

Memorandum



CITY OF DALLAS

DATE October 21, 2010

TO Members of the Budget, Finance & Audit Committee:
Chair Jerry R. Allen, Vice-Chair Ann Margolin, Vonciel Jones Hill, Angela Hunt,
Delia D. Jasso, Ron Natinsky, David A. Neumann

SUBJECT Annual Investment Policy Review

The October 25, 2010 Budget, Finance & Audit meeting agenda includes a briefing of the Annual Investment Policy Review. Attached is a copy of the briefing, the redline copy of the recommended 2010 Investment Policy (to show changes from the 2009 policy) and the recommended 2010 Investment Policy.

Please let me know if you need additional information.

A handwritten signature in cursive script that reads "Jeanne Chipperfield".

Jeanne Chipperfield
Chief Financial Officer

Attachment

c: Honorable Mayor & Members of the City Council
Mary K. Suhm, City Manager
Deborah A. Watkins, City Secretary
Tom P. Perkins, City Attorney
Ryan S. Evans, First Assistant City Manager
Jill A. Jordan, P.E., Assistant City Manager
A.C. Gonzalez, Assistant City Manager
Forest E. Turner, Assistant City Manager
Craig D. Kinton, City Auditor

CITY OF DALLAS

ANNUAL INVESTMENT POLICY REVIEW

**BUDGET, FINANCE & AUDIT
COMMITTEE**

October 25, 2010



BACKGROUND

- City Council adopted the original investment policy in 1987.
- The Texas Public Funds Investment Act (PFIA) requires City Council, not less than annually, to review the investment policy and approve any changes.
- City Council approved the current investment policy on November 9, 2009.

BACKGROUND

- Changes in the investment policy are typically made:
 - To incorporate amendments to the Texas Public Funds Investment Act
 - To improve management of the City's investments
 - To increase diversification and reduce risk
 - To reflect organizational changes within the City

BACKGROUND

- 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 following are highlights of changes recommended by the Investment Committee (see the attached policy for details):

■ Section 1 – Policy

- Adds the statement that the intent of the Policy is to satisfy the Public Funds Investment Act requirements to adopt and review a policy governing the investment of the City's funds

INVESTMENT POLICY AMENDMENTS

■ Section 2 – Scope

- Clarifies that City funds pooled for investment purposes are referenced in the Policy as the City's investment pool

INVESTMENT POLICY AMENDMENTS

- **Section 6 – Ethics and Conflicts of Interest**
 - Make the requirements of this section consistent with State law
 - Clarify that this section applies to the City's Investment Officers as designated in Section 4 of the Policy (Chief Financial Officer, City Controller, and Assistant Director/Treasury Manager)

INVESTMENT POLICY AMENDMENTS

- **Section 13 – Diversification and Maximum Maturities**
 - Clarifies that funds managed as separately invested assets are not subject to the limitations by issuer in this section
 - Funds, such as bond reserve funds, may be invested 100% in the obligations of any one United States agency
 - Excludes the proceeds of commercial paper issuances from limitations on investment in tax-exempt money market mutual funds in this section

INVESTMENT POLICY AMENDMENTS

- **Section 13 – Diversification and Maximum Maturities**
 - Increases the maximum amount that may be invested in any one local government investment pool from \$200 million to \$250 million
 - Increases the percentage of the City's investment pool that may be invested in local government investment pools from 25% to 30%

Key Dates

- Investment Committee review and recommendation –
October 15, 2010
- Budget, Finance & Audit Committee briefing –
October 25, 2010
- Council consideration of the City's investment policy –
November 10, 2010