

**TOWN OF ADDISON**

**INVESTMENT STRATEGY**

**For**

**FY 2015-16**

Adopted:  
November 10, 2015

## **PREFACE**

It is the policy of the Town of Addison that, giving due regard to the safety and risk of investment, all available funds shall be invested in conformance with State and Federal Regulations, applicable Bond Resolution requirements, and adopted Investment Policy.

In accordance with the Texas Public Funds Investment Act (Chapter 2256, Tex. Gov. Code), the City Council shall adopt Investment Strategy Statements that address the following priorities (in order of importance):

- Understanding the suitability of the investment to the financial requirements of the Town;
- Preservation and safety of principal;
- Liquidity;
- Marketability of the investment if the need arises to liquidate the investment prior to maturity;
- Diversification of the investment portfolio; and
- Yield

Effective investment strategy development coordinates the primary objectives of the Town's Investment Policy and cash management procedures with investment security risk/return analysis to enhance interest earnings and reduce investment risk. Aggressive cash management shall be utilized to increase the available "investment period" for all Town funds. Investment security maturity selections shall be based on cash flow requirements and market conditions to take advantage of interest earnings as viable and material revenue to all Town funds. The Town's portfolios shall be designed and managed in a manner responsive to the public trust and consistent with the Investment Policy.

## **INVESTMENT STRATEGY**

In order to minimize risk of loss due to interest rate fluctuations, investment maturities will not exceed the anticipated cash flow requirements of the funds. Investment guidelines by fund-type are as follows:

Suitability – any investment eligible in the Investment Policy is suitable.

Safety of principal – all investments shall be of high quality securities with no perceived default risk. Market price fluctuations will, however, occur. By managing the weighted average days to maturity for the Operating fund portfolio to less than 270 days and restricting the maximum allowable maturity to five years, the price volatility of the overall portfolio will be minimized.

Liquidity – operating funds require the greatest short-term liquidity of any of the fund types. Short-term investment pools and money market mutual funds should provide daily liquidity and may be utilized as a competitive yield alternative to fixed maturity investments.

Marketability – securities with active and efficient secondary markets are necessary in the event of an unanticipated cash requirement. Historical market “spreads” between the bid and offer prices of a particular security-type of less than a quarter of a percentage point shall define an efficient secondary market.

Diversification – investment maturities should be staggered throughout the budget cycle to provide cash flow based on the anticipated operating needs of the Town. When conditions are favorable, market cycle risk will be reduced by diversifying the appropriate maturity structure out to three years. Adhering to the Investment Policy’s maximum investment-type limits (Section IX. INVESTMENT LIMITS) should restrict the exposure of the fund to any one-market sector.

Yield – attaining a competitive market yield for comparable security-types and portfolio restrictions is the desired objective. The yield of an equally weighted, rolling three-month Treasury bill portfolio should be the minimum yield objective. The Town's Chief Financial Officer ("CFO") may also compare the operating fund’s performance to other appropriate benchmarks.

The Investment Policy permits the Town to sell securities from time to time that it owns in order to better position its portfolio assets. Sales of securities prior to maturity shall be documented and approved by the CFO before such a transaction is consummated. Sales of securities, yielding net proceeds less than ninety-eight (98) percent of the book value of the securities, must be approved in advance and in writing by both the City Manager and the CFO.