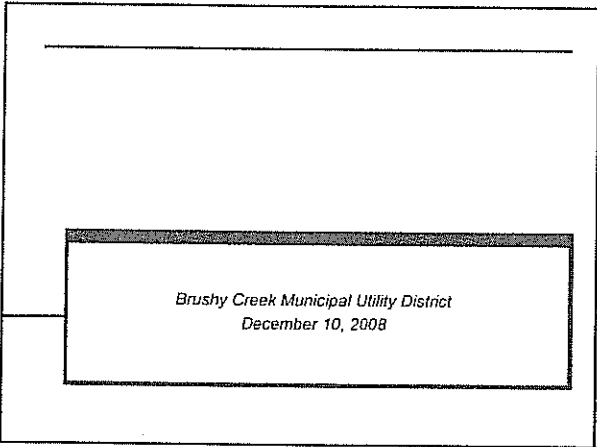


**Board Packet
December 11, 2008**

STAFF HANDOUT No. 1

**AGENDA ITEM 13
Approve Amendments to District Investment Policy**

Linda Patterson Power Point Presentation



Added
Public Funds Collateral Act
Statutes controlling the collateral pledged by
financial institutions for time and demand
funds on deposit

Added
Reference to all funds of the District by title

Required adoption of the policy annually not
simply review

Changed
Emphasis to use not simply give consideration to the
objectives stated

Deleted
Reference to legal maturity limits – replaced by security
specific limits

Added
Define safety by high credit quality
Need to monitor institutions and investments
Need to monitor volatility and impact
Require cash flow analysis to base decisions upon
Require settlement by delivery versus payment
Requires receipt of security before release of funds

Retained Prudent Person Rule as defined by statute

Added

- Reference to Investment Officers not *authorized representatives* which were not defined
- Relieved personal liability *if* deviations are reported timely and appropriate action taken

- Purchase high credit quality securities only
- Maximize liquidity and safety
- Promote diversification
- Provide reasonable yield
- Base on cash flow requirements
- Maintain a liquidity buffer
- Set maximum weighted average maturity at 180 days
- Set benchmark at 6-month and 1-year T-Bills

Investment Officers

- Designated by resolution
- Investment adviser authorized
- Disclosure of personal/business relationships
- Require training every two years
- Cash flow analysis development

Board

- Officer designation, training, policy adoption, report review, financial counter-parties

Added

- Monthly reports to Board
- Economic information and strategy as part of quarterly reports

Enhanced section to define counter-parties

District Depository
 Requirement for competitive RFP every five years
 Designation of other banks for CD purchases

Security Broker/Dealers
 Certification and basic information requirements
 Annual review and adoption of the counter-party list
 Certification of policy by all counter-parties

Treasuries and agencies, excluding MBS
 2 year maximum
 Municipals of any state
 2 year maximum
 Certificates of Deposit in TX or CDARS
 1 year maximum
 Repurchase agreements
 Primarily added for possible flex use on capital funds
 Commercial paper
 90 day maximum and highest investment grade
 AAA rated money market funds
 AAA rated constant dollar local government pools

Competitive bidding requirement

Delivery versus payment requirement

Action requirement for loss/decline of rating

Non-use of bank as broker to refine DVP

Added diversification table to assure diversification

Treasuries	90%
Agencies	80%
CD	30%
By bank	10%
CP	20%
By company	10%
Repurchase	40%
Pools	100%
Ownership	10%
Money Funds	100%

Collateral for time and demand funds *and* repurchase agreements
Authorized collateral listings

Requirement for independent safekeeping

Requirement for margin of 102%

Requirement for monthly reports from custodian

Requirement for annual review and adoption by the Board

No action outside policy authorized before adoption

Changes to policy included in adopting resolution

Debt Service
Construction
Operating
Reserve
Customer Deposits

All funds defined by cash flow needs and maximum maturities

Used to certify all financial counter-parties

Review of Investment Policy Required

Not a guarantee but a recognition of requirements by Board

Board approval of list of counterparties which have completed the requirements of the District and are used by the District

Includes broker/dealers and pools

- Five primary dealers
- Two regional brokers
- Two pools

For information only