Personnel Rules Reference	Personnel Rule Wording (Current)	Recommended Personnel Rule Wording	Reason
48	34-40 APPEALS TO THE TRIAL BOARD OR ADMINISTRATIVE LAW JUDGE (c) (5) Request for subpoenas add (J)	No Current Wording	After all decisions have been rendered by the ALJ or Trial Board Chair regarding the scope of documents to be released pursuant to a subpoena, the secretary shall release a complete copy of the released documents to both parties of the hearing, at the expense of the party who issued the subpoena for the documents.	Creates processes for subpoena requests for hearings before a Trial Board or an ALJ.
49	34-43 WAGE SUPPLEMENTATION PLAN. (a) Administration	The director of human resources is authorized and directed to develop and distribute necessary administrative directives for the fair and efficient administration of the injured employees' wage supplementation plan.	The director of <u>risk management</u> is authorized and directed to develop and distribute necessary administrative directives for the fair and efficient administration of the injured employees' wage supplementation plan.	Corrects personnel rules to reflect the fact that this is the responsibility of the Director of the Department of Risk Management.

ORDINANCE NO. _____

An ordinance amending Chapter 34, "Personnel Rules," of the Dallas City Code by amending Sections 34-4, 34-22, 34-23, 34-24, 34-25, 34-27, 34-28, 34-35, 34-38, 34-39, 34-40, and 34-43, as amended; providing paid leave for military service; defining gender identity and expression; amending the definition of sexual orientation; reducing accrual of compensatory leave from one hour to one-half hour; expanding city management prohibition against discrimination to include gender identity or expression, genetic characteristics, and military or veteran status; clarifying that a hearing officer in a grievance appeal procedure shall only hear matters in the original grievance; limiting the right to file grievances to city employees only; increasing the number of civil service board members required to constitute a quorum to four for purposes of hearing appeals from grievance decisions and disciplinary actions against city employees; extending the deadline to set a grievance appeal hearing; clarifying the subpoena process for grievance appeal hearings; extending the deadline to set a disciplinary appeal hearing; providing additional time to set a disciplinary hearing; clarifying the subpoena process for disciplinary appeal hearings; assigning the authority to develop and distribute necessary administrative directives for the fair and efficient administration of the injured employees' wage supplementation plan to the director of risk management; making conforming, semantic, grammatical, and structural changes; providing a saving clause; providing a severability clause; and providing an effective date.

BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF DALLAS:

SECTION 1. That Section 34-4, "Definitions," of Chapter 34, "Personnel Rules," of the Dallas City Code is amended to read as follows:

"SEC. 34-4. DEFINITIONS.

In this chapter:

(1) ADMINISTRATIVE TERMINATION means termination because of death, disability, service retirement, or end of a temporary assignment.

(2) APPOINTMENT means:

(A) initial city employment; or

(B) placement into a position of department director, assistant department director, or other managerial personnel designated by the city council in accordance with Section 11, Chapter XVI of the city charter, regardless of whether the placement was through a competitive or noncompetitive selection process.

(3) ASSIGNMENT PAY means additional compensation for specialized duties as established by the salary and classification schedule.

(4) AUTHORIZED POSITION means an individual position described by a specific classification title and approved by the city council. Any change to an authorized position requires city council approval.

(5) BASE HOURLY RATE OF PAY means the hourly rate of an employee's base salary as established in the salary and classification schedule.

(6) BENEFIT means an employer-sponsored program that includes, but is not limited to, paid leave and health and life insurance benefits, but does not include wages, merit increases, service credit, or seniority.

(7) BREAK IN SERVICE means termination for one or more work days as a result of:

(A) administrative termination, resignation, reduction in force, or discharge, followed by reappointment; or

(B) leave of absence without pay for more than six consecutive calendar weeks, except to the extent that the leave without pay is authorized by federal or state law.

(8) CITY means the city of Dallas, Texas.

(9) CIVIL SERVICE BOARD means the civil service board of the city.

(10) CLASSIFICATION means all positions, regardless of departmental location, that are sufficiently alike in duties and responsibilities to:

- (A) be called by the same descriptive title;
- (B) be accorded the same pay scale under like conditions; and
- (C) require substantially the same education, experience, and skills.

(11) CLASSIFICATION CHANGE means revision of a position title that may include an adjustment of pay range.

(12) CLASSIFIED POSITION means a position that is subject to civil service rules and regulations as designated by the city charter.

(13) DEMOTION means a demotion as defined in Section 34-12(a) of this chapter.

(14) DISCHARGE means involuntary termination.

(15) EMPLOYEE means a person employed and paid a salary or wages by the city, whether under civil service or not, and includes a person on a part-time basis, but does not include an independent contractor or city council member.

(16) EMPLOYEES' RETIREMENT FUND BOARD means the board of trustees of the employees' retirement fund of the city of Dallas.

(17) EXEMPT EMPLOYEE means an exempt employee as defined by the Fair Labor Standards Act, as amended.

(18) FAMILY AND MEDICAL LEAVE ACT means the Family and Medical Leave Act of 1993 (29 U.S.C.A. §§ 2601 et seq.), as amended.

(19) FAMILY LEAVE means authorized leave as provided for in the Family and Medical Leave Act.

(20) FIRE DEPARTMENT means the fire-rescue department of the city.

(21) FLEX TIME means a balancing time entry process that provides an employee with the opportunity to substitute additional hours worked outside of his or her normal work schedule for time not worked during the same pay period in order to meet the total 80 hours required in a pay period. Flex time is a balancing entry only and is not paid leave.

(22) FURLOUGH LEAVE means time off from work when employees are placed in a temporary non-duty, non-pay status for required budgetary reasons.

(23) GENDER IDENTITY AND EXPRESSION means an individual's real or perceived gender identity as male, female, both, or neither.

(24) GRADE means a division of a salary and classification schedule with specified rates or ranges of pay.

(25[24]) GRIEVANCE means an employee's formal, written complaint regarding work conditions that the employee claims have been adversely affected by a violation, misinterpretation, or misapplication of a specific law, ordinance, resolution, policy, rule, or regulation.

(26[25]) IMMEDIATE FAMILY MEMBER means:

(A) a husband, wife, father, mother, father-in-law, mother-in-law, son, daughter, brother, or sister of an employee; or

(B) any person related to an employee by blood or marriage and who resides in the same household as the employee.

(27[26]) INTERNAL APPEAL means an administrative appeal to which an employee may be entitled under this chapter, this code, the city charter, or departmental regulations.

(28[27]) LEAVE WITHOUT PAY means an authorized temporary absence without pay.

(29[28]) MANDATORY CITY LEAVE means paid leave that is provided to employees by the city as a result of budget-related pay reductions.

(30[29]) MERIT INCREASE means a discretionary increase in salary based on performance.

(31[30]) MILITARY LEAVE means authorized leave to perform duties in the military service as provided for in:

(A) the Uniformed Services Employment and Reemployment Rights Act;

(B) Chapter 431 of the Texas Government Code, as amended; and

(C) Chapter 613 of the Texas Government Code, as amended.

(32[34]) MILITARY SERVICE means:

(A) the uniformed services, as defined in the Uniformed Services Employment and Reemployment Rights Act;

(B) the state militia, as defined in Chapter 431 of the Texas Government Code, as amended; and

(C) the military service, as defined in Chapter 613 of the Texas Government Code, as amended.

(~~33~~³²) NON-CIVIL SERVICE EMPLOYEE means an employee who fills a position that is exempt from the provisions applicable to the civil service, as designated by the city charter. Non-civil service employees include:

(A) employees of the legal department, the city manager's office, the city auditor's office, the city secretary's office, the library department, the park and recreation department, and the radio department (WRR);

(B) municipal court judges; and

(C) city council office staff.

(~~34~~³³) NONEXEMPT EMPLOYEE means a nonexempt employee as defined by the Fair Labor Standards Act, as amended.

(~~35~~³⁴) PAID LEAVE means sick leave, vacation leave, holiday leave, court leave, death-in-family leave, fifteen days of military leave each calendar year, and mandatory city leave.

(~~36~~³⁵) POLICE AND FIRE PENSION BOARD means the board of trustees of the police and fire pension system of the city of Dallas.

(~~37~~³⁶) POSITION means a collection of tasks, duties, and responsibilities regularly assigned to and performed by an individual.

(~~38~~³⁷) PROBATION:

(A) Probation means a minimum six-month period:

(i) after initial appointment, during which an employee can be terminated without right of appeal; or

(ii) after promotion, during which an employee can be:

(aa) returned to the previous position, if a retreat right to the previous position exists; or

(bb) terminated without right of appeal, if no retreat right exists.

(B) Probation may be extended to allow:

(i) six months on-the-job work performance; or

(ii) completion of any written prerequisites to employment.

(C) Probation does not apply to positions in departments exempt from civil service, and employees in those positions do not serve a probationary period.

(D) The service of a probationary period or the successful completion of a probationary period does not convey upon, imply, or intend to imply that an employee has a property interest in continued employment or a contract of employment with the city.

(39[38]) PROMOTION means an increase in grade with a resulting increase in salary due to placement in a position as a result of a competitive or noncompetitive selection process.

(40[39]) REAPPOINTMENT means re-employment of a former city employee.

(41[40]) REASSIGNMENT means a change of an employee to an equivalent position (same grade) within the same department.

(42[41]) REDUCTION IN FORCE means a reduction in the number of budgeted positions due to a change in work or funds.

(43[42]) REGULAR RATE OF PAY means an employee's base hourly rate of pay plus additional payments as established in the salary and classification schedule.

(44[43]) RESIGNATION means a voluntary termination.

