

**AGENDA**

**MEETING OF THE BOARD OF DIRECTORS'  
FISCAL COMMITTEE AND/OR OF THE  
BOARD OF DIRECTORS**



**SAN ANTONIO RIVER AUTHORITY**

**October 10, 2011, 12:00 noon**

*\*Estimated Presentation Time: 2 Hours*

***GENERAL AND CEREMONIAL ITEMS:***

*Estimated Presentation Time: 5 minutes*

- 1. CALL TO ORDER BY THE CHAIR, MS. TERRY E. BAIAMONTE**
- 2. PLEDGE OF ALLEGIANCE**
- 3. ROLL CALL BY THE SECRETARY, MR. MICHAEL W. LACKEY, P.E.**

- Terry E. Baiamonte, Chair
- Hector R. Morales, Vice-chair
- Michael W. Lackey, P.E., Secretary
- Darrell T. Brownlow, Ph.D.
- Gaylon J. Oehlke
- Thomas G. Weaver

- 4. CERTIFICATION OF A QUORUM BY THE SECRETARY**
- 5. INTRODUCTION OF VISITORS**
- 6. CITIZENS TO BE HEARD**

*\*Represents the time staff anticipate that it will take to make presentations or give briefings; does not include an estimate of the time required for discussions generated by Board members.*

7. **APPROVAL OF THE MINUTES OF THE BOARD OF DIRECTORS' FISCAL COMMITTEE MEETING HELD ON AUGUST 8, 2011**
8. **PRESENTATION, DISCUSSION AND APPROPRIATE ACTION REGARDING THE FINAL AUDIT FOR THE FISCAL YEAR ENDING JUNE 30, 2011**
9. **PRESENTATION, DISCUSSION AND APPROPRIATE ACTION REGARDING THE ORDINANCE APPROVING BOARD POLICY FN 0003 CONCERNING INVESTMENT POLICIES AND STRATEGIES**
10. **PRESENTATION AND DISCUSSION REGARDING REVIEW AND DESIGNATION OF QUALIFIED BROKERS WHO ARE AUTHORIZED TO ENGAGE IN INVESTMENT TRANSACTIONS WITH THE SAN ANTONIO RIVER AUTHORITY**
11. **DISCUSSION AND APPROPRIATE ACTION REGARDING THE FUNDS MANAGEMENT POLICY, FN 0002**
12. **REPORT ON THE STATUS AND RESULTS OF KEY ACTIONS AND ACCOUNTABILITIES (KAAs) REGARDING THE SAN ANTONIO RIVER AUTHORITY'S KEY INITIATIVE 1 FOR FISCAL YEAR 2011**
13. **GENERAL MANAGER'S REPORT**
  - **UPCOMING EVENTS CALENDAR,**
  - **FUTURE BOARD AND/OR COMMITTEE MEETINGS, AND**
  - **MEETINGS INVOLVING THE ATTENDANCE OF ONE OR MORE BOARD MEMBERS**
14. **ITEMS FOR FUTURE CONSIDERATION**
15. **NEXT MEETING DATE**
16. **ADJOURN**

**Estimated Presentation Time: 2 Hours**

SAN ANTONIO RIVER AUTHORITY  
General Statements

This meeting is wheelchair accessible. Accessible parking is located at 100 E. Guenther Street. Requests for an interpreter for the hearing impaired must be received at least 48 hours prior to the meeting, or, to arrange for special assistance to attend this meeting, please call the Operator at 210-227-1373.

The Board of Directors' Fiscal Committee and/or the Board of Directors of the San Antonio River Authority may discuss and/or take action on any item listed in this agenda while convened in open session. The Board of Directors' Fiscal Committee and/or of the Board of Directors of the San Antonio River Authority may also meet in Executive Session, pursuant to Section 551.071 of the Texas Government Code, to receive advice from legal counsel on any item listed in this agenda.

**Fiscal Committee**

**Date:** 10/10/2011

**Approval of the Minutes**

**Submitted For:** Suzanne B. Scott

**Submitted By:** Lupe Sanchez

**Division:** Executive Offices

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**Information**

**CAPTION**

**APPROVAL OF THE MINUTES OF THE BOARD OF DIRECTORS' FISCAL COMMITTEE MEETING HELD ON AUGUST 8, 2011**

**Presenter**

Ms. Baiamonte, Committee Chair

*Estimated Presentation Time: 5 minutes*

**Recommendation**

Motion to approve the minutes of the Board of Directors' Fiscal Committee meeting held on August 8, 2011, as presented.

