

ORDINANCE NO. 089-029

AN ORDINANCE OF THE TOWN OF ADDISON, TEXAS, AMENDING CHAPTER 2, ADMINISTRATION, OF THE CODE OF ORDINANCES, TOWN OF ADDISON, 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; PROVIDING FOR REPEAL; PROVIDING FOR SEVERABILITY; AND DECLARING AN EMERGENCY.

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, the investment of Local Funds Act (Article 4413 (34c), Vernon's Texas Civil Statutes (V.T.C.S.) and the Public Funds Investment Act (Article 842a-2), 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. That Article IV of Chapter 2, Administration, of the Code of Ordinances, Town of Addison, Texas, is hereby amended to read as follows:

SEC. 2-61 RESPONSIBILITY. The Director of Finance is responsible for the Town's idle funds and is authorized to invest such funds in accordance with the Public Funds Investment Act

(Article 842a-2), the Interlocal Cooperation Act (Article 413 (32c), the Investment of the Local Funds Act (Article 4413 (34c) and other articles in V.T.C.S. relating to investing municipal funds. The Director of Finance shall develop and maintain written administrative procedures for the operation of the investment program, consistent with this ordinance. The Director of Finance may, with approval from the City Manager, delegate any phase of the cash investment program to the Chief Accountant and/or other designated official. Thereafter any financial institution or broker/dealer qualified under Sec. 2063 of this ordinance handling the Town's funds has permission to honor oral or written instructions from the Chief Accountant, or other designee, just as if they were given by the Director of Finance.

The Director of Finance, Chief Accountant or other designated official (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.

The standard of prudence to be applied by the Investment Officer shall be the "prudent investor" rule, which states "Investments shall be made with judgement 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." The prudent investor rule shall be applied in the context of managing the overall portfolio.

The Investment Officer, acting in accordance with written procedures and exercising due diligence, shall not be held personally responsible for a specific security's credit risk of market price changes, providing that these deviations are reported immediately and that appropriate action is taken to control adverse developments.

SEC. 2-62. AUTHORIZED INVESTMENTS. The Town may purchase, sell, and invest its funds, and funds under its control in any investment allowable under the Public Funds Investment Act (Article 842a-2), V.T.C.S. and the Interlocal Cooperation Act (Article 4413 (32c), V.T.C.S.

Types of allowable investments are:

1. U.S. Treasury Obligations (Bills, notes and bonds);
2. U.S. Government Agency Securities and Instrumentalities of Government sponsored corporations;
3. Prime Domestic Bankers Acceptances (BAs);
4. Repurchase Agreements (REPOs) fully collateralized;
5. Commercial Paper with a stated maturity of 270 days or less from the date of issuance that has received a rating of not less than A-1 or its equivalent;
6. Certificates of Deposit (CDs) Commercial Banks in Texas;
7. Certificates of Deposit (CDs) Savings and Loan Associations in Texas;
8. State Government Investment Pools;
9. Local Government Investment Pools;
10. Money Market Mutual Funds.

SEC. 2-63. 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.

SEC. 2-64. 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 by a third party institution.

Safekeeping may be with a federal reserve bank within this state or at a national or state bank located within this state other than the Town's depository bank. The Town, bank or broker/dealer, 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 or broker/dealer through which the specific owned security is purchased or from which the specific collateral security is pledged.

SEC. 2-65. COLLATERAL SECURITIES FOR DEPOSITS. The Public Funds Collateral Act (Vernon's Texas Session Laws, 1989, Chapter 627) describes what type of securities may be used to secure public funds. The Town will accept as collateral for its investments, certificates of deposit and other evidences of deposit only those securities described in the above Act.

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 102% 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 or broker/dealers 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 investments, certificates of deposits, 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 or broker/dealer shall assume responsibility for ensuring that the collateral is sufficient.

SEC. 2-66. 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 over investing 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, the Investment Officer should take competitive quotations. At least three quotations shall always be taken for certificates of deposit if sufficient banks are willing to make bids. Competitive quotations from at least three broker/dealers and/or national banks shall be taken for purchases of securities other than certificates of deposit.

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.

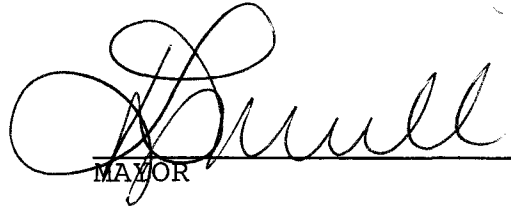
SEC. 2-67. REPORTING. Within 60 days of the close of each fiscal year, the Investment Officer shall prepare a written report concerning the Town of Addison's investment transactions for the preceding year and describe in detail the investment position of the Town as of the date of the report. The report shall be signed by the Investment Officer(s) and shall be delivered to the City Council.

SECTION 2. That all ordinances of the City in conflict with the provisions of this ordinance be, and the same are hereby repealed and all other ordinances of the City not in conflict with the provisions of this ordinance shall remain in full force and effect.

SECTION 3. That should any paragraph, sentence, subdivision, clause, phrase or section of this ordinance be adjudged or be held to be unconstitutional, illegal or invalid, the same shall not affect the validity of this ordinance as a whole or any part or provision thereof other than the part so decided to be invalid, illegal or unconstitutional.

SECTION 4. The importance of this ordinance creates an emergency and an imperative public necessity, and the ordinance shall take effect and be in force from and after its adoption.

DULY PASSED BY THE CITY COUNCIL OF THE TOWN OF ADDISON, TEXAS, this the 12th day of September, 1989.



MAYOR

ATTEST:



CITY SECRETARY

Published 10-19-89