(45[44]) SALARY AND CLASSIFICATION SCHEDULE means a city council-approved resolution that establishes all position classifications for city employment and the corresponding pay rates.

(46[45]) SERVICE CREDIT means the total duration of city employment, less any adjustments for breaks in service.

(47[46]) SEXUAL ORIENTATION means the actual or perceived status of an individual^{2s} with respect to the individual's sexuality. Heterosexual, homosexual, and bisexual are examples of sexual orientation.

~~[(A) real or perceived orientation as heterosexual, homosexual, or bisexual; or~~

~~(B) real or perceived gender identity.]~~

(48[47]) SHIFT DIFFERENTIAL PAY means additional compensation for regularly scheduled work hours outside of the city's normal business hours, as specifically described in administrative directives of the city.

(49[48]) STEP means one salary increment within a grade for a sworn police or fire department employee.

(50[49]) SUSPENSION means unpaid disciplinary leave for a specified period of time.

(51[50]) SWORN EMPLOYEES OF THE POLICE DEPARTMENT means:

(A) police officers and all related classifications, including trainee police officers; and

(B) park rangers and all classifications above park ranger in the same classification family.

(52[51]) TASKING means release from duty upon completion of assigned work before the scheduled end of the work day.

(53[52]) TERMINATION means cessation of employment with the city.

(54[53]) TRANSFER means the change of an employee from a position in one department to an equivalent position (same grade) in another department, but that does not result in either promotion or demotion.

(55[54]) UNCLASSIFIED POSITION means an unclassified civil service position as designated by Section 3, Chapter XVI of the city charter.

(56[55]) UNIFORMED SERVICES EMPLOYMENT AND REEMPLOYMENT RIGHTS ACT means the Uniformed Services Employment and Reemployment Rights Act of 1994 (38 U.S.C.A. §§ 4301 et seq.), as amended.

(57[56]) WORK WEEK means the seven-day period from Wednesday through Tuesday.

(58[57]) WORKING DAYS means Monday through Friday, excluding official holidays observed by the city of Dallas as set forth in Section 34-25 of this chapter.”

SECTION 2. That Subsection (o), “Sick Leave During Leave Without Pay,” of Section 34-22, “Sick Leave,” of Chapter 34, “Personnel Rules,” of the Dallas City Code is amended to read as follows:

“(o) Sick leave during leave without pay. An employee on leave without pay forfeits use and accrual of sick leave for the duration of the leave without pay, except to the extent that the leave without pay is authorized by the City’s Family and Medical Leave provisions [Aet]. Upon completion of the leave without pay, the employee must either physically return to work or, if ill, submit an approved doctor’s statement justifying inability to return to work before sick leave credit and accrual may be restored.”

SECTION 3. That Subsection (m), “Vacation Leave During Leave Without Pay,” of Section 34-23, “Vacation Leave,” of Chapter 34, “Personnel Rules,” of the Dallas City Code is amended to read as follows:

“(m) Vacation leave during leave without pay. An employee on leave without pay forfeits use and accrual of vacation leave for the duration of the leave without pay, except to the extent that the leave without pay is authorized by the City’s Family and Medical Leave provisions [Aet]. Upon completion of the leave without pay, the employee must either physically return to work or, if ill, submit an approved doctor’s statement justifying inability to return to work before vacation leave credit and accrual may be restored.”

SECTION 4. That Subsection (b), “Accrual,” of Section 34-24, “Compensatory Leave,” of Chapter 34, “Personnel Rules,” of the Dallas City Code is amended to read as follows:

“(b) Accrual. Compensatory leave is accrued in half [~~at the rate of one full~~] hour increments [~~leave~~] for each half [~~full~~] hour worked over 80 hours in a pay period, up to a maximum balance of 80 hours.”

SECTION 5. That Subsection (f), “Loss of Holiday Pay,” of Section 34-25, “Holidays,” of Chapter 34, “Personnel Rules,” of the Dallas City Code is amended to read as follows:

“(f) Loss of holiday pay. An employee will not receive pay for a holiday if the employee is:

(1) on unapproved leave without pay either the day before or the day following an official holiday;

(2) on unapproved leave without pay on a holiday on which the employee is normally scheduled to work; or

(3) on approved leave without pay the day before and the day following an official holiday, except to the extent the leave is authorized by the City’s Family and Medical Leave provisions [Aet].”

SECTION 6. That Subsection (a), “Eligibility,” of Section 34-27, “Death-In-Family Leave,” of Chapter 34, “Personnel Rules,” of the Dallas City Code is amended to read as follows:

“(a) Eligibility. An allowance of three work days with pay is extended to every permanent employee when a member of the employee’s immediate family, or the employee’s designated care recipient, as defined in Sec 34-24.1(c)(2) of this chapter, dies.”

SECTION 7. That Subsection (d), “Service Credit,” of Section 34-28, “Leave Without Pay,” of Chapter 34, “Personnel Rules,” of the Dallas City Code is amended to read as follows:

“(d) Service credit.

(1) An employee who is on leave without pay from work for more than six consecutive calendar weeks loses service credit for that period in excess of the six calendar weeks, except to the extent that the leave without pay is authorized by the City’s Family and Medical Leave provisions [~~Act~~].

(2) Notwithstanding Paragraph (1) of this subsection, service credit for an employee performing duties in the military service is governed by Section 34-40 of this chapter and administrative directives established pursuant to that section.”

SECTION 8. That Section 34-35, “Fair Employment Practices,” of Chapter 34, “Personnel Rules,” of the Dallas City Code is amended to read as follows:

“SEC. 34-35. FAIR EMPLOYMENT PRACTICES.

(a) City management may not discharge an individual, fail or refuse to hire an individual, or otherwise discriminate against an individual with respect to compensation, terms, conditions, or privileges of employment because of the individual’s race, color, age, religion, sex, marital status, sexual orientation, gender identity and expression, genetic characteristics, national origin, disability, military or veteran status, political opinions, or affiliations. Nothing in this subsection extends any employee benefits, including but not limited to paid or unpaid leave, medical benefits, or pension benefits, to any individual who is ineligible for those benefits under any other provision of this chapter, the city’s master health plan, the employees’ retirement fund program, or the police and fire pension system or under any other city ordinance or resolution or state or federal law.

(b) City management may not limit, segregate, or classify employees or applicants for employment in a way that would deprive or tend to deprive an individual of employment opportunities or otherwise adversely affect an employee’s status because of the individual’s race, color, age, religion, sex, marital status, sexual orientation, gender identity and expression, genetic characteristics, national origin, disability, military or veteran status, political opinions, or affiliations.”

SECTION 9. That Subsection (c), “Terms and Conditions,” of Section 34-38, “Grievance and Appeal Procedures,” of Chapter 34, “Personnel Rules,” of the Dallas City Code is amended to read as follows:

“(c) Terms and conditions.

(1) An employee who may appeal a grievance or disciplinary action may have two levels of appeal hearings but no more than a total of four hearings. Appeals of demotions or terminations to the civil service trial board or an administrative law judge are counted as one level of appeal hearing.

(2) A grievance or a disciplinary appeal may be heard during regularly scheduled working hours without loss of pay to the employee, provided the privilege is not abused.

(3) Preparation of a grievance or a disciplinary appeal, except for seeking assistance from the department of human resources, is not permitted during the employee’s working hours.

(4) A sworn member of the police department or fire department may appeal a grievance only through Step 3, except that the grievance may be appealed beyond Step 3 if it involves:

(A) a claim of discrimination because of the employee’s race, color, age, religion, sex, sexual orientation, gender identity and expression, genetic characteristics, national origin, [~~age, or~~] disability, or military or veteran status as it affects the employee’s training, promotion, advancement, or transfer; or

(B) a claim relating to an interpretation or application of a civil service rule.

(5) Except for the final step in appealing a suspension, demotion, or discharge, a hearing under these procedures is an informal discussion held without the taking of a written record. An employee must be willing to discuss the evidence and answer questions concerning the grievance or appeal at each step. Failure to discuss the facts of the case at any informal level of these procedures will constitute withdrawal of the grievance or appeal and will cause the last decision rendered to become nonappealable.

(6) An employee may seek assistance or representation in presenting a grievance or an appeal at any step. Guidance and assistance on the grievance or appeal procedures may be obtained from the department of human resources. If another employee is selected to provide assistance or representation on the grievance or appeal, that employee is not eligible for regular pay but may be released on vacation leave or leave without pay, depending upon departmental procedure. The supervisor may also obtain assistance or representation.

(7) The days used to establish time limits in this section are working days. Time limits begin to run the working day following the incident, event, hearing, or notice. Unless otherwise provided, the time limits for grievance or appeal requests require that the grievance or appeal request actually be received within that time period by the office designated as the next step for the grievance or appeal.

(8) Unless due to reasons beyond the employee's control, if an employee fails to file a grievance or an appeal within the time limits prescribed in Subsection (f) of this section or fails to personally appear at a hearing, the matter will be considered as having been accepted and the last decision rendered will be nonappealable.

(9) If the hearing of a grievance or an appeal is not held within 20 working days after the date the request is received (unless the hearing date is extended by mutual agreement or for extraordinary circumstances such as a death in the family or documented illness), the employee requesting the hearing may proceed to the next level of appeal. The city manager, park board, civil service board, trial board, and administrative law judge hearing processes are excluded from this time limitation.

(10) If a disposition of a grievance or an appeal is not issued within the specified time limit, the employee may proceed to the next step, if applicable, by filing a grievance or appeal request to the next step within 20 working days after the date of the last hearing in the grievance or appeal process. If the employee fails to timely file a grievance or appeal request to the next step, the last disposition of the grievance or appeal is nonappealable.