**Discussion**

**Vote**

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**Attachments**

August 8, 2011, Fiscal Meeting Minutes Draft

MINUTES

**MEETING OF THE BOARD OF  
DIRECTORS' FISCAL COMMITTEE**

SAN ANTONIO RIVER AUTHORITY



August 8, 2011, 12:00 noon

**GENERAL AND CEREMONIAL ITEMS:**

1. **CALL TO ORDER WAS MADE BY THE CHAIR, MS. TERRY E. BAIAMONTE, AT 12:15 P.M.**
2. **PLEDGE OF ALLEGIANCE WAS RECITED**
3. **AT THE CHAIR'S REQUEST, MR. LACKEY CALLED THE ROLL AND REPORTED THE FOLLOWING COMMITTEE MEMBERS PRESENT:**

- Terry E. Baiamonte, Chair
- Hector R. Morales, Vice-Chair
- Michael W. Lackey, P.E.
- Gaylon J. Oehlke
- Thomas G. Weaver

4. **CERTIFICATION OF A QUORUM WAS ANNOUNCED BY MR. LACKEY**
5. **INTRODUCTION OF VISITORS**

Ms. Sanchez announced the visitors who were present in the audience.

6. **CITIZENS TO BE HEARD**

Ms. Sanchez announced that there were no citizens signed up to speak.

7. **APPROVAL OF THE MINUTES OF THE FISCAL COMMITTEE MEETING HELD ON MAY 2, 2011**

Staff recommended a motion to approve the minutes of the Fiscal Committee meeting held on May 2, 2011, as presented.

Motion made by Thomas G. Weaver

Seconded by Gaylon J. Oehlke

**Vote:** 5 - 0 Passed - Unanimously

**8. PRESENTATION AND DISCUSSION REGARDING GOVERNANCE LETTER FROM AUDITORS**

There being no action taken on this item, Ms. Baiamonte called for Agenda Item 9.

**9. PRESENTATION, DISCUSSION AND APPROPRIATE ACTION REGARDING AUTHORIZING THE GENERAL MANAGER TO PURCHASE EDWARDS AQUIFER GROUNDWATER RIGHTS AND TO EXECUTE AN AGREEMENT BETWEEN THE SAN ANTONIO RIVER AUTHORITY AND LIVE OAK ECONOMIC DEVELOPMENT CORPORATION, TEXAS, FOR THE PURCHASE OF EDWARDS AQUIFER GROUNDWATER RIGHTS**

Staff recommended a motion indicating Fiscal Committee support for presenting to the San Antonio River Authority Board of Directors a recommendation authorizing the General Manager to execute an agreement between the San Antonio River Authority and Live Oak Economic Development Corporation, for the purchase of Edwards Aquifer Groundwater Rights and to do and carry out all other activities necessary to complete such transaction.

Motion made by Gaylon J. Oehlke

Seconded by Thomas G. Weaver

**Vote:** 5 - 0 Passed - Unanimously

**10. PRESENTATION, DISCUSSION AND APPROPRIATE ACTION REGARDING THE 2011 TAX RATE**

Staff recommended a motion indicating Fiscal Committee support to present to the San Antonio River Authority Board of Directors a recommendation that the 2011 tax rate be at the rate of \$0.017370 which would represent an increase in current budget tax revenues of approximately \$430,721, to be added to the General Fund Operating Reserves.

Motion made by Thomas G. Weaver

Seconded by Hector R. Morales

**Vote:** 5 - 0 Passed - Unanimously

Attachments:

Rollback Worksheet

Public Hearing Notice

**11. DISCUSSION AND APPROPRIATE ACTION REGARDING THE FISCAL YEAR 2011/12 BUDGET**

There being no action taken on this item, Ms. Baiamonte called for Agenda Item 12.

**12. PRESENTATION, DISCUSSION AND APPROPRIATE ACTION REGARDING DEPOSITORY AGREEMENT WITH COMERICA BANK**

Staff recommended a motion indicating Fiscal Committee support for presenting to the San Antonio River Authority Board of Directors a recommendation to authorize the General Manager to enter into a depository agreement with Comerica Bank of Texas.

Motion made by Michael W. Lackey, P.E.

