



City of San Antonio

Agenda Memorandum

File Number: 17-4961

Agenda Item Number: 37.

Agenda Date: 9/21/2017

In Control: City Council A Session

DEPARTMENT: Finance

DEPARTMENT HEAD: Troy Elliott

COUNCIL DISTRICTS IMPACTED: City-wide

SUBJECT:

Investment Policy Annual Review

SUMMARY:

This Ordinance approves an Investment Policy and Strategy for the City of San Antonio, Texas, in accordance with the requirements of the Texas Public Funds Investment Act (the “Act”), as amended, for City Council to annually review and approve the City’s Investment Policy; designates certain employees as Investment Officers for the City of San Antonio; and provides an effective date.

BACKGROUND INFORMATION:

The purpose of the City of San Antonio, Texas (“the City”) Investment Policy (the “Investment Policy”) is to provide a framework for the prudent and efficient investment of City funds, with the objectives of satisfy cash flow requirements, preservation and safety of principal, liquidity and diversification, maximize yield, and proactive portfolio management. The Investment Policy designates the following employees as Investment Officers for the City of San Antonio: Chief Financial Officer, Deputy Chief Financial Officer, Assistant Director of Finance - Financial Services, and the following individuals from the Financial Management Division: Financial Management Administrator, Financial Manager, Banking Officer, and Investment Officers. The Investment Policy also designates the composition of the City’s Investment Committee. The Investment Committee is comprised of two representatives from the City Council; three representatives from the City Manager’s Office including the Chief Financial Officer; Deputy Chief Financial Officer; Director of the Office of Management and Budget; Assistant Director of Finance - Financial Services; and the following individuals from the Financial Management Division: Financial Management Administrator, Financial Manager, Banking

Officer, and Investment Officers.

The Act requires an annual review of the Investment Policy by City Council. The Texas Legislature was in session this year and some of the changes to the Texas Public Funds Investment Act included the following: (i) interest-bearing banking deposits are now authorized investments, (ii) requires mutual funds to comply with federal Securities and Exchange Commission Rule 2a-7, which restricts the quality, maturity, and diversity of investments by money market funds, and (iii) no-load money market mutual funds may be authorized investments if the mutual fund has a duration of one year or more or less than one year, and the investment portfolio is limited to investment grade securities, excluding asset-backed securities. Other minor changes were made throughout the Investment Policy to update various terms but there were no significant or material changes made to the Investment Policy other than the aforementioned changes. The proposed changes to the Investment Policy were reviewed by the Investment Committee.

The City is required to annually review, revise, and adopt the list of qualified, eligible Broker/Dealers and banks with whom the City does business. On August 6, 2016, twelve firms were approved by the Investment Committee to engage in investment transactions with the City for a two (2) year period beginning October 1, 2016 through September 30, 2018. On October 27, 2016, First Tennessee Bank's FTN Financial Capital Markets division announced its acquisition of Coastal Securities, a municipal advisor for the City. FTN Financial Capital Markets withdrew from the City's Approved Broker/Dealers list prior to the completion of its acquisition on April 3, 2017. Exhibit I shows the list of Broker/Dealers that were approved for FY18 by the Investment Committee.

ISSUE:

The annual review of the Investment Policy and the designation of certain City employees as Investment Officers for the City of San Antonio is consistent with the Act's requirements. In addition, the Investment Policy complies with all other requirements of the Act and provides the framework utilized by City staff to manage the Investment Portfolio, invest in a money market mutual fund, a local government investment pool, a repurchase agreement, and to execute investment transactions with Broker/Dealers.

ALTERNATIVES:

Taking no action to approve this Ordinance would cause the City to fail to comply with the requirements of the Act to annually review the Investment Policy and to review, revise, and adopt the list of qualified, eligible Broker/Dealers.

FISCAL IMPACT:

This Ordinance has no direct financial impact; however, approval of this Investment Policy provides the mechanism for the prudent, stable, and efficient administration of the City's investment activities.

RECOMMENDATION:

Staff recommends approval of this Ordinance approving the Investment Policy for the City of San Antonio, in accordance with the requirements of the Texas Public Funds Investment Act as amended.