(11) Any time limit specified in the procedures under this section may be extended by mutual agreement.

(12) A grievance filed against a department other than the employee's own department must be brought to the director of the charged department and is initiated at Step 3 of these procedures. The charged department is responsible for keeping the employee's own department informed of progress at each step of the grievance or appeal and for supplying the employee's department with copies of the findings.

(13) An employee who has not completed probation, when required, after appointment or reappointment to city employment may not file an appeal of a disciplinary action. An employee who has not completed probation, when required, after a promotion may not appeal a demotion.

(14) An employee shall not be subject to retaliation for using the grievance or appeal procedures.

(15) An appeal concerning a job performance rating, efficiency rating, or merit rating may not proceed beyond Step 3 unless the person issuing the job performance rating is a department director. In that case, the employee may appeal to an assistant city manager or, if the department reports to a board or commission, to a designated board or commission member.

(16) An appeal of a reprimand may not proceed beyond Step 3 unless the person issuing the reprimand is a department director. In that case, the employee may appeal to an assistant city manager or, if the department reports to a board or commission, to a designated board or commission member.

(17) The right to grieve ends if the employee terminates employment with the city.

(18) An employee may not grieve a position classification.

(19) The city vehicle collision appeal process will be administered in accordance with any applicable provisions of this chapter and with specific procedures and requirements outlined in the administrative directives of the city.

(20) An employee who files a grievance and subsequently files an appeal of the disposition of that grievance shall submit a copy of the original grievance at all levels of appeal.

(21) At every grievance appeal level, the hearing officer shall only hear matters contained in the original grievance.

SECTION 10. That Subsection (i), “Final Decision,” of Section 34-38, “Grievance and Appeal Procedures,” of Chapter 34, “Personnel Rules,” of the Dallas City Code is amended to read as follows:

“(i) Final decision.

(1) The disposition of a grievance or an appeal by the assistant city manager, city manager, employees’ retirement fund board, secretary of the civil service board, city auditor, or city secretary is nonappealable, except when the grievance or appeal involved a:

(A) [a] claim of discrimination because of an employee’s race, color, age, religion, sex, sexual orientation, gender identity and expression, genetic characteristics, national origin, [~~age~~, ~~or~~] disability, or military or veteran status as it affects the employee’s training, promotion, advancement, or transfer, which may be appealed to the civil service board;

(B) [a] civil service rule challenge, which may be appealed to the civil service board; or

(C) [a] demotion or discharge, which may be appealed to the trial board, unless provided otherwise in the city charter.

(2) The disposition of a grievance or an appeal by the police and fire pension board is nonappealable, except when the grievance or appeal involved:

(A) a claim of discrimination because of an employee’s race, color, age, religion, sex, sexual orientation, gender identity and expression, genetic characteristics, national origin, [~~age, or~~] disability, or military or veteran status as it affects the employee’s training, promotion, advancement, or transfer, which may be appealed to the civil service board; or

(B) a civil service rule challenge, which may be appealed to the civil service board.”

SECTION 11. That Section 34-39, “Appeals to the Civil Service Board,” of Chapter 34, “Personnel Rules,” of the Dallas City Code is amended to read as follows:

“SEC. 34-39. APPEALS TO THE CIVIL SERVICE BOARD.

(a) General provisions, applicability, jurisdiction, and quorum.

(1) To the extent that a rule adopted by the civil service board and approved by the city council conflicts with a provision of this chapter, this chapter prevails.

(2) In this section:

(A) BOARD means the civil service board of the city.

(B) SECRETARY means the secretary of the civil service board.

(3) This section does not apply to:

(A) a department director, an assistant department director, or other managerial personnel designated by the city council in accordance with Section 11, Chapter XVI of the city charter; [~~or~~]

(B) a non-civil service employee; or[-]

(C) applicants for employment.

(4) The civil service board has jurisdiction to hear the following matters:

(A) A grievance of a current employee that is not settled at the final grievance and appeal procedure step and that involves a claim of discrimination because of an employee’s race, color, age, religion, sex, sexual orientation, gender identity and expression, genetic characteristics, national origin, [~~age, or~~] disability, or military or veteran status as it affects the employee’s training, promotion, advancement, or transfer, but only if the request for a grievance hearing:

(i) is filed in writing with the civil service board secretary within 10 working days after the date of the employee's receipt of the letter of the last disposition of the grievance;

(ii) contains the following information:

(aa) a brief explanation of the incident causing the complaint, including the date of occurrence;

(bb) a brief statement showing how the incident harmed the employee;

(cc) the type of discrimination alleged;

(dd) the remedy sought;

(ee) the signature of the employee; and

(ff) a certificate showing the date of service to the secretary; and

(iii) has a copy of the original grievance attached to the request.

(B) A grievance that is not settled at the final grievance and appeal procedure step and that involves an interpretation or application of a civil service rule, but only if the request for a grievance hearing:

(i) is filed in writing with the secretary within 10 working days after the date of the employee's receipt of the letter of the last disposition of the grievance; and

(ii) contains the following information:

(aa) a brief explanation of the incident causing the complaint, including the date of occurrence;

(bb) a brief statement showing how the incident harmed the employee;

(cc) the provision of the civil service board's code of rules and regulations that is in question;

(dd) the remedy sought;

(ee) the signature of the employee; and

(ff) a certificate showing the date of service to the secretary; and

(iii) has a copy of the original grievance attached to the request.

~~[(C) A complaint filed by an applicant for employment or an employee on initial probation with the city if the complaint:~~

~~(i) alleges discrimination because of the applicant's or employee's race, color, religion, sex, sexual orientation, national origin, age, or disability as it affects hiring;~~

~~(ii) is filed in writing with the secretary within 10 working days after the occurrence of the alleged discrimination; and~~

~~(iii) contains the following information:~~

~~(aa) a brief explanation of the incident causing the complaint, including the date of occurrence;~~

~~(bb) a brief statement showing how the incident harmed the applicant or employee;~~

~~(cc) the type of discrimination alleged;~~

~~(dd) the remedy sought;~~

~~(ee) the signature of the employee; and~~

~~(ff) a certificate showing the date of service to the secretary.]~~

(5) The civil service board does not have jurisdiction to hear:

(A) a grievance of an individual whose employment with the city has terminated, even if the original grievance was filed when the individual was a city employee; and

(B) a grievance on a matter that was not included in the original grievance filed by an employee.

(6) Any four ~~[three]~~ members of the civil service board constitute a quorum for purposes of conducting any meeting or hearing under this section. All decisions or actions of the board under this section must be made by a majority of the board members present at a meeting or hearing.

(b) Prehearing deadlines.

(1) To the fullest extent possible, within ~~Within~~ fifteen ~~five~~ working days after the date of service of the request to the secretary of the civil service board, as shown on the certificate attached to the request under Subsection ~~34-39(a)(4)(A), 34-39(a)(4)(B), or 34-39(a)(4)(C) [of this section],~~ the secretary shall do the following:

(A) Set a hearing before the civil service board within 60 to 90 calendar days after receipt of the request by the secretary; however, the secretary of the civil service board may, with the approval of the civil service board chair, schedule a hearing outside of 60 to 90 calendar days from the date of the request.

(B) Prepare a “statement of questions,” which must be styled, “Matter of (name of employee ~~[or applicant]~~)” and include the following language:

(i) If the grievance involves a claim of discrimination, the statement of questions must read “Did the employee establish, by a preponderance of the evidence, the existence of discrimination based on the employee’s (choose appropriate category - race, color, age, religion, sex, sexual orientation, gender identity and expression, genetic characteristics, national origin, ~~[or]~~ disability, or military or veteran status) as it affects the employee’s (choose appropriate category - training, promotion, advancement, or transfer)?”

(ii) If the grievance involves a claim of misinterpretation or misapplication of a board rule, the statement of questions must specify each rule alleged to have been violated.

(iii) ~~[If a complaint is filed by an applicant for employment or an employee on initial probation, the statement of questions must read, “Did the applicant (or employee) establish, by a preponderance of the evidence, the existence of discrimination based on the applicant’s (or employee’s) (choose appropriate category - race, color, age, religion, sex, sexual orientation, national origin, or disability) as it affects the applicant’s (or employee’s) hiring?”]~~

~~(iv)]~~ The statement of questions may not include any issue not included in the original grievance ~~[or complaint]~~.

(C) Transmit to each party notice of the hearing and the statement of questions.

(2) Objections.

(A) Within 10 working days after the date of service as shown on the certificate of service on the statement of questions, the parties shall file any objections to the statement of questions with the secretary.

(B) Within five working days after the date of service as shown on the certificate of service on the objections, a response may be filed.

(C) Objections may be resolved at the hearing immediately before evidence is accepted.

(3) Continuances.

(A) At least 15 working days before a hearing or two working days after a party learns of the facts requiring a continuance, whichever date is earlier, a motion for continuance of the hearing may be filed.

(B) Within five working days after the date of service as shown on the certificate of service on the motion for continuance, a response may be filed.

(C) Other than in cases in which the parties agree to abate a hearing to await the final adjudication of underlying criminal charges, [H] the parties may agree to a continuance, in which case, the hearing will be continued for up to 60 calendar days. Agreed continuances in excess of 180 days from the date of the original setting of the hearing must be approved by the civil service board chair, or his or her designee who shall be a member of the civil service board.

(D) If the parties do not agree to a continuance, the continuance may be granted by a majority of the board members present at a meeting or hearing at which the motion for continuance is considered.