Seconded by Hector R. Morales

**Vote:** 5 - 0 Passed - Unanimously

Attachments:

Depository Agreement

**13. DISCUSSION REGARDING THE DEVELOPMENT, APPLICATION, AND REPORTING OF THE FINANCIAL LEVERAGE INDEX AND THE PROJECT INDEX**

There being no action taken on this item, Ms. Baiamonte called for Agenda Item 14.

**14. GENERAL MANAGER'S REPORT**

- **UPCOMING EVENTS CALENDAR,**
- **FUTURE BOARD AND/OR COMMITTEE MEETINGS, AND**
- **MEETINGS INVOLVING THE ATTENDANCE OF ONE OR MORE BOARD MEMBERS**

There being no action taken on this item, Ms. Baiamonte called for Agenda Item 15.

**15. ITEMS FOR FUTURE CONSIDERATION**

There being no action taken on this item, Ms. Baiamonte called for Agenda Item 16.

**16. NEXT MEETING DATE**

Ms. Baiamonte announced that the next Fiscal Committee meeting will be Monday, October 10, 2011, at 12:00 p.m.

**17. ADJOURN**

There being nothing further to report, Ms. Baiamonte called the meeting adjourned at 1:50 p.m.

**PREPARED AND RECOMMENDED FOR COMMITTEE APPROVAL BY THE MANAGER.**

\_\_\_\_\_  
**SUZANNE B. SCOTT, General Manager**

**APPROVED BY THE BOARD OF DIRECTORS' FISCAL COMMITTEE AT THE MEETING HELD ON OCTOBER 10, 2011.**

\_\_\_\_\_  
**TERRY E. BAIAMONTE, Committee Chair**

**ATTEST:**

\_\_\_\_\_  
**MICHAEL W. LACKEY, P.E., Committee Secretary**

**San Antonio River Authority  
Tax Rate Rollback Worksheet**

Maintenance and Operations (M & O) Rate:

1.	2010 average appraised value of residence homestead		<u>\$ 142,947.98</u>	
2.	2010 general exemptions available for the average homestead (excluding senior citizen's or disabled person's exemptions)	-	<u>\$ 5,000.00</u>	
3.	2010 average taxable value of residence homestead		<u>\$ 137,947.98</u>	
4.	2010 adopted M&O tax rate (per \$100 of value	x	<u>\$0.016652</u>	/\$100
5.	2010 tax on average residence homestead		<u>\$ 22.97</u>	
6.	Percentage increase to the M&O taxes	x	1.08	
7.	Highest M&O tax on average residence homestead with increase			<u>\$ 24.81</u>
8.	2011 average appraised value of residence homestead		<u>\$ 142,363.14</u>	
9.	2011 general exemptions available for the average homestead (excluding senior citizen's or disabled person's exemptions)	-	<u>\$ 5,000.00</u>	
10.	2011 average taxable value of residence homestead		<u>\$ 137,363.14</u>	
11.	Highest 2011 M&O Tax Rate (line 7 divided by line 10, multiply by 100)		<u>\$0.018061</u>	/\$100
12.	2011 Debt Tax Rate	+	<u>\$0.000000</u>	/\$100
13.	2011 Contract Tax Rate	+	<u>\$0.000000</u>	/\$100
14.	2011 Rollback Tax Rate*		<u>\$0.018061</u>	/\$100

\* This is the highest rate that the San Antonio River Authority may adopt without triggering the rollback provisions in Water Code Section 49.236.

# San Antonio River Authority

## Notice of Public Hearing on Tax Rate

The San Antonio River Authority will hold a public hearing on a proposed tax rate for the tax year 2011 on Thursday, September 1, 2011, 2:00 p.m. at 100 East Guenther, San Antonio, Texas. Your individual taxes may increase or decrease, depending on the change in the taxable value of your property in relation to the change in taxable value of all other property and the tax rate that is adopted.

**FOR** the proposal:

**AGAINST** the proposal:

**PRESENT** and not voting:

**ABSENT:**

The following table compares taxes on an average residence homestead in this taxing unit last year to taxes proposed on the average residence homestead this year.

