

TOWN OF ADDISON, TEXAS

ORDINANCE NO. 004-044

AN ORDINANCE OF THE TOWN OF ADDISON, TEXAS AMENDING CHAPTER 2 (ADMINISTRATION), ARTICLE IV (FINANCE), DIVISION 3 (INVESTMENT POLICY) BY AMENDING SECTION 2-207 (AUTHORIZED SECURITIES INVESTMENTS), SECTION 2-211 (SELECTION OF BROKER/DEALERS), SECTION 2-212 (SELECTION OF DEPOSITORIES), AND SECTION 2-216 (POLICY REVISIONS); ADDING SECTION 2-217 (POLICY REVISIONS); PROVIDING A SAVINGS CLAUSE; PROVIDING A SEVERABILITY CLAUSE; PROVIDING AN EFFECTIVE DATE.

WHEREAS, in accordance with State law the City Council of the Town of Addison, Texas (the "City") has heretofore adopted an investment policy regarding the investment of its funds and funds under its control; and

WHEREAS, the said investment policy is set forth in Division 3, Article IV, Chapter 2 of the City's Code of Ordinances; and

WHEREAS, the City Council has reviewed the said investment policy and desires to amend the same as set forth herein.

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

Section 1. Incorporation of Premises. The above and foregoing premises are true and correct and are incorporated herein and made a part hereof for all purposes.

Section 2. Amendment. Chapter 2 (Administration) of the Code of Ordinances (the "Code") of the Town of Addison, Texas (the "City") is hereby amended in the following particulars, and all other chapters, articles, sections, subsections, paragraphs, phrases, and words are not amended but are ratified and confirmed:

A. Division 3 (Investment Policy) of Article IV (Finance) of Chapter 2 of the Code is amended in part as follows:

1. Section 2-207 (Authorized Securities Investments) of the Code is hereby amended by amending subsections (2) and (4) thereof to read as follows:

(2) Debentures or discount notes with a maturity not to exceed five (5) years from the date of purchase issued by, guaranteed by, or for which the credit of any of the following federal agencies and instrumentalities is pledged for payment: Federal National Mortgage Association (FNMA), Federal Home Loan Bank (FHLB), Federal Farm Credit Bank (FFCB), and Federal Home Loan Mortgage Corporation (FHLMC). Principal-only and interest-only mortgage backed securities and collateralized mortgage obligations and real estate mortgage investment conduits are expressly prohibited.

(4) Time Certificates of Deposit with a maturity not to exceed three (3) years from the date of purchase, insured by the Federal Deposit Insurance Corporation (FDIC) or its successor, in state or national banks, or state or federally chartered savings banks, located within the State of Texas which have been approved by the Town in accordance with Section XI of this Investment Policy.

2. Section 2-211 (Selection of Brokers/Dealers) is hereby amended by amending subsection (a) to read as follows:

a) The town shall maintain a list of approved security broker/dealers maintaining minimum capital of \$10,000,000 and being in business for at least five years. These may include "primary" dealers or regional dealers that qualify under Securities and Exchange Commission (SEC) Rule 15C3-1 (uniform net capital rule). Securities may only be purchased from those authorized institutions and firms identified in the above list.

3. Section 2-212 (Selection of Depositories) is hereby amended by deleting subsection (e) as follows:

~~(e) — Consistent with the requirements of state law, the town requires all bank and savings bank deposits to be federally insured or collateralized with eligible securities. Financial institutions serving as town depositories will be required to sign a depository agreement with the town and the town's custodian. The safekeeping portion of the depository agreement shall define the town's right to the collateral in case of default, bankruptcy, or closing and shall establish a perfected security interest in compliance with federal and state regulations, including:~~

- ~~(1) The agreement must be in writing.~~
- ~~(2) The agreement has to be executed by the depository and the town contemporaneously with the acquisition of the asset.~~
- ~~(3) The agreement must be approved by the board of directors or the loan committee of the depository and a copy of the meeting minutes must be delivered to the town.~~
- ~~(4) The agreement must be part of the depository's "official record" continuously since its execution.~~

4. Section 2-216 (Policy Revisions) is hereby amended as follows:

Sec. 2-216. Collateral Requirements

Any deposits exceeding FDIC insurance limits shall be fully collateralized by securities listed in items "a" and "b" below, and the collateral shall be held by the Town's third party custodian bank.

a. Direct obligations of the United States government; U.S. Treasury Bills, U.S. Treasury Notes, U.S. Treasury Bonds, and U.S. Treasury Strips (book entry U.S. Treasury securities whose coupon has been removed).

b. Debentures or discount notes issued by, guaranteed by, or for which the credit of any of the following Federal Agencies and Instrumentalities is pledged for payment: Government National Mortgage Association (GNMA), Federal National Mortgage Association (FNMA), Federal Home Loan Bank (FHLB), Federal Farm Credit Bank (FFCB), and Federal Home Loan Mortgage Corporation (FHLMC). Principal-only and

interest-only mortgage backed securities and collateralized mortgage obligations and real estate mortgage investment conduits are expressly prohibited.

Consistent with the requirements of State law, the Town requires all bank and savings bank deposits to be federally insured or collateralized with eligible securities. Financial institutions serving as Town depositories will be required to sign a Security Agreement with the Town and the Town's custodian. The agreement shall define the Town's rights to the collateral in case of default, bankruptcy, or closing and shall establish a perfected security interest in compliance with Federal and State regulations, including:

a. The Agreement must be in writing;

b. The Agreement has to be executed by the Depository and the Town contemporaneously with the acquisition of the asset;

c. The Agreement must be approved by the Board of Directors or the loan committee of the Depository and a copy of the meeting minutes must be delivered to the Town;

d. the Agreement must be part of the Depository's "official record" continuously since its execution.

5. Section 2-217 (Policy Revisions) is hereby added as follows:

Sec. 2-217. Policy revisions.

The investment policy and investment strategy statements will be reviewed at least annually by the director and the city council and may be amended as conditions warrant by the city council.

Section 3. Savings. This Ordinance shall be cumulative of all other ordinances of the City affecting the City's investment policy and shall not repeal any of the provisions of those ordinances except in those instances where the provisions of those Ordinances are in direct conflict with the provisions of this Ordinance.

Section 4. Severability. The sections, paragraphs, sentences, phrases, clauses and words of this Ordinance are severable, and if any section, paragraph, sentence, phrase, clause or word in this Ordinance or application thereof to any person or circumstance is held invalid or unconstitutional by a Court of competent jurisdiction, such holding shall not affect the validity of the remaining portions of this Ordinance, and the City Council hereby declares that it would have passed such remaining portions of this Ordinance despite such invalidity, which remaining portions shall remain in full force and effect.

Section 5. Effective Date. This Ordinance shall become effective from and after its date of passage and publication as provided by law.

PASSED AND APPROVED by the City Council of the Town of Addison, Texas this 28th day of September, 2004.



R. Scott Wheeler, Mayor

ATTEST:

By: CMORAN
Carmen Moran, City Secretary

APPROVED AS TO FORM:

By: Ken Dippel
Ken Dippel, City Attorney

PUBLISHED ON _____