(4) Exchange of information. At least 10 working days before the hearing, each party shall:

(A) exchange witness lists;

(B) exchange exhibits;

(C) stipulate to undisputed facts;

(D) stipulate to the admissibility of exhibits; and

(E) file with the secretary a position statement that must include a:

(i) [a] statement of the party's position on the issues in the statement of questions;

(ii) [a] designation of undisputed facts;

(iii) [a] list of witnesses and the estimated time required for the direct examination of each witness; and

(iv) [a] list of exhibits.

(5) Request for subpoenas. At least 30 [20] working days before the hearing, each party may file with the secretary a request for subpoena of witnesses and documents, in accordance with the following:

(A) The request for subpoena of witnesses and documents must include:

(i) the name and address of each witness to be subpoenaed;

(ii) if a witness is a city employee, the name of the employee's department; and

(iii) if documents are being subpoenaed, the specific identification of books, papers, documents, or other tangible things sought to be subpoenaed.

(B) The party requesting the subpoena shall notify the subpoenaed witness of postponements, rescheduling, and appearance times.

(C) The board has the power to compel the attendance of witnesses and the production of testimony and evidence, to administer oaths, and to punish for contempt in the same manner as provided for municipal judges.

(D) Either party may object to a subpoena request within seven working days after receiving notice of the subpoena request. Objections to subpoenas must be in writing, submitted to the secretary, and copied to the opposing party, who has three working days after receipt of the objections to respond in writing to the substantive reasons for the objection.

(E) The secretary shall forward the written objections and the response to the objections, if any, to the civil service board chair for resolution. If the civil service board chair is unavailable, the objections must be ruled upon by his or her designee, who shall be a member of the civil service board.

(F) Once the scope of the subpoena is determined by the civil service board chair, or if no objections are filed, each party shall organize and number the responsive information ("the released documents") before turning it over to the secretary. The released documents must be provided within an amount of time determined by the civil service board chair or, if no objections are filed, in an amount of time determined by the secretary. The secretary shall provide a complete copy of the released documents to both parties of the hearing, at the expense of the party who issued the subpoena for the documents.

(G) The individual picking up the released documents must sign for the produced information. The requesting party has three working days to submit, in writing, any objections to the completeness of the released documents. The producing party has three working days to respond, in writing, to the substantive reasons for the requesting party's objections. The secretary shall maintain one complete copy of the released documents, to allow the civil service

board chair to fully assess and rule on any objections to the completeness of compliance with the subpoena.

(H) The secretary shall forward the objections and any response to the objections to the civil service board chair for resolution. If the civil service board chair is unavailable, the objections will be ruled upon by his or her designee, who shall be a member of the civil service board.

(I) Decisions rendered by the civil service board chair (or his or her designee, if applicable) regarding subpoenas or responsive information are final and are not subject to further appeal.

(J) After all decisions have been rendered by the civil service board chair regarding the scope of documents to be released pursuant to a subpoena, the secretary shall provide a complete copy of the released documents to both parties of the hearing, at the expense of the party who issued the subpoena for the documents.

(6) Challenge of board members.

(A) At least 10 working days before the hearing, a motion to challenge a board member may be filed with the secretary and served upon all parties.

(B) Within five working days after the date of service as shown on the certificate of service on the motion to challenge a board member, a response may be filed.

(C) A challenge may not be made after the hearing begins, unless the challenge is based on a board member's:

- (i) ineligibility to hear the matter; or
- (ii) conduct during the hearing.

(D) If the challenged member does not voluntarily withdraw, the board, by a majority vote, not counting the vote of the challenged member, may remove the member.

(7) Service of subpoenas.

(A) At least five working days before the hearing, the secretary shall cause all subpoenas to be personally served.

(B) The secretary shall designate a person to deliver the subpoenas and that person shall sign each subpoena stating that the witness was served.

(C) The subpoena of an active city employee may be served through the director of the employee's department.

(8) Computation of time.

(A) In computing any period of time prescribed in this section, the day of the act or event from which the designated period of time begins to run is not included.

(B) The last day of the time period is included, unless it is a Saturday, Sunday, or official holiday observed by the city, in which event the period runs until 5:15 p.m. of the next day that is not a Saturday, Sunday, or official holiday observed by the city.

(C) Except as otherwise specified, time periods will be calculated based on calendar days.

(c) Hearings.

(1) Any four [~~three~~] members of the board constitute a quorum for a hearing under this section. The board chair (or, in the chair's absence, the vice chair or longest serving board member present) shall preside at any hearing and make rulings regarding evidence or procedure. Upon motion of any board member, the board, by majority vote, may overrule or modify any ruling by the chair.

(2) The employee [~~or applicant~~] has the burden of establishing, by a preponderance of the evidence, that the city discriminated against the employee [~~or applicant~~] or misapplied or misinterpreted a rule as alleged.

(3) If the board, by majority vote, determines, by a preponderance of the evidence, that the city discriminated against the employee [~~or applicant~~] or misapplied or misinterpreted a rule as alleged, the board shall direct such relief as it deems just and equitable.

(4) The appealing employee [~~or applicant~~]:

(A) may request the hearing or deliberations, which are usually open to the public, to be closed; and

(B) may not be compensated for time away from the employee's city position while attending a hearing, unless so ordered by the board.

(5) The board may exclude:

(A) redundant, irrelevant, or cumulative evidence;

(B) evidence that is not competent or properly authenticated;

(C) any exhibit not previously exchanged; and

(D) the testimony of a witness not previously identified as a witness.

(6) The secretary shall maintain a record of the hearing and shall, at the city's expense, appoint a court reporter to make a record of the hearing.

(7) The board shall [~~will~~] release city employee witnesses as soon as possible to return to city business.

(8) Placing witnesses under the rule.

(A) Upon request by either party, the witnesses on both sides shall be sworn and removed from the hearing room so they cannot hear the testimony as delivered by any other witness in the case.

(B) Witnesses shall be instructed that they are not to converse with each other or with any other person about the case, other than the attorneys in the case.

(9) After the parties have rested, the board may request a party to produce additional evidence as the board deems necessary to decide the issues before it.

(d) Disposition.

(1) Dismissal. A grievance [~~or complaint~~] or any part of a grievance [~~or complaint~~] must be dismissed for, but not limited to, any of the following reasons:

(A) The appealing employee [~~or applicant~~] fails to appear in person at the hearing, unless:

(i) good cause for the failure to appear is shown; and

(ii) the city would not be unduly prejudiced if the grievance [~~or complaint~~] is not dismissed.

(B) The appealing employee [~~or applicant~~] fails to introduce sufficient evidence to prove the alleged discrimination or misapplication or misinterpretation of a rule.

(C) The board cannot grant the relief that the appealing employee [~~or applicant~~] has requested.

(D) The board lacks jurisdiction.

(2) Board orders.

(A) The disposition of a grievance [~~or complaint~~] must be reduced to writing by the secretary and transmitted to the parties within three working days after the board has announced its ruling. This writing is the order of the board.

(B) The order is final unless a motion for rehearing is filed within 10 working days after the date on the written order.

(3) Relief. The board may grant the prevailing party relief that is just and equitable as is consistent with the city charter and other applicable law.

(4) Costs. The board may not authorize payment of attorney's fees, expenses, or costs or provide payment of damages beyond payment of salary and benefits that would have ordinarily been paid to the appealing employee.

(e) Post-hearing deadlines.

(1) Within 10 working days after the date on the written order, a motion for rehearing may be filed by either party.

(2) A motion for rehearing may be granted by the board only if the order:

(A) exceeds the board's authority;

(B) contains provisions impermissible under applicable law;

(C) is unclear; or

(D) incorrectly states the disposition of the matter.

(f) Other matters.

(1) If a court of law rules on an issue involved in the grievance [~~or complaint~~], the board's order must conform with the court's ruling or must be vacated in deference to the court's ruling, whichever is applicable.

(2) The board may order, with the consent of the parties, that any matters having common issues of fact be consolidated.

(3) No party or party representative shall communicate with any board member regarding the issues involved in the grievance [~~or complaint~~] except at the hearing.

(4) The board, by majority vote, may seek advice regarding its jurisdiction or the nature and extent of its authority from the city attorney.

(5) A party may be heard through a representative if that representative is designated:

(A) in writing filed with the secretary and served on all parties;

(B) on the record at the hearing before evidence is accepted; or

(C) through the signature of the representative on any paper filed with the secretary on behalf of the party.

(6) The secretary shall ensure that the board receives any materials filed by the parties.

(7) Any paper served by a party on the secretary must include a certificate showing service to all other parties.

(8) Service upon the city must be accomplished by serving the assistant city attorney assigned to the hearing.

(9) Nothing in this section may be construed to authorize the practice of law except as permitted by the Supreme Court of Texas.

(10) By presenting to the board (whether by signing, submitting, or later advocating) a request for a hearing, a complaint, a written or oral motion, or any other document, the party is certifying that it is acting in good faith.

(g) Nothing in this section conveys upon, implies, or intends to imply that an employee has a property interest in continued employment or a contract of employment with the city based on any right to grieve or appeal provided by this section or on the nondiscrimination policy stated in Section 34-35 of this chapter. Nothing in this section or in the nondiscrimination policy creates any right or remedy under any law or limits any existing right or remedy provided under any law.”

SECTION 12. That Subsection (c), “Prehearing Deadlines,” of Section 34-40, “Appeals to the Trial Board or Administrative Law Judge,” of Chapter 34, “Personnel Rules,” of the Dallas City Code is amended to read as follows:

“(c) Prehearing deadlines.