	<b>Last Year</b>	<b>This Year</b>
Total tax rate (per \$100 of value)	\$ <u>0.016652</u> /\$100 Adopted	\$ <u>0.017370</u> /\$100 Proposed
Difference in rates per \$100 of value	\$ <u>0.000718</u> /\$100	
Percentage increase/decrease in rates (+/-)	<u>4.31</u> %	
Average appraised value	\$ <u>142,947.98</u>	\$ <u>142,363.14</u>
General exemptions available (excluding senior citizen's or disabled person's exemptions)	\$ <u>5,000.00</u>	\$ <u>5,000.00</u>
Average taxable value	\$ <u>137,947.98</u>	\$ <u>137,363.14</u>
Tax on average residence homestead	\$ <u>22.97</u>	\$ <u>23.86</u>
Annual increase/decrease in taxes if proposed tax rate is adopted (+/-) and percentage of increase (+/-)	\$ <u>0.89</u> <u>3.87</u> %	

### NOTICE OF TAXPAYERS' RIGHT TO ROLLBACK ELECTION

If taxes on the average residence homestead increase by more than eight percent (8%), the qualified voters of the San Antonio River Authority by petition may require that an election be held to determine whether to reduce the maintenance and operation tax rate to the rollback tax rate under Section 49.236(d), Water Code.

## DEPOSITORY PLEDGE AGREEMENT

This Depository Pledge Agreement (“Agreement”) is entered into as of \_\_\_\_\_, by and between the San Antonio River Authority (the “Authority”), a conservation and reclamation created and operating pursuant to the laws of the State of Texas, and Comerica Bank (“Bank”), a Texas banking corporation.

The Authority has selected the Bank as a depository for certain of its funds in demand deposits, savings deposits and/or interest-bearing time deposits, and the Bank desires to be the depository of such funds. Pursuant to applicable laws and the Authority’s Investment Policy, the Bank is required to secure the public funds deposited by the Authority in the Bank to the extent that such funds are not insured by the Federal Insurance Deposit Corporation or its successors or assigns (“FDIC”) (such excess funds referred to hereafter as the “Collateralized Funds”) by pledging securities authorized by the State of Texas and the Authority (the “Approved Securities”) in an aggregate market value that at all times equals or exceeds \_\_\_\_\_% of the Collateralized Funds of the Authority on deposit with the Bank plus any interest accrued thereon (the “Required Collateral Value”).

The Bank has agreed to pledge the Approved Securities solely for the benefit of the Authority’s Collateralized Funds, and has agreed to place the Approved Securities for safekeeping in a custodial account at the Federal Reserve Bank, an independent third-party institution not owned or controlled by the Bank or its holding company (the “Safekeeping Institution”).

NOW, THEREFORE, in consideration of the mutual promises and covenants contained in this Agreement, the Authority and the Bank agree as follows:

Section 1.     AMOUNT OF COLLATERAL; PLEDGE OF SECURITY; GRANT OF SECURITY INTEREST. The Bank agrees that the Collateralized Funds of the Authority on deposit with the Bank in demand and savings deposits shall be secured by the pledge of Approved Securities of the type described in Exhibit “A” attached to this Agreement and incorporated for all purposes (the “Time Deposit Collateral”) in an amount equal to the Required Collateral Value.

The Bank further agrees that the Collateralized Funds of the Authority on deposit with the Bank in interest-bearing time deposits, e.g., certificates of deposit, shall be secured by Approved Securities of the type described in Exhibit “B” attached to this Agreement and incorporated for all purposes (the “Time Deposit Collateral”) in an amount equal to the Required Collateral Value.

The Bank agrees that the Time Deposit Collateral (collectively referred to at times as the “Pledged Collateral”) shall be pledged solely to, and held solely on account of, the Authority. The Bank further understands and agrees that it will not cause or permit the sharing, splitting or co-tenancy of the Pledged Collateral without the express written authorization of the

Authority.

The Bank hereby grants the Authority a security interest in the Pledged Collateral.

Section 2.     SAFEKEEPING PROVISIONS. The Safekeeping Institution, by separate agreement with the Bank (the “Safekeeping Agreement”), a copy of which is attached hereto as Exhibit “B”, has agreed to hold the Pledged Collateral in safekeeping pursuant to the terms of this Agreement. Pursuant to the terms of the Safekeeping Agreement, the Safekeeping Institution also has agreed to deliver the Pledged Collateral pursuant to the terms of the Agreement and serve as collateral agent for the Authority to the extent necessary to allow the Authority to perfect its security interest in the Pledged Collateral granted in this Agreement. The Safekeeping Institution has further agreed to provide safekeeping receipts to the Authority, dated as of the date of the deposit of the Pledged Collateral, to the Authority within (3) business days of such deposit.

