

**City of Deer Park
Annual Investment Policy Review – 2017
Record of Changes**

To comply with the Texas Public Funds Investment Act, Government Code Ch. 2256 as amended (the “Act”), the governing body of an investing entity shall (1) review its investment policy and investment strategies not less than annually, and (2) adopt a written instrument by rule, order, ordinance, or resolution stating that it has reviewed the investment policy and investment strategies. The written instrument so adopted shall record any changes made to either the investment policy or investment strategies.

The investment policy for the City of Deer Park was last reviewed and updated in September 2016. The policy received re-certification from the Government Treasurer’s Organization of Texas (“GTOT”) in July 2015, and that certification was valid for two years to July 27, 2017. In June 2017, the City submitted the application for re-certification of the policy. The City has recently been notified that the policy has been re-certified and this re-certification will expire in two years on September 30, 2019.

The most recent legislative session ended the regular session in May 2017. State lawmakers adopted several changes to the Act, and these have been incorporated into the policy. These changes were discussed with the City's Finance Committee at a meeting on September 5, 2017. At that meeting, the Committee also reviewed and discussed the list of authorized broker/dealers and did not make any changes to the current list.

Below is a summary of the major changes to the policy being presented for annual review on September 19, 2017:

2-272 Investment Training – This section includes a minor edit changing “the investment officer shall attend an investment training session...” to “an investment officer shall attend at least one investment training session...” in case the required training must be completed in multiple training sessions vs. one (which is acceptable).

2-273 Authorized Investments – This section includes a minor edits. To clarify recent questions involving Federal Home Loan Banks, the language in the Act was updated to specifically identify these banks and the policy language was updated to include these banks as follows: “(a) Obligations of the United States or its agencies and instrumentalities, including the Federal Home Loan Banks.”

To remove redundancy, the phrase “issued by a state or national bank that has its main office or branch office in the State of Texas and” was removed since this is already included in the reference to the Act. Subsection (e) now reads as follows: “(e) A certificate of deposit, or other form of deposit, that is placed and secured in accordance with Section 2256.010 of the Act.”

2-280 Qualified Financial Institutions and Broker/Dealers – This section includes minor edits. In accordance with changes to the Act, business organizations are specifically defined as investment pools and “discretionary investment management firms.” This reference is now included as follows: “Qualified financial institutions...and other business organizations (e.g., investment pools and discretionary investment management firms)”.

While the list of broker/dealers authorized to engage in investment transactions with the City did not change, one firm was part of a merger and has a name change, which will be referenced in this year’s policy. The current list of authorized broker/dealers is as follows:

FTN Financial (merged with Coastal Securities, Inc.)
Duncan-Williams, Inc.
Hilltop Securities
Wells Fargo Securities, LLC

2-282 Internal Controls – This section includes a minor edit to clarify that internal controls are part of the annual audit, removing the term “periodically” as it relates to the review. The new language is as follows: “These controls shall be reviewed by the City’s independent audit firm as part of the annual audit.”

2-284 Collateral – This section includes a minor edit to further explain the insurance amount provided by the Federal Deposit Insurance Corporation (“FDIC”) in relation to letters of credit. This section, as it relates to letters of credit, has been revised as follows: “The value of the letter of credit must be equal to or greater than 100 percent of the total amount of deposits plus any accrued interest, less the insurance amount provided by the FDIC.”

2-287 Certification Form – This section includes revisions related to the change for business organizations. With changes in the Act, a certification form is only required from business organizations (see changes to Section 2-280). The policy now reads that every “business organization” (vs. every “investment provider”) must execute a certificate in favor of the City. Subsection (b) includes additional language to reference agreements with business organizations with discretionary investment authority given that such organizations are now defined as a “business organization”. Note, the City does not give any investment management firm “discretionary” investment authority and must approve any investments prior to execution. The exception in subsection (b) now includes the following: “...or relates to investment transactions of the City that are not made through accounts or other contractual arrangements over which the business organization has accepted discretionary investment authority.”