(1) To the fullest extent possible, within ~~[Within]~~ fifteen ~~[five]~~ working days after the date of service of the request to the secretary, as shown on the certificate attached to the request under Subsection (a)(4)(C) of this section, the secretary shall do the following:

(A) Set a hearing before a trial board or an administrative law judge within 60 to 90 calendar days after receipt of the request by the secretary; however, the secretary of the civil service board may, with the approval of the trial board chair or the administrative law judge, schedule a hearing outside of 60 to 90 calendar days from the date of the request.

(B) Prepare a “statement of questions,” which must be styled, “Matter of (name of employee)” and must specify the rules alleged to have been violated as stated in the letter of demotion or discharge.

(C) Designate the trial board members who will hear the appeal or, if elected by the employee, the administrative law judge.

(D) Transmit to each party notice of the hearing, the statement of questions, and the names of the trial board members or the name of the administrative law judge, whichever is applicable.

(2) Objections.

(A) Within 10 working days after the date of service as shown on the certificate of service on the statement of questions, the parties shall file any objections to the statement of questions with the secretary.

(B) Within five working days after the date of service as shown on the certificate of service on the objections, a response may be filed.

(C) Objections may be resolved at the hearing immediately before evidence is accepted.

(3) Continuances.

(A) At least 15 working days before a hearing or two working days after a party learns of the facts requiring a continuance, whichever date is earlier, a motion for continuance of the hearing may be filed.

(B) Within five working days after the date of service as shown on the certificate of service on the motion for continuance, a response may be filed.

(C) Other than in cases in which the parties agree to abate a hearing to await the final adjudication of underlying criminal charges, [If] the parties may agree to a continuance, in which case, the hearing will be continued for up to 60 calendar days. Agreed continuances in excess of 180 days from the date of the original setting of the hearing must be approved by the administrative law judge or the trial board chair, or his or her designee, who shall be a member of the trial board.

(D) If the parties do not agree to a continuance:

(i) for a hearing before a trial board, the continuance may be granted by a majority of the trial board members present at a meeting or hearing at which the motion for continuance is considered; or

(ii) for a hearing before an administrative law judge, the secretary shall request a ruling from the administrative law judge on the motion for continuance.

(4) Exchange of information. At least 10 working days before the hearing, each party shall:

(A) exchange witness lists;

(B) exchange exhibits;

(C) stipulate to undisputed facts;

(D) stipulate to the admissibility of exhibits; and

(E) file with the secretary a position statement that must include:

(i) a statement of the party's position on the issues in the statement of questions;

(ii) a designation of undisputed facts;

(iii) a list of witnesses and the estimated time required for the direct examination of each witness; and

(iv) a list of exhibits.

(5) Request for subpoenas. At least 30 [20] working days before the hearing, each party may file with the secretary, and copy the opposing party, a request for subpoena of witnesses and documents, in accordance with the following:

(A) The request for subpoena of witnesses and documents must include:

(i) the name and address of each witness to be subpoenaed;

(ii) if a witness is a city employee, the name of the employee's department; and

(iii) if documents are being subpoenaed, the specific identification of books, papers, documents, or other tangible things sought to be subpoenaed.

(B) The party requesting the subpoena shall notify the subpoenaed witness of postponements, rescheduling, and appearance times.

(C) The trial board or the administrative law judge has the power to compel the attendance of witnesses and the production of testimony and evidence, to administer oaths, and to punish for contempt in the same manner as provided for municipal judges.

(D) Either party may object to a subpoena request within seven working days after receiving notice of the subpoena request. Objections to subpoenas must be in writing, submitted to the secretary, and copied to the opposing party, who has three working days after receipt of the objections to respond in writing to the substantive reasons for the objections to the requested subpoenas.

(E) The secretary shall forward the objections and the response to the objections, if any, to the administrative law judge or trial board chair for resolution. If the trial board chair is unavailable, the objections must be ruled upon by his or her designee, who shall be a member of the trial board.

(F) Once the scope of the subpoena is determined by the administrative law judge or trial board chair, or if no objections are filed, each party shall organize and number the responsive information (“released documents”) before turning it over to the secretary. The released ~~documents—must~~documents must be provided within the amount of time determined by the administrative law judge or trial board chair or, if no objections are filed, in an amount of time determined by the secretary. The secretary shall release a complete copy of the released documents to both parties of the hearing, at the expense of the party who issued the subpoena for the documents.

(G) The individual picking up the released documents must sign for the produced information. The requesting party has three working days to submit, in writing, any objections to the completeness of the released documents. The producing party has three working days to respond, in writing, to the substantive reasons for the requesting party’s objections. The secretary shall maintain one complete copy of the released documents, to allow the administrative law judge or trial board chair to fully assess and rule on any objections to the completeness of compliance with the subpoena.

(H) The secretary shall forward the objections and any response to the objections to the administrative law judge or trial board chair for resolution. If the trial board chair is unavailable, the objections shall be ruled upon by his or her designee, who shall be a member of the trial board.

(I) Decisions rendered by the administrative law judge or trial board chair (or his or her designee, if applicable) regarding subpoenas or responsive information are final and are not subject to further appeal.

(J) After all decisions have been rendered by the administrative law judge or trial board chair regarding the scope of documents to be released pursuant to a subpoena, the secretary shall release a complete copy of the released documents to both parties of the hearing, at the expense of the party who issued the subpoena for the documents.

(6) Challenge of a trial board member or an administrative law judge.

(A) At least 10 working days before the hearing, a motion to challenge a trial board member or an administrative law judge may be filed with the secretary and served upon all parties.

(B) Within five working days after the date of service as shown on the certificate of service on the motion to challenge a trial board member or an administrative law judge, a response may be filed.

(C) A challenge may not be made after the hearing begins, unless the challenge is based on:

(i) the ineligibility of a trial board member or an administrative law judge to hear the matter; or

(ii) the conduct of a trial board member or an administrative law judge during the hearing.

(D) If a challenged trial board member does not voluntarily withdraw, the trial board, by a unanimous vote, not counting the vote of the challenged member, may remove the member.

(E) If a challenged administrative law judge does not voluntarily withdraw, the administrative municipal judge of the municipal court of record may remove the member.

(F) If a challenge results in withdrawal of a trial board member or an administrative law judge, the hearing may be continued to a date certain.

(G) If a challenge results in withdrawal of a trial board member or an administrative law judge, the secretary shall promptly designate a replacement and inform all parties of the replacement.

(H) A challenge to a substituted trial board member or administrative law judge must be submitted as soon as possible.

(7) Service of subpoenas.

(A) At least five working days before the hearing, the secretary shall cause all subpoenas to be personally served.

(B) The secretary shall designate a person to deliver the subpoenas and that person shall sign each subpoena stating that the witness was served.

(C) The subpoena of an active city employee may be served through the director of the employee's department.

(8) Computation of time.

(A) In computing any period of time prescribed in this section, the day of the act or event from which the designated period of time begins to run is not included.

(B) The last day of the time period is included, unless it is a Saturday, Sunday, or official holiday observed by the city, in which event the period runs until 5:15 p.m. of the next day that is not a Saturday, Sunday, or official holiday observed by the city.

(C) Except as otherwise specified, time periods will be calculated based on calendar days. ”

SECTION 13. That Subsection (a), Administration,” of Section 34-43, “Wage Supplementation Plan,” of Chapter 34, “Personnel Rules,” of the Dallas City Code is amended to read as follows:

“(a) Administration. The director of risk management [~~human resources~~] is authorized and directed to develop and distribute necessary administrative directives for the fair and efficient administration of the injured employees’ wage supplementation plan. Department directors shall authorize wage supplementation for their employees in accordance with the administrative directives. Determinations and decisions made by department directors are final, conclusive, and binding on all parties.”

SECTION 14. That Chapter 34 of the Dallas City Code shall remain in full force and effect, save and except as amended by this ordinance. Any proceeding, civil or criminal, based upon events that occurred prior to the effective date of this ordinance are saved, and the former law is continued in effect for that purpose.

SECTION 15. That the terms and provisions of this ordinance are severable and are governed by Section 1-4 of Chapter 1 of the Dallas City Code, as amended.

SECTION 16. That this ordinance shall take effect immediately from and after its passage and publication in accordance with the provisions of the Charter of the City of Dallas, and it is accordingly so ordained.

APPROVED AS TO FORM:

WARREN M.S. ERNST, City Attorney

By _____
Assistant City Attorney

Passed _____

Memorandum



CITY OF DALLAS

DATE September 12, 2014

TO The Honorable Mayor and Members of the City Council

SUBJECT Quarterly Investment Report as of June 30, 2014

The City of Dallas Investment Policy, in accordance with the Texas Public Funds Investment Act, requires that the City Council and City Manager receive quarterly investment reports. The purpose of this report is to provide a means for Council members, Council committee members and staff to regularly review and monitor the City's investment position and to demonstrate compliance with the City's Investment Policy and the Public Funds Investment Act. Summary reports on each of the City's portfolios are included as well as summary information on the portfolio as a whole.

For the quarter ended June 30, 2014 the City's individual portfolios and the combined portfolio are in compliance with the relevant provisions of the Public Funds Investment Act and the investment strategies adopted in Sec. 17.0 of the City's Investment Policy.

In addition, the City recently received a Certification of Investment Policy for developing an investment policy that meets the requirements of the Public Fund Investment Act and standards for prudent public investing established by the Government Treasurers' Organization of Texas.

The executed June 30, 2014 quarterly investment report and the Certification of Investment Policy are attached.

A handwritten signature in blue ink that reads "Jeanne Chipperfield".