Section 3.     INSTRUCTIONS REGARDING COLLATERAL. Until the Authority has the right to sell the Pledged Collateral pursuant to Section 10 of this Agreement, the Safekeeping Institution may act only in accordance with the joint instructions of the Bank and the Authority. The names and specimen signatures of individuals authorized to act on behalf of the Authority are listed in Exhibit “C” to this Agreement and the names and specimen signatures of individuals authorized to act on behalf of the Bank are listed in Exhibit “D” to this Agreement. Either the Authority or the Bank may add or remove names from their respective list of authorized individuals without the consent of the other party at any time by providing the Safekeeping Institution with a replacement Exhibit “C” or “D”.

Section 4.     SUBSTITUTIONS AND WITHDRAWALS OF COLLATERAL. The Bank and the Safekeeping Institution understand and agree that the Authority has the right to change the type of Approved Securities authorized to secure the Authority’s Collateralized Funds by providing the Bank and the Safekeeping Institution with a replacement Exhibit “A”. The Bank and the Safekeeping Institution agree to comply with the replacement Exhibit relating to the Approved Securities within thirty (30) days of receipt of such notice of substitution.

In addition, if the aggregate market value of the Pledged Collateral held by the Safekeeping Institution at any time exceeds the Required Collateral Value, Bank may withdraw any excess Pledged Collateral by providing the Safekeeping institution with a withdrawal notice signed by an authorized individual of both the Bank and the Authority. The Authority agrees to sign the withdrawal notice if the value of the remaining Pledged

Collateral equals or exceeds the Required Collateral Value. Additionally, the Bank may substitute Approved Securities for all or any portion of the Pledged Collateral held by the Safekeeping Institution at any time by providing the Safekeeping Institution with a substitution notice signed by an authorized individual of both the Bank and the Authority. The Authority agrees to sign the substitution notice if the securities to be substituted are Approved Securities and the value of the Pledged Collateral following the substitution equals or exceeds the Required Collateral Value.

Section 5.     BANK STATEMENTS AND REPORTS RELATING TO PLEDGED COLLATERAL.     Contemporaneously with the execution of the Agreement, and at the time of the substitution or release of any of the Pledged Collateral, the Bank shall execute and deliver to the Authority a statement describing the Approved Securities deposited to or withdrawn from the Pledged Collateral held pursuant to this Agreement. This statement must include the par value, security description, CUSIP number, market value as of the date of the statement and maturity date of the Pledged Collateral. The Bank also agrees to generate an updated Investment Report within three (3) business days of receipt of a written request from the Authority.

The Bank also agrees to furnish to the Authority a statement describing the Pledged Collateral held in safekeeping by the Safekeeping Institution on a monthly basis (the "Investment Report"). The Investment Report must include a description of the securities pledged, the CUSIP number of each, the par value, the market value, and the maturity date of the Pledged Collateral as of the date of the current Investment Report or, in connection with the initial Investment Report, the date of purchase of the Pledged Collateral.

Section 6.     BANK'S FINANCIAL POSITION.     The Bank will provide to the Authority upon request a statement of the Bank's financial position on a quarterly basis. The Bank also will provide to the Authority upon request a copy of the Bank's annual financial statement.

Section 7.     REPRESENTATIONS OF THE BANK.     The Bank represents to the Authority that:

- (a)     the Bank is the sole legal and actual owner of the securities utilized to collateralize Authority deposits;
- (b)     no other security interest has been, nor will be, granted in the securities utilized to collateralize Authority deposits;
- (c)     the Bank is covered for all uncollateralized Authority deposits up

to  
\$250,000 under the FDIC, or such other amount as may be  
applicable from time to time;

- (d) this Agreement has been adopted by the Bank by a formal written determination executed by a Senior Vice President of the Bank acting under authority delegated to him by resolution of the Board of Directors dated July 14, 2004 and such determination and a copy of this Agreement are reflected in the minutes book of the Bank; and
- (e) this Agreement is an official record of the Bank, and has been, and will continue to be, an official record of the Bank from the date of its approval by the Bank's Board of Directors.

Section 8.     REPRESENTATIONS OF THE Authority. The Authority represents to the Bank that it will provide the Bank with an amended Exhibit "A" reflecting changes in the Approved Collateral within seven (7) business days of adoption of the same by the Authority's Board. The Authority agrees that the Bank is not obligated to comply with any new requirements as to Approved Collateral until the amended exhibit(s) is/are received by the Bank.

