

A G E N D A



Recommendation for Council Action

Austin City Council

Item ID

13071

Agenda Number

43.

Meeting Date:

4/5/2012

Department:

Treasury

Subject

Approve a resolution adopting the City of Austin Fiscal Year 2011-12 Investment Policy.

Amount and Source of Funding

Fiscal Note

**Purchasing
Language:**

**Prior Council
Action:**

The City of Austin's Investment Policy was last approved by Council on March 24, 2011.

**For More
Information:**

Art Alfaro, Treasurer 974-7882

**Boards and
Commission
Action:**

Presented to Council's Audit and Finance Committee Meeting on March 28, 2012.

MBE / WBE:

Related Items:

Additional Backup Information

The Public Funds Investment Act (PFIA), Chapter 2256 of the Texas Government Code, is the state law that governs the investment of public funds. In Section 2256(e), the PFIA requires governmental bodies to adopt an investment policy on an annual basis to serve as the guideline for the investment of public funds. The City of Austin's Investment Policy was last approved by Council on March 24, 2011.

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

Several PFIA legislative changes were made during the last legislative session. The five suggested changes, outlined below, were presented and approved by the City of Austin Investment Committee. The changes consist mostly of clarification language and do not materially alter the City of Austin's investment program.

The first change on page four, clarifies that obligations fully guaranteed or insured by the Federal Deposit Insurance

Corporation or have the explicit full faith and credit of the United States are allowable investments.

The second change, also on page four, clarifies that “cash” is eligible in combination with obligations of the United States or its agencies and instrumentalities to secure a repurchase agreement.

The third change on page five, clarifies and expands on allowable investments and new reporting/disclosure requirements of local government investment pools (LGIPs). Money market mutual funds, whose authorized investments are consistent with the City’s Investment Policies and the policies/objectives adopted by the investment pool, are now eligible investments for LGIPs. Numerous disclosure and reporting additions were added, including the disclosure of fee breakpoints, yield calculation, and providing an annual audited financial statement.

The fourth change on page six pertains to the monitoring of ratings for City investments. Currently the Investment Policy limited the monitoring of ratings to banker’s acceptances and commercial paper only, PFIA now requires that the ratings for all investments purchased with public funds be monitored. The verbiage “banker’s acceptances and commercial paper” was replaced with “all City investments.”

The fifth change on page fourteen clarifies the two year training cycle for personnel authorized to execute investment transactions. The two-year period begins on the first day of the fiscal year and consists of the two consecutive fiscal years after that date.