Jeanne Chipperfield
Chief Financial Officer

Attachments

c: A.C. Gonzalez, City Manager
Warren M.S. Ernst, City Attorney
Craig D. Kinton, City Auditor
Rosa A. Rios, City Secretary
Daniel F. Solis, Administrative Judge
Ryan S. Evans, First Assistant City Manager
Jill A. Jordan, P.E., Assistant City Manager
Forest E. Turner, Assistant City Manager
Joey Zapata, Assistant City Manager
Mark McDaniel, Assistant City Manager
Charles M. Cato, Interim Assistant City Manager
Theresa O'Donnell, Interim Assistant City Manager
Sana Syed, Public Information Officer
Elsa Cantu, Assistant to the City Manager



CITY OF DALLAS

QUARTERLY INVESTMENT REPORT

June 30, 2014

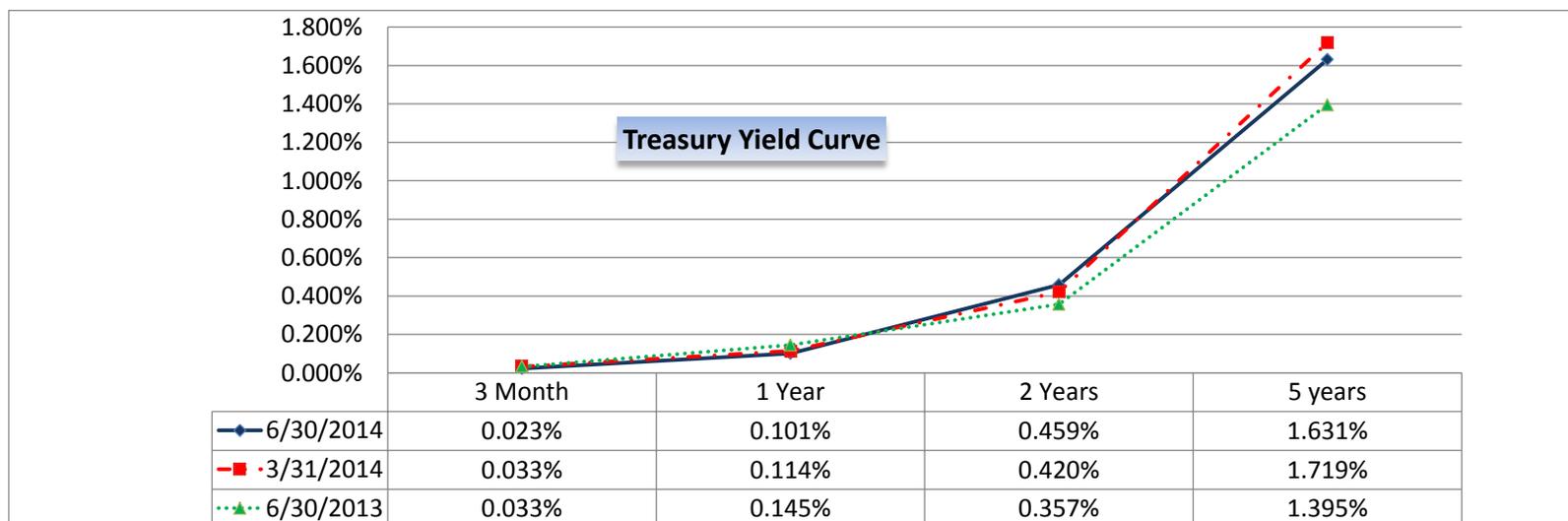
Quarterly National Economic and Market Update
Quarter Ended June 30, 2014

- Growth in economic activity has rebounded in recent months. Labor market generally improved accompanied by a modest wage rise.
- Household spending appears to be rising moderately and business fixed investment resumed its advance.
- The Federal Open Market Committee (FOMC) Sees Quantitative Easing (QE) ending with \$15 billion cut in October 2014, if outlook holds.
- There was no evidence that the FOMC is inclined to raise rates any time soon or alter forward guidance in an effort to alter current market expectations.

Source: FOMC June 18, 2014 Meeting Statement and Minutes

National Economic Data	6/30/2013	6/30/2014
Fed Funds Rate	0.00% -0.25%	0.00% -0.25%
2 Years Treasury Note	0.357%	0.459%
10 Years Treasury Note	2.487%	2.531%
Monthly Unemployment Rate	7.50%	6.10%
Weekly Initial Jobless Claims	344,000	316,000
Monthly Change in Nonfarm Payrolls	201,000	288,000
Monthly New Housing Starts	831,000	893,000

Source: Bloomberg



Source: Bloomberg

City of Dallas
Portfolio Holdings
Combined Investment Summary
As of 06/30/2014

Portfolio Description	Face Amount	Book Value	Market Value	Accrued Interest	Market Value + Accrued Interest	*Unrealized Gain/(Loss)	Yield To Maturity
01 The City's Investment Pool	1,194,831,604	1,197,021,120	1,198,087,480	3,046,875	1,201,134,355	1,066,359	0.51%
02 Convention Center Reserve	18,900,000	18,901,167	18,936,391	18,038	18,954,429	35,224	0.39%
03 Water Reserve	89,975,000	89,883,853	90,028,955	102,925	90,131,880	145,103	0.73%
04 Art Endowment	2,235,000	2,235,000	2,238,496	3,259	2,241,755	3,496	0.35%
05 Ida Green Library Fund	1,000,000	999,360	999,762	0	999,762	402	0.16%
10 DWU Commercial Paper Program	116,523	116,523	116,523	0	116,523	-	0.02%
14 Trinity Parkway Escrow	546,386	546,386	546,386	0	546,386	-	0.01%
16 Oncor Electric Escrow	54,596	54,596	54,596	0	54,596	-	0.01%
17 GO Commercial Paper Program	98,588	98,588	98,588	0	98,588	-	0.02%

*Unrealized gain/loss is the difference between the market value and book value and does not represent an actual gain or loss. Gains and losses are realized only when a security is sold prior to maturity. Since it is the City's practice to hold investments until they mature, the temporary gains and losses are unlikely to be realized.

City of Dallas
Trade Activity by Portfolio
As of: 03/31/14 - 06/30/14

Portfolio Description	Beginning Face Amount	Beginning Yield To Maturity	Purchased/Deposited	Matured/Called/ Redeemed	Ending Face Amount	Ending Yield To Maturity
City's Investment Pool*						
Federal Agricultural Mortgage Corp.	82,000,000	0.60%	-	-	82,000,000	0.60%
Federal Farm Credit Bank	227,768,000	0.39%	20,000,000	15,000,000	232,768,000	0.38%
Federal Home Loan Bank	245,000,000	0.38%	70,000,000	-	315,000,000	0.55%
Federal Home Loan Mortgage Corp.	323,853,000	0.57%	-	20,000,000	303,853,000	0.60%
Federal National Mortgage Assoc.	224,340,000	0.45%	25,000,000	29,240,000	220,100,000	0.51%
Total	1,102,961,000	0.47%	115,000,000	64,240,000	1,153,721,000	0.52%
<i>*Trade activity excludes local government investment pools and money market mutual funds.</i>						
Convention Center Reserve						
Federal National Mortgage Assoc.	18,900,000	0.39%	-	-	18,900,000	0.39%
Total	18,900,000	0.39%	-	-	18,900,000	0.39%
Water Reserve						
Federal Farm Credit Bank	5,000,000	0.30%	-	-	5,000,000	0.30%
Federal Home Loan Bank	20,000,000	0.37%	10,000,000	-	30,000,000	0.68%
Federal Home Loan Mortgage Corp.	65,000,000	0.67%	4,975,000	15,000,000	54,975,000	0.79%
Total	90,000,000	0.58%	14,975,000	15,000,000	89,975,000	0.73%
Art Endowment						
Federal Farm Credit Bank	2,235,000	0.35%	-	-	2,235,000	0.35%
Total	2,235,000	0.35%	-	-	2,235,000	0.35%
Ida Green Library Endowment						
Federal National Mortgage Assoc.	1,000,000	0.16%	-	-	1,000,000	0.16%
Total	1,000,000	0.16%	-	-	1,000,000	0.16%
DWU Commercial Paper						
Money Market - Tax Exempt	1,240,196	0.02%	9,142	1,132,816	116,523	0.02%
Total	1,240,196	0.02%	9,142	1,132,816	116,523	0.02%
GO Commercial Paper						
Money Market - Tax Exempt	853,347	0.02%	4,206	758,965	98,588	0.02%
Total	853,347	0.02%	4,206	758,965	98,588	0.02%
Trinity Parkway Escrow						
Money Market	546,373	0.01%	14	-	546,386	0.01%
Total	546,373	0.01%	14	-	546,386	0.01%
Oncor Electric Escrow						
Money Market	54,595	0.01%	1	-	54,596	0.01%
Total	54,595	0.01%	1	-	54,596	0.01%

