

**DATA SHEET**  
**Agenda Item No. 8.**

**Meeting Date: December 7, 2017**

**Agenda Item:**

After the required annual review, authorize renewal of the District Investment Policy/Strategy, with certain changes.

<b>Placement:</b>	<input checked="" type="checkbox"/> Consent	<input type="checkbox"/> Individual Consideration	<input type="checkbox"/> Executive Session
<b>Vote:</b>	<input checked="" type="checkbox"/> Non-Weighted	<input type="checkbox"/> Regular Weighted Capital	<input type="checkbox"/> Special Weighted Capital
<b>Recommending Department:</b> Business Department			

**Background:**

The Public Funds Investment Act requires each governmental entity to review its Investment Policy on an annual basis. The District's investment advisor, First Southwest Asset Management, Inc. (FSAM), has reviewed the current policy last amended by the Board on November 3, 2016. FSAM suggested three changes in order to update the Investment Policy to conform to the latest legislation and industry standard, specifically as follows:

- 1) Revise the text of the Policy to allow the District to invest in savings accounts that are guaranteed or insured by the Federal Deposit Insurance Corporation or the National Credit Union Share Insurance Fund.
- 2) Change the text that limits the District to 25% of investable funds in a money market mutual fund. The limitation hinders the District from using things such as bank sweep accounts as a cash management tool.
- 3) Include new language in the Policy that requires written acknowledgement from investment pools and discretionary investment managers that the Investment Policy has been reviewed and reasonable procedures and controls have been implemented to prevent imprudent investment of District funds.

Staff met with the Finance & investment Committee (FIC) regarding these changes and the FIC concurred with making the revisions to the Investment Policy. Enclosed for your information is a letter from the District's investment advisor with their comments and recommendations.

**Financial:**

Although there are proposed changes to the Investment Policy, there are no immediate financial implications. The Investment Policy continues to provide the District with guidance to make prudent investment decisions that will have a positive financial impact in the future.

**Recommendation:**

To approve the Investment Policy, with the suggested changes from FSAM.

**Enclosures:**

Letter sent by Scott McIntyre of FSAM to the District regarding the Investment Policy.

If you wish to have a copy of the Investment Policy, please contact Lester Harris at (972)219-1228.

Submitted By:   
Bill Greenleaf, Director/Business Services

Date: December 1, 2017

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Austin, Texas 78701

**Scott McIntyre, CFA**  
Managing Director  
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## **POLICY REVIEW**

October 18, 2017

Mr. Bill Greenleaf  
Director of Business Services  
Upper Trinity Regional Water District  
PO Box 305  
Lewisville, TX 75067

Dear Mr. Greenleaf:

First Southwest Asset Management, Inc. has performed its annual review of the Upper Trinity Regional Water District's (the "District") written investment policy to determine compliance with the Texas Public Funds Investment Act (the "Act"), Texas Government Code, Chapter 2256. Our review was limited in scope, with the primary purpose being to evaluate conformity with the Act. We did not seek to ensure that all funds and procedures are addressed in the policy, nor have we reviewed compliance with the policy or internal controls of the District. Based upon our review, we have reached the following conclusion:

The Texas Legislature passed several bills into law in the 2017 legislative session which resulted in a number of changes to the Act, most notably allowing interest-bearing savings accounts and ultra-short bond funds, and pardoning broker/dealers from the policy certification requirement. We think interest-bearing savings accounts are an appropriate investment option for the District, but don't recommend adding ultra-short bond funds at this time. The broker/dealer exclusion is addressed by specifying that the certification applies only to pools and investment advisors. The recommend changes, along with our rationale are outlined below:

### III. INVESTMENT POLICIES

#### A. Authorized Investments

Add: 11.) Interest bearing bank savings deposits issued by state and national banks or savings bank or a state or federal credit union (having their main or branch office in Texas) that are guaranteed or insured by the Federal Deposit Insurance Corporation or the National Credit Union Share Insurance Fund (or their successor organizations).

**Rationale:** New PFIA investment type added in 2017 allows local governments to invest in insured savings acct's with banks. This is a safe, appropriate investment to add to policy.

#### B. Prohibited Investments

Delete: 5. Any money market mutual fund in an amount that exceeds 10% of that individual fund or that exceeds 25% of District's monthly average balance of invested funds, excluding bond proceeds and reserves and other funds held for debt service;

**Rationale:** The 25% money market limit isn't relevant for an investment account offering daily liquidity, and the language as written hinders the use of bank sweep accounts as a cash management tool.

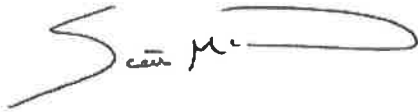
D. Investment Advisors and Providers

Amend language: Investment Providers eligible to transact investment business with the District shall be presented a written copy of this Investment Policy. Additionally, the qualified representative of the business organization to include investment pools and discretionary investment managers seeking to transact investment business shall execute a written instrument substantially to the effect that the qualified representative has...

**Rationale:** In 2017, the PFIA specified that the certification would apply only to investment pools and money managers exercising discretion, not broker/dealers. This additional language is intended to mirror the Act.

Please contact me with any questions you might have regarding this review.

Sincerely,

A handwritten signature in black ink, appearing to read "Scott McIntyre". The signature is stylized with a large, sweeping initial "S" and a long horizontal stroke at the end.

Scott McIntyre  
Managing Director

Cc: Mr. Lester Harris