

City of Austin



Investment Policy Review

AUDIT AND FINANCE COMMITTEE

SEPTEMBER 22, 2021

Texas Municipal Investing Activity is Governed by the Texas Public Funds Investment Act (PFIA)

➤ PFIA Texas Government Code 2256

Section 2256.005 (e) – The governing body of an investing entity shall review its investment policy and investment strategies no 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.

Section H - Certification

Certification by Financial Institutions, Broker/Dealers, and Business Organizations as defined by PFIA. Added language detailing certification requirements.

The suggested edits in this section were recommendations from a Government Treasurers' Organization of Texas review to enhance the City's Investment Policy language and provide additional clarity for the Certification section.

Overview of change for Operating Funds

City's Investment Policy

Recommendation:

1. Extend weighted average maturity on the Operating Funds from **365 days to 2**

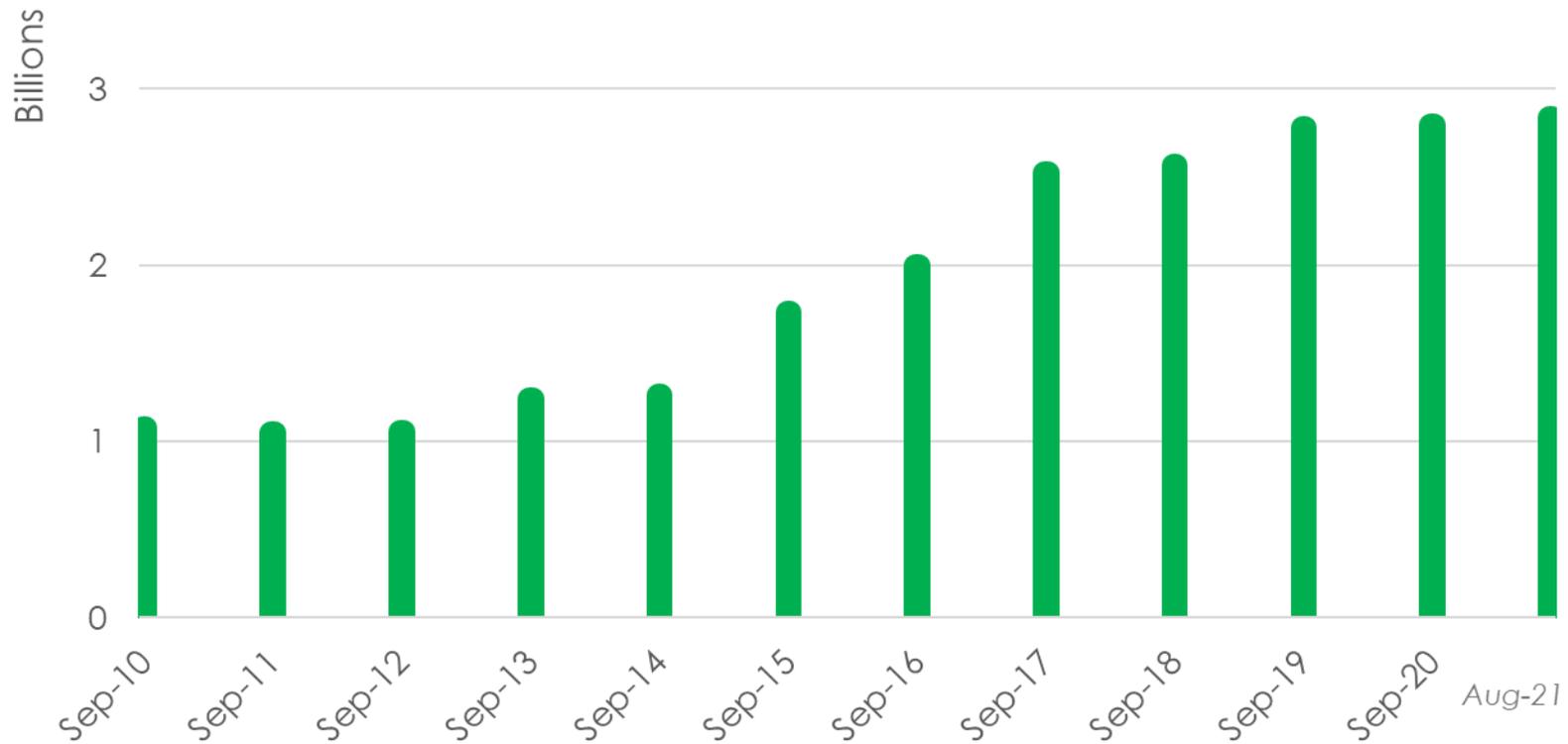
years

2. Extend the maximum maturity of a security purchase from **three years to five years.**

Comparison Treasury Notes 3- and 5-year maturities



Pool Balances Have Increased



Pool Investments as of August 31st



Weighted
Average Days
to Maturity:
193 Days

■ US Agencies ■ US Treasuries ■ US T-Bills ■ LGIP

Economic Outlook

- ▶ The Federal Funds rate is expected to remain in the 0.00-0.25% range by the Federal Open Markets Committee for an extended time – through calendar year 2022, and potentially into 2023.
- ▶ The Federal Reserve has stated that a higher rate of inflation for the US economy will be allowed as approximately 8.7 million still need to be reintegrated back into the workforce.
- ▶ Investments in the one-year area are approximately .06%; the two-year area, .21% ; and the three-year area.45% (*September 20th*)
- ▶ The recommended portfolio extensions are intended to provide additional options to the City.
- ▶ The priority of investment decisions are safety, liquidity, then yield.

Questions or Comments