City of Dallas
Summary Statement by Portfolio
As of: 03/31/14 - 06/30/14

Portfolio Description	Beginning Face Amount	Ending Face Amount	Beginning Book Value	Ending Book Value	Beginning Market Value	Ending Market Value	Deposits/ (Redemptions)	Change in Market Value	Accrued Interest	Ending Yield To Maturity
City's Investment Pool¹										
Local Govt. Investment Pool	184,106,533	27,106,533	184,106,533	27,106,533	184,106,533	27,106,533	(157,000,000)	-	-	0.09%
Money Market	51,004,071	14,004,071	51,004,071	14,004,071	51,004,071	14,004,071	(37,000,000)	-	-	0.05%
US Agency	1,102,961,000	1,153,721,000	1,106,397,312	1,155,910,516	1,106,548,313	1,156,976,876	50,760,000	(200,477)	3,046,875	0.52%
*Total	1,338,071,604	1,194,831,604	1,341,507,916	1,197,021,120	1,341,658,917	1,198,087,480	(143,240,000)	(200,477)	3,046,875	0.51%
Convention Center Reserve²										
US Agency	18,900,000	18,900,000	18,901,577	18,901,167	18,943,788	18,936,391	-	(7,397)	18,038	0.39%
Total	18,900,000	18,900,000	18,901,577	18,901,167	18,943,788	18,936,391	-	(7,397)	18,038	0.39%
Water Reserve²										
US Agency	90,000,000	89,975,000	89,900,265	89,883,853	89,910,680	90,028,955	(25,000)	133,170	102,925	0.73%
Total	90,000,000	89,975,000	89,900,265	89,883,853	89,910,680	90,028,955	(25,000)	133,170	102,925	0.73%
Art Endowment³										
US Agency	2,235,000	2,235,000	2,235,000	2,235,000	2,237,470	2,238,496	-	1,026	3,259	0.35%
Total	2,235,000	2,235,000	2,235,000	2,235,000	2,237,470	2,238,496	-	1,026	3,259	0.35%
Ida Green Library Endowment⁴										
US Agency	1,000,000	1,000,000	998,956	999,360	999,545	999,762	-	217	-	0.16%
Total	1,000,000	1,000,000	998,956	999,360	999,545	999,762	-	217	-	0.16%
DWU Commercial Paper⁵										
Money Market - Tax Exempt	1,240,196	116,523	1,240,196	116,523	1,240,196	116,523	(1,123,674)	-	-	0.02%
Total	1,240,196	116,523	1,240,196	116,523	1,240,196	116,523	(1,123,674)	-	-	0.02%
GO Commercial Paper⁵										
Money Market - Tax Exempt	853,347	98,588	853,347	98,588	853,347	98,588	(754,759)	-	-	0.02%
Total	853,347	98,588	853,347	98,588	853,347	98,588	(754,759)	-	-	0.02%
Trinity Parkway Escrow⁶										
Money Market	546,373	546,386	546,373	546,386	546,373	546,386	14	-	-	0.01%
Total	546,373	546,386	546,373	546,386	546,373	546,386	14	-	-	0.01%
Oncor Electric Escrow⁷										
Money Market	54,595	54,596	54,595	54,596	54,595	54,596	1	-	-	0.01%
Total	54,595	54,596	54,595	54,596	54,595	54,596	1	-	-	0.01%

Notes 1-7: See Page 6 for Strategy Statement by Portfolio.

*Numbers may not sum due to rounding

City of Dallas
Strategy Statement and Compliance by Portfolio
As of: 03/31/14 - 06/30/14

STRATEGY COMPLIANCE STATEMENT

For the quarter ended June 30, 2014 the portfolios are in compliance with the relevant provisions of the Public Fund Investment Act and the investment strategies adopted in Sec. 17.0 of the City's Investment Policy.

STRATEGY STATEMENT BY PORTFOLIO

1) City's Investment Pool

The City's Investment Pool is an aggregation of the majority of City funds that includes tax receipts, enterprise fund revenues, fine and fee revenues, as well as some, but not all, bond proceeds, grants, gifts and endowments. This portfolio is maintained to meet anticipated daily cash needs for City of Dallas operations, capital projects and debt service. In order to ensure the ability of the City to meet obligations and to minimize potential liquidation losses, the dollar-weighted average stated maturity of the Investment Pool shall not exceed 1.5 years.

2) Convention Center Bond Reserve and Water Bond Reserve

Non-pooled reserve funds for outstanding revenue bonds (Convention Center and Water) are set at levels required by their respective bond ordinances. These funds will be used to pay principal and/or interest at final maturity or if called prior to final maturity.

3) Art Endowment

The Art Endowment Fund was created by the City from a \$1,285,026 repayment to the General Fund from the Convention Center. Pursuant to Resolution No. 84-311 dated September 26, 1984, this endowment fund was created to provide additional monies for the arts, not to replace the current level of support. Funds received as gifts to the City with instructions that the income generated by the investment of said funds be used for specified purposes are invested as separate non-pooled portfolios in order to maximize return.

4) Ida Green Library Endowment

The Ida M. Green Endowment Fund was created with the proceeds from the sale of stock from the estate of Ms. Green pursuant to Resolution No. 87-0836. Its purpose is to provide funds for the operating and capital expenses of the library's Texas Center for the Book and Children's Center. Funds received as gifts to the City with instructions that the income generated by the investment of said funds be used for specified purposes are invested as separate non-pooled portfolios in order to maximize return.

5) DWU Commercial Paper Program and GO Commercial Paper Program

The City issues tax-exempt commercial paper notes as an interim financing tool for construction and capital projects. Proceeds from the issuance of commercial paper debt must be liquid in order to fund periodic payments to contractors and must be invested in tax-exempt securities in order to avoid costly and complex arbitrage rebate computations. In order to meet these requirements, commercial paper proceeds will be invested in tax-exempt money market mutual funds.

6) Trinity Parkway Escrow

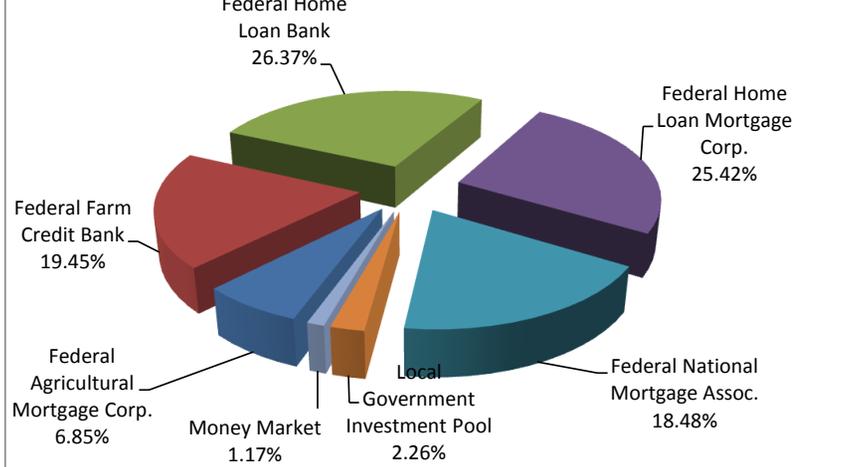
The Trinity Parkway Escrow portfolio was created with the deposit of \$5,000,000 on November 16, 1999 in an escrow account in accordance with an agreement dated as of January 1, 1999 between the City and the North Texas Tollway Authority ("NTTA") pertaining to development of the Trinity Parkway. A subsequent deposit of \$4,500,000 was made in June 2009. These funds will be used to reimburse NTTA for specified payment related to project feasibility. Permitted investments for this account are defined in the Escrow Agreement as those that are consistent with the Public Funds Investment Act.

7) Oncor Electric Escrow

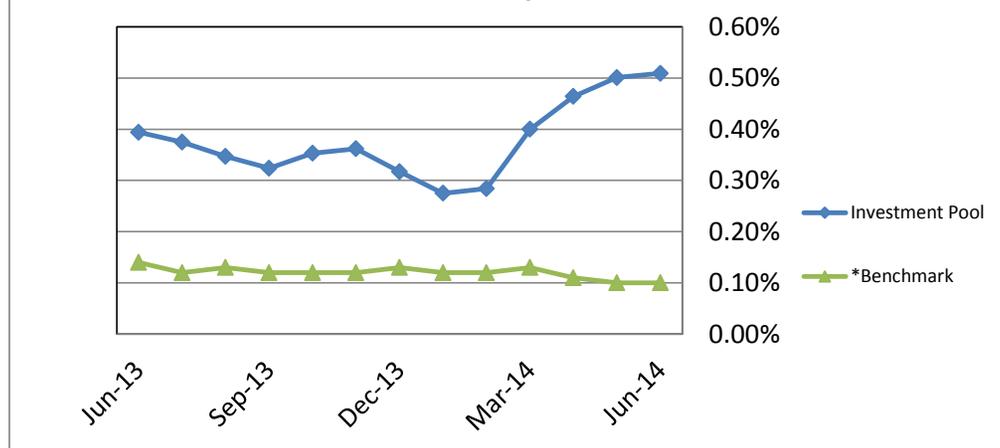
The Oncor Electric Escrow portfolio was created with the deposit of \$4,500,000 in December 2007 in an escrow account in accordance with an agreement dated as of July 13, 2007 between the City and the Oncor Electric Delivery Company LLC pertaining to the development of the West Levee to Norwood Transmission Line. These funds will be used to reimburse Oncor for specified payments related to project feasibility. Permitted investments for this account are defined in the Escrow Agreement as those that are consistent with the Public Funds Investment Act.

