



STAFF REPORT

DATE: August 21, 2017

TO: Ronald L. Olson, City Manager

FROM: Jonathan Locke, Executive Director of Finance

SUBJECT: City of Killeen Investment Policy

BACKGROUND AND FINDINGS:

The investment policy applies to the investment activities of the City of Killeen which is required to be reviewed and approved by the City Council annually.

On August 21, 2018, the Investment Committee met and reviewed investment policy changes recommended by the City's Investment Advisor, Valley View Consulting. The revisions primarily align the City's Investment Policy with statutory requirements.

Section XXII(I)1 Insurance or Collateral (page 86) was amended:

1. To cite the Public Funds Collateral Act (Chapter 2257 of the Texas Government code) for collateral guidelines.
2. To differentiate the amount of collateral required depending upon the instrument pledged (102% of principal and accrued interest for securities and 100% of principal and interest for Federal Home Loan Bank [FHLB] letters of credit).
3. To require that a letter of credit expire at least two business days beyond the maturity date of the CD.

THE ALTERNATIVES CONSIDERED:

1. Accept revisions to the City of Killeen Investment Policy
2. Reject revisions to the City of Killeen Investment Policy

Which alternative is recommended? Why?

Option number 1 to accept the revisions to the City of Killeen Investment Policy as recommended by the City's Investment Advisor, Valley View Consulting, is the recommended alternative. As part of their contracted service, Valley View Consulting reviews and recommends revisions to the Investment Policy each year to ensure compliance with the Public Funds Investment Act and the Public Funds Collateral Act.

CONFORMITY TO CITY POLICY:

Texas Government Code sec. 2256.005(e) states that the governing body of an investing entity shall review its investment policy and investment strategies not 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.

Texas Government Code sec. 2257.023 states that in accordance with a written policy approved by the governing body of the public entity, a public entity shall determine if an investment security is eligible to secure deposits of public funds.

The City of Killeen Investment Policy states that the Investment Policy will be reviewed and adopted by resolution of the City Council at least annually according to the Act.

FINANCIAL IMPACT:

What is the amount of the expenditure in the current fiscal year? For future years?

N/A

Is this a one-time or recurring expenditure?

N/A

Is this expenditure budgeted?

N/A

If not, where will the money come from?

N/A

Is there a sufficient amount in the budgeted line-item for this expenditure?

N/A

RECOMMENDATION:

Staff recommends that the City Council approve the revised City of Killeen Investment Policy that is incorporated within the City of Killeen Financial Governance Policies.

DEPARTMENTAL CLEARANCES:

Legal

ATTACHED SUPPORTING DOCUMENTS:

Financial Governance Policies