Section 9.     BANK'S DUTIES AND OBLIGATIONS. The Bank agrees to perform all of the duties and obligations required of a depository for the Authority under the laws of the State of Texas for depositories of the Authority, and, upon presentation, agrees to pay all checks drawn on it by the duly authorized representatives of the Authority against available funds of the Authority on demand deposit. At the expiration of the term of this Agreement, the Bank agrees to turn over to its successor all funds, property and things of value held by it as a depository.

Section 10.    BANK DEFAULT AND REMEDIES. If the Bank fails to perform all of its obligations set out in this Agreement or in any other agreement between the Bank and the Authority or if it is ruled "bankrupt", "insolvent", or "failed" by Federal Banking Regulators, then Bank will be considered in default under this Agreement. In the event of such default, failure or insolvency of the Bank, the Authority shall be deemed to have vested full title to all of the Pledged Collateral pursuant to this Agreement. The Authority may sell all or any part of the Pledged Collateral at public or private sale after providing the Bank at least three (3) business days prior written notice and an opportunity to cure the default. The proceeds of any such sale must be applied to satisfy any indebtedness owed by the Bank to the Authority, and any excess proceeds over the value of the defaulted amount including accrued interest, plus expenses, including legal fees, related to the liquidation transaction, shall be returned to the

Bank. This power of sale is in addition to other remedies the Authority may have pursuant to this Agreement and applicable law and is without prejudice to the Authority's rights to maintain any suit in any court for redress of injuries sustained by the Authority under this Agreement.

Section 11. NON-ASSIGN ABILITY. This Agreement is not assignable in whole or in part.

Section 12. TERMINATION. After maturity and distribution to the Authority all Certificates of Deposits proceeds, this Agreement may be terminated by either the Bank, the Authority or the Safekeeping Institution by giving thirty (30) day prior written notice to the other parties.

Section 13. AUTHORIZATION OF BANK DIRECTORS. The Bank represents and warrants that this Agreement is made pursuant to a resolution adopted by the Board of Directors of the Bank delegating authority to its Senior Vice President to determine for which governments the Bank shall seek to act as a depository. A certification of the pertinent resolutions of the Bank's Board of Directors and other documents by which the Agreement was approved and accepted stating that this Agreement was duly approved and accepted pursuant to authority delegated by the Bank's Board of Directors is attached to this Agreement as Exhibit "E" and incorporated for all purposes.

Section 14. APPLICABLE LAWS; OTHER AGREEMENTS. This Agreement will be governed by the laws of the State of Texas. All Bank accounts of the Authority also will be subject to the following additional agreements with the Bank, copies of which are attached to this Agreement and incorporated for all purposes:

No additional agreements applicable or attached.

Section 15. SAFEKEEPING FEES. Any and all fees associated with the safekeeping of securities for the benefit of the Authority which the Safekeeping Institution shall charge shall be paid by the Bank.

Section 16. MISCELLANEOUS. The headings in this Agreement are for convenience of reference only and should not be used in interpreting this Agreement. If any provision of this Agreement is determined to be illegal or unenforceable under applicable law, that provision should be deemed reformed so as to be enforceable to the extent permitted by applicable law, or, if such reformation is not possible, then this Agreement should be read as if such provision was never a part of it, and the remainder of the Agreement will be enforceable.

This Agreement represents the final agreement of the parties and may not be contradicted by evidence of prior, contemporaneous or subsequent oral agreements of the parties.

Notices requires to be given under this Agreement must be addressed as set forth below each party's signature to this Agreement, and will be considered effective upon actual receipt by the addressee or upon refusal of delivery during the normal business hours of the addressee.

Section 17. COUNTERPARTS. This Agreement may be executed in multiple counterparts, each of which will be considered an original.

DRAFT

WITNESS the execution hereof this \_\_\_\_\_ day of \_\_\_\_\_, 2011.

SAN ANTONIO RIVER AUTHORITY

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Address: \_\_\_\_\_

ATTEST:

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

(SEAL)

COMERICA BANK

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Address: \_\_\_\_\_

ATTEST:

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

## LIST OF EXHIBITS

- Exhibit "A" - List of Demand/Savings Collateral
- Exhibit "B" - Agreements Between the Bank and The Safekeeping Institution
- Exhibit "C" - Specimen Signatures of Authorized Authority Officials
- Exhibit "D" - Specimen Signatures of Authorized Bank Officials
- Exhibit "E" - Certificate Relating to Resolutions and Authority

DRAFT

Exhibit "A"