City of Dallas
City's Investment Pool Portfolio Allocation
Investment Summary
As of 06/30/2014

City's Investment Pool Portfolio Allocation



Yield Comparison



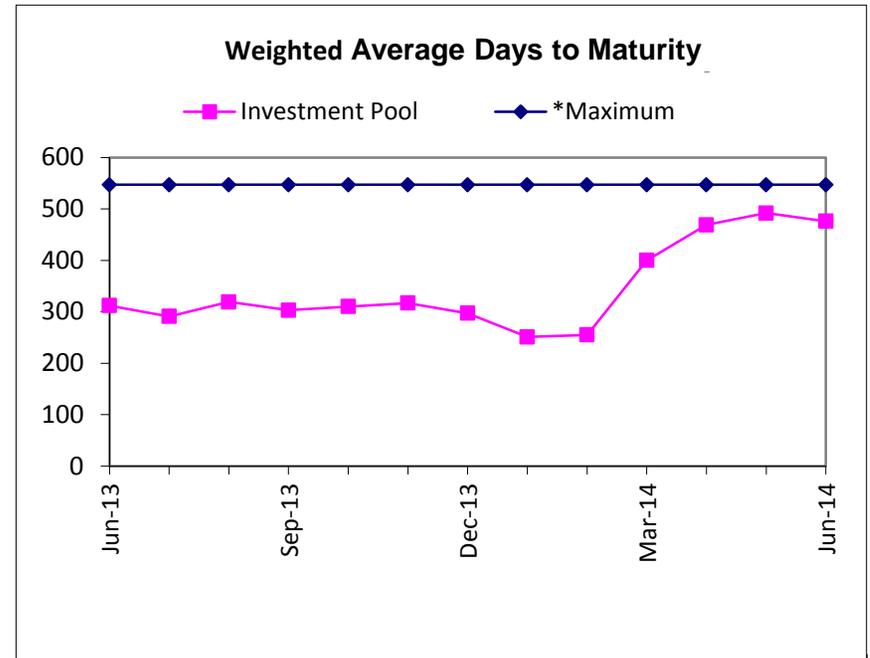
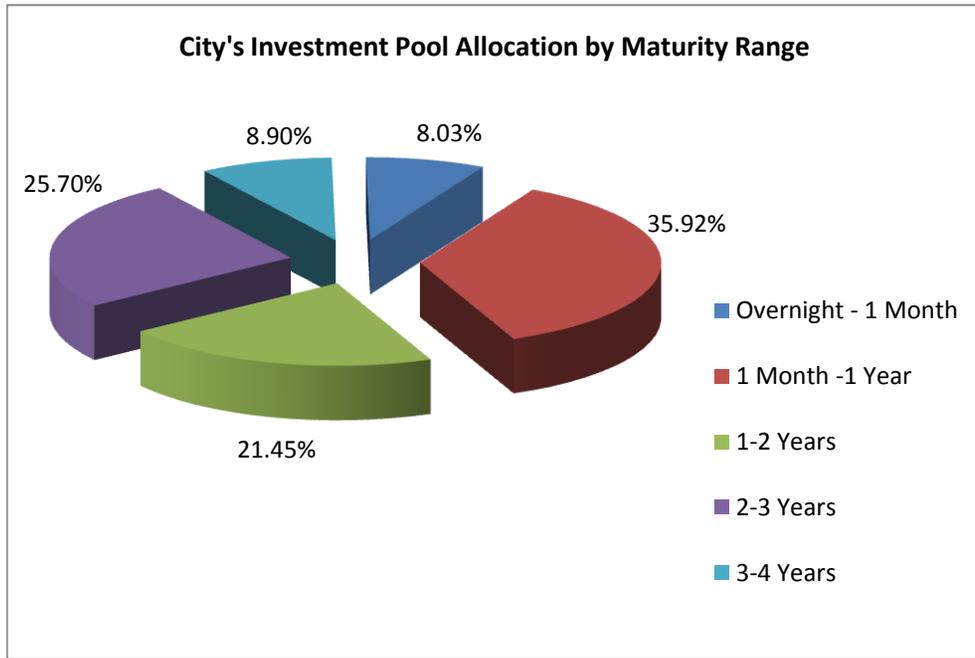
Description	Face Amount	Book Value	Market Value	**Unrealized Gain/(Loss)	Weighted Average Days To Maturity	Yield To Maturity	% of Portfolio
Federal Agricultural Mortgage Corp.	82,000,000	81,981,130	82,184,594	203,464	429	0.60%	6.85%
Federal Farm Credit Bank	232,768,000	232,822,875	233,063,870	240,995	300	0.38%	19.45%
Federal Home Loan Bank	315,000,000	315,655,235	315,979,445	324,210	515	0.55%	26.37%
Federal Home Loan Mortgage Corp.	303,853,000	304,253,564	304,556,284	302,720	550	0.60%	25.42%
Federal National Mortgage Assoc.	220,100,000	221,197,713	221,192,683	(5,030)	609	0.51%	18.48%
Local Government Investment Pool	27,106,533	27,106,533	27,106,533	-	1	0.09%	2.26%
Money Market	14,004,071	14,004,071	14,004,071	-	1	0.05%	1.17%
***Total	1,194,831,604	1,197,021,120	1,198,087,480	1,066,359	476	0.51%	100.00%

*As per Section 17.1 of the City's Investment Policy, the benchmark for the Investment Pool is the 12-month moving average yield on treasury 1-year constant maturities as reported by Federal Reserve Statistical Release H.15.

** Unrealized gain/loss is the difference between the market value and book value and does not represent an actual gain or loss. Gains and losses are realized only when a security is sold prior to maturity. Since it is the City's strategy to hold investments until they mature, the temporary gains and losses are unlikely to be realized.

*** Numbers may not sum due to rounding

City of Dallas
City's Investment Pool Allocation by Maturity Range
As of 06/30/2014



Description	Face Amount/Shares	Book Value	Market Value	Yield To Maturity	Weighted Average Days To Maturity	% of Portfolio
Overnight - 1 Month	96,110,604	96,157,923	96,161,784	0.21%	13	8.03%
1 Month - 1 Year	429,621,000	429,920,853	430,227,423	0.30%	126	35.92%
1-2 Years	255,100,000	256,708,772	257,130,778	0.39%	435	21.45%
2-3 Years	307,000,000	307,681,282	307,704,669	0.73%	893	25.70%
3-4 Years	107,000,000	106,552,289	106,862,826	1.26%	1,198	8.90%
**Total	1,194,831,604	1,197,021,120	1,198,087,480	0.51%	476	100%

*As per Section 17.1 of the City's Investment Policy, the dollar-weighted average stated maturity of the Investment Pool shall not exceed 1.5 years.

** Numbers may not sum due to rounding

City of Dallas
Date To Date
Broker/Dealer Activity
As of: FY 13-14 to Date

FY 13-14 to Date		
Description	Awarded	%
Primary Dealers		
Bank of America	\$20,000,000	3.16%
Cantor Fitzgerald	\$15,000,000	2.37%
Jefferies & Co.	\$20,000,000	3.16%
JPMorgan*	\$81,000,000	12.79%
Secondary Dealers		
Coastal Securities	35,000,000	5.53%
First Southwest	105,100,000	16.60%
Mutual Securities	10,000,000	1.58%
Raymond James and Associates	27,000,000	4.26%
Samco Capital Market	35,000,000	5.53%
Vining Sparks	10,000,000	1.58%
Wells Fargo	40,000,000	6.32%
Secondary Dealers - M/WBE		
Duncan Williams - M/WBE	15,000,000	2.37%
Loop Capital - M/WBE	35,000,000	5.53%
Ramirez & Co. - M/WBE	70,000,000	11.06%
Rice Financial - M/WBE	109,975,000	17.37%
Williams Capital - M/WBE	5,000,000	0.79%
Total	\$633,075,000	100.00%

Notes:

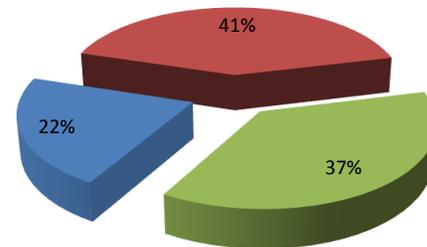
Section 9 of the City's investment Policy requires the investment committee to annually review and adopt a list of qualified broker/dealers. These firms represent the broker dealer firms that are currently approved by the Investment Committee as of February 2014.

It is the City's Practice to solicit three or more competitive bids/offers each trade except for agency securities purchased at issue.

* JPMorgan was removed, at their request, from the City's approved broker-dealer list in February 2014.

Q3 FY 13-14		
Description	Awarded	%
Coastal Securities	5,000,000	3.85%
First Southwest	30,000,000	23.08%
Loop Capital - M/WBE	5,000,000	3.85%
Mutual Securities	10,000,000	7.69%
Ramirez & Co. - M/WBE	50,000,000	38.47%
Raymond James and Associates	5,000,000	3.85%
Rice Financial - M/WBE	9,975,000	7.67%
Samco Capital Market	10,000,000	7.69%
Vining Sparks	5,000,000	3.85%
Total	\$129,975,000	100.00%

Broker/Dealer Activity FY13-14 to Date



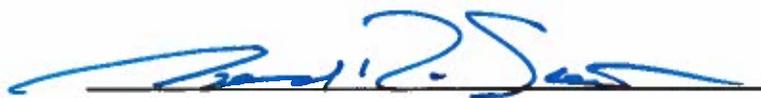
- Primary Dealers \$136,000,000
- Secondary Dealers \$262,100,000
- Secondary Dealers (M/WBE) \$234,975,000

CITY OF DALLAS
QUARTERLY INVESTMENT REPORT

June 30, 2014

For the quarter ended June 30, 2014 the portfolios are in compliance with the relevant provisions of the Public Funds Investment Act and the investment strategies adopted in Sec. 17.0 of the City's Investment Policy.

Chief Financial Officer: 

City Controller: 

Treasury Manager: 

Government Treasurers' Organization of Texas

Certification of Investment Policy

Presented to

City of Dallas

for developing an investment policy that meets the requirements of the Public Funds Investment Act and the standards for prudent public investing established by the Government Treasurers' Organization of Texas.



Government Treasurers' Organization of Texas
President



Investment Policy Review Committee
Chairperson

For the two-year period ending July 31, 2016