

A ORDINANCE PROVIDING FOR INVESTMENT POLICY OF THE TOWN OF ADDISON; PROVIDING FOR RESPONSIBILITY; PROVIDING FOR AUTHORIZED INVESTMENTS; PROVIDING FOR QUALIFYING INSTITUTIONS; PROVIDING FOR SAFEKEEPING; PROVIDING FOR COLLATERAL SECURITIES FOR DEPOSIT; PROVIDING FOR INVESTMENT PRACTICE; PROVIDING FOR REPORTING; AND PROVIDING FOR EFFECTIVE DATE.

WHEREAS, The Town of Addison shall manage and invest its cash with three objectives, listed in order of priority: safety, liquidity, and yield. The safety of the principal invested always remains the primary objective.

WHEREAS, Article 4413 (34c), V.T.C.S., prescribes that each city is to adopt rules governing its investment practices and to define the authority of the investment officer. The "Investment Policies" are intended to fulfill the requirements of this State law.

NOW, THEREFORE, BE IT ORDAINED BY THE CITY COUNCIL OF THE TOWN OF ADDISON, TEXAS:

SECTION 1. RESPONSIBILITY. The Director of Finance is responsible for the Town's idle funds and is authorized to invest such funds in accordance with Article 4413(34c) VTCS; Article 2560, VTCS, and other articles in VTCS relating to investing municipal funds. The Director of Finance may, with approval from the City Manager, delegate any phase of the cash investment program to the Chief Accountant. Thereafter any bank handling the Town's funds has permission to honor oral or written instructions from the Chief Accountant just as if they were given by the Director of Finance.

Published  
6/5/84



The Director of Finance, or Chief Accountant if so designated(hereafter referred to as the Investment Officer) is responsible for maintaining adequate cash balances to pay current obligations and for determining when there are funds temporarily available for investment to accrue interest to the Town of Addison. The Investment Officer has the authority to determine the best mix of investments for safety, liquidity, and yield within the confines of this ordinance.

SECTION 2. AUTHORIZED INVESTMENTS. Investments may be made in U.S. Treasury bills, notes, bonds, or other securities which are guaranteed by the full faith and credit of the United States of America as to principle and interest.

Investments in collateralized certificates of deposit may be made with banks or savings and loan associations that are insured by the FDIC or the FSLIC, respectively.

SECTION 3. QUALIFYING INSTITUTIONS. Financial institutions (Federally insured banks and savings and loan associations) with and through whom the Town invests shall be located in the State of Texas.

Broker/dealers through whom the Town purchases U.S. government securities may include only those dealers reporting to the Market Reports Division of the Federal Reserve Bank of New York, also known as the "primary government securities dealers."

The Town shall evaluate the financial institutions' and broker/dealers' soundness to the extent the Director of Finance considers necessary. Investigation may include review of rating agency reports, review of call reports, and analyses of management, profitability, capitalization, and asset quality. Financial institutions and broker/dealers with whom the Town wishes to do business shall provide the financial data requested by the Town.

The Director of Finance shall periodically review the information and decide on the soundness of a financial institution or broker/dealer before adding or deleting the institution to or from the list of those with whom the Town does business. The Director of Finance shall obtain authority from the City Manager before adding or deleting any institution to or from the above list.

SECTION 4. SAFEKEEPING. Investments purchased by the Town and securities pledged as collateral for certificates of deposit or other evidences of deposit shall be retained in safekeeping in a third party safekeeping bank in the State of Texas. The Town, financial institution, and the safekeeping bank(s) shall operate in accordance with a master safekeeping agreement signed by all three parties. The safekeeping agreement must clearly state that the safekeeping bank is instructed to release purchased and collateral securities to the Town if the Town has determined that the depository bank has failed to pay on any matured investments

in certificates of deposit, or the Town has determined that the Town's funds are in jeopardy for whatever reason including involuntary closure or change of ownership. The Town shall always hold the original safekeeping receipt for its investments and for pledged collateral.

One of the Town's designated Investment Officers must approve release of collateral in writing prior to its removal from the safekeeping account.

Securities owned by the Town and collateral securities pledged to the Town must be maintained in safekeeping at a bank other than the bank through which the specific owned security is purchased or from which the specific collateral security is pledged.

SECTION 5. COLLATERAL SECURITIES FOR DEPOSITS. The Town will accept as collateral for its certificates of deposit and other evidences of deposit the following securities:

1. FDIC coverage
2. U.S. Treasury bills
3. U.S. Treasury notes and bonds
4. Texas State, city, county, school, or road district bonds with a remaining maturity of ten years or less\*
5. Town of Addison revenue bonds or general obligation bonds, and certificates of obligation

\*The bonds may be general obligation or revenue bonds, but must be (and must remain) investment quality; that is, with a rating of at least A or A1 by Moody's or Standard and Poor's.

The above listed items constitute the only acceptable means of collateralizing the Town's deposits. Collateral securities may be owned outright by the pledging financial institution or may be borrowed pursuant to a contractual agreement. The loaned securities must be held in safekeeping by the Federal Reserve Bank of Dallas pursuant to a safekeeping agreement signed by the financial institution and the Town.

Certificates of deposit and other evidences of deposit shall be collateralized at 100% of market or par, whichever is lower, for U.S. Treasury bills, notes, and bonds with a remaining maturity of three years or less and at 105% of market or par, whichever is lower, for the other securities.

Collateral shall be audited at least annually by the Town's independent accountants and may be audited by the Town at any time during normal business hours of the safekeeping bank. In addition the Investment Officer shall review on at least a monthly basis the pledged collateral supporting the Town's demand deposits, money market accounts, certificates of deposit with all institutions holding Town funds.

The financial institutions with whom the Town invests and/or maintains other deposits shall provide monthly, and as requested by the Town, a listing of the Town's certificates of deposit and other deposits at the institution and a listing of the collateral pledged to the Town marked to current market prices. The listing shall include total pledged securities itemized by name, type/description, par value, current market value, maturity date, and Moody's or Standard & Poor's rating (both if available).

The Town and the financial institution shall assume responsibility for ensuring that the collateral is sufficient.

SECTION 6. INVESTMENT PRACTICE. The Town of Addison shall invest local funds in investments that yield the highest possible rate of return while providing necessary protection of the principle consistent with the operating requirements of this policy.

The Investment Officer should diversify use of investment instruments to avoid incurring unreasonable risks inherent in overinvesting in specific instruments or maturities. The Investment Officer will not place all certificate of deposit type of investments with any one financial institution.

On all funds available for investment that fall outside the scope of the then current depository agreement, the Investment Officer should take competitive quotations. At least three quotations shall always be taken for certificates of deposit. Competitive quotations from at least three broker/dealers and/or national banks shall be taken for purchases of U.S. Treasury securities.

All investment decisions shall be internally documented. The Investment Officer may order investments orally, but shall follow up the investment order with a written confirmation to the financial institution or broker/dealer.

All investments purchased by the Town shall be purchased "delivery versus payment." That is, the Town shall authorize the release of its funds only after it has received notification from the safekeeping bank that a purchased security has been received in the Town's safekeeping account. This notification may be oral, but will be followed up in writing with the original safekeeping receipt.

The Town must have confirmation from its safekeeping bank that collateral pledged from a financial institution is in the Town's account before investing in certificates of deposit or other evidences of deposit at the financial institution. This confirmation may be oral, but must be followed up in writing with the original safekeeping receipt.

SECTION 7. REPORTING. Within 60 days of the close of each fiscal year, the Investment Officer shall prepare a written report concerning the Town of Addison's investment transactions for the preceding year and describe in detail the investment position of the Town as of the date of the report. The report shall be signed by the Investment Officer(s) and shall be delivered to the City Council.

SECTION 8. This Ordinance shall become immediately effective upon its passage.

DULY PASSED BY THE CITY COUNCIL OF THE TOWN OF ADDISON, TEXAS, this the 13<sup>th</sup> day of May, 1986.

  
-----  
MAYOR

ATTEST:

  
-----  
CITY SECRETARY