LIST OF DEMAND/SAVINGS DEPOSIT COLLATERAL

1. Obligations of the U.S. or its agencies and instrumentalities
2. Direct obligations of the State of Texas or its agencies and instrumentalities
3. Collateralized mortgage obligations directly issued by a federal agency or instrumentality or the U.S., the underlying security for which is guaranteed by an agency or instrumentality of the U.S, and are not:
  - (a) obligations whose payment represents the coupon payments on the outstanding principal balance of the underlying mortgage-backed security collateral and pays no principal (IO's); or
  - (b) obligations whose payment represents the principal stream of cash flow from the underlying mortgage-backed security collateral and bears no interest (PO's); or
  - (c) collateralized mortgage obligations that have a stated final maturity date of greater than 10 years; or
  - (d) collateralized mortgage obligations, the interest rate of which is determined by an index that adjusts opposite to the changes in the market index (inverse floaters).
4. Other obligations the principal and interest of which are unconditionally guaranteed or insured by or backed by the full faith and credit of the State of Texas or the U.S. or their respective agencies and instrumentalities.

Exhibit "B"

AGREEMENT BETWEEN THE BANK AND THE SAFEKEEPING INSTITUTION  
(OPERATING CIRCULAR 7)

DRAFT

Exhibit "C"

NAMES AND SIGNATURE OF INDIVIDUALS AUTHORIZED TO ACT ON BEHALF OF  
THE AUTHORITY  
(PLEDGEE AGREEMENT)

Authorized Signature

Name and Title

_____	_____
_____	_____
_____	_____
_____	_____

DRAFT

\_\_\_\_\_

By: \_\_\_\_\_

Accepted:  
COMERICA BANK

By: \_\_\_\_\_

Exhibit "D"

SPECIMEN SIGNATURES OF AUTHORIZED BANK OFFICIALS

Comerica Bank (Bank) has designated the following individuals authorization to instruct the Federal Reserve Bank of Dallas (Safekeeping Institution) with regard to collateral pledges, releases and substitutions in the safekeeping account established for the Authority. Such pledges, releases and substitutions shall follow procedures set forth in the Depository Pledge Agreement between the Authority and the Bank.

Authorized Signature

Name and Title

\_\_\_\_\_

Refer to Signature Card for Comerica Bank on file with Safekeeping Institution

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

COMERICA BANK

By: \_\_\_\_\_

Accepted:

\_\_\_\_\_

By: \_\_\_\_\_

Exhibit "E"

CERTIFICATE RELATING TO RESOLUTIONS AND AUTHORITY

DRAFT

**Fiscal Committee**

**Date:** 10/10/2011

**Audit Report**

**Submitted By:** Sharon McCoy-Huber

**Division:** Support Services

**Department:** Finance

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**Information**

**CAPTION**

**PRESENTATION, DISCUSSION AND APPROPRIATE ACTION REGARDING THE FINAL AUDIT FOR THE FISCAL YEAR ENDING JUNE 30, 2011**

**Presenter**

Presented by Sharon McCoy-Huber; Santos Fraga of Padgett, Stratemann & Co.

*Estimated Presentation Time: 45 minutes*

The San Antonio River Authority staff and the auditors from Padgett, Stratemann & Co. will make a presentation to the Committee regarding the financial audit for the fiscal year ending June 30, 2011.

In preparation for the staff's and the consultant's presentations, the Committee will receive by separate mailing a draft copy of the Comprehensive Annual Financial Report (CAFR) for the fiscal year ending June 30, 2011.

**Recommendation**

Motion indicating Fiscal Committee support for the final audit for the fiscal year ending June 30, 2011, to be presented to the San Antonio River Authority Board of Directors for approval at its regular meeting on October 19, 2011.

**Discussion**

**Vote**

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**Fiscal Committee**

**Date:** 10/10/2011

**Investment Policy**

**Submitted For:** Larry Anderson

**Submitted By:** Sharon McCoy-Huber

**Division:** Support Services

**Department:** Finance

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**Information**

**CAPTION**

**PRESENTATION, DISCUSSION AND APPROPRIATE ACTION REGARDING THE ORDINANCE APPROVING BOARD POLICY FN 0003 CONCERNING INVESTMENT POLICIES AND STRATEGIES**

**Presenter**

Sharon McCoy-Huber and Larry Anderson

*Estimated Presentation Time: 10 minutes*

The Public Investment Act requires the San Antonio River Authority to annually adopt an investment policy. On October 20, 2010, the Board adopted Investment Policy FN 0003 without change to the previous Investment Policy.

Policy FN 0003 is attached. Staff is recommending that the Policy be adopted without change.

**Recommendation**

Motion indicating Fiscal Committee support for presentation of the Investment Policy FN 0003 to the San Antonio River Authority Board of Directors for adoption at their regular meeting on October 19, 2011.

**Discussion**


**Vote**

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**Attachments**

Investment Policy FN 0003

Investment Policy Ordinance

	<b>SAN ANTONIO RIVER AUTHORITY</b>	<b>POLICY &amp; PROCEDURE</b>	<b>POLICY NUMBER: FN 0003</b>
<b>SUBJECT: :</b> Investment Policies & Strategies		<b>FINANCE</b>	<b>REPLACING POLICY NUMBER: EO 0009</b>
<b>RESPONSIBLE MANAGER:</b> Financial Services Manager		<b>EFFECTIVE DATE: :</b> 05/21/2003	
		<b>REVISED DATE:</b> 10/19/2010	<b>PAGE(S): 1 of 18</b>

Reference: Chapter 2256 Government Code, Public Funds Investment Act of the State of Texas.

1. POLICY

To invest public funds in a manner which will provide the highest investment return with the maximum security while meeting the daily cash flow demands of the San Antonio River Authority (River Authority) and conforming to all state and local statutes governing the investment of funds.

2. SCOPE

Except for its employee retirement system fund and the Deferred Compensation Fund, organized and administered separately by a third party custodian and/or money manager, this investment policy applies to all financial assets of the River Authority. These funds are accounted for in the River Authority Comprehensive Annual Financial Report and include:

- General Fund
- Special Revenue Funds
- Capital Project Funds
- Enterprise Funds
- Agency Funds
- Debt Service Funds
- Any new fund created by the Board, unless specifically exempted.

These funds shall be administered in accordance with the provisions of this policy. A strategy will be developed which will address the varying needs and objectives of each fund.

3. OBJECTIVES

The primary objectives, in priority order, of the River Authority investment activities shall be:

a. Safety

Safety of principal is the foremost objective of the investment of funds. Investments shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. The objective will be to mitigate credit risk and interest rate risk.

i. Credit Risk

Credit Risk is the risk of loss due to the failure of the security issuer or backer. Credit risk can be mitigated by:

- Limiting investments to the safest types of securities;
- Pre-qualifying the financial institutions, broker/dealers, intermediaries, and advisors with which the River Authority will do business; and
- Diversifying the investment portfolio so that potential losses on individual securities will be minimized.

ii. Interest Rate Risk

Interest rate risk is the risk that the market value of securities in the portfolio will fall due to changes in general interest rates. Interest rate risk can be mitigated by:

- Structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity, and
- By investing operating funds primarily in shorter-term securities.

b. Liquidity

The investment portfolio shall remain sufficiently liquid to meet all operating requirements that may be reasonably anticipated. This is accomplished by structuring the portfolio so that securities mature concurrent with cash needs to meet anticipated demands. Furthermore, since all possible cash demands cannot be anticipated, the portfolio should consist largely of securities with active secondary or resale markets.

c. Yield

The investment portfolio shall be designed with the objective of attaining a market rate of return throughout budgetary and economic cycles, taking into account the investment risk constraints and liquidity needs. Return on investment is of least importance compared to the safety and liquidity objectives described above. The core of investments is limited to relatively low risk securities in anticipation of earning a fair return relative to the risk being assumed. Securities shall not be sold prior to maturity with the following exceptions:

- a declining credit security could be sold early to minimize loss of principal;
- a security swap would improve the quality, yield, or target duration in the portfolio; or
- liquidity needs of the portfolio require that the security be sold.

4. STANDARDS OF CARE

a. Ethics and Conflicts of Interest

Investment officers and employees involved in the investment process shall refrain from personal business activity that could conflict with the proper execution and management of the investment program, or could impair their ability to make impartial decisions. Employees and investment officials shall disclose any material interests in financial institutions with which they conduct business. They shall further disclose any personal financial/investment positions that could be related to the performance of the investment portfolio. Employees and investment officers shall refrain from undertaking personal investment transactions with the same individual with whom business is conducted on behalf of the River Authority. The investment officers shall disclose to the Texas Ethics Commission and the River Authority Board any personal business relationship and/or material financial interests with anyone attempting to sell an investment to the River Authority.

b. Delegation of Authority

Under the direction of the General Manager, authority to manage the investment of funds is granted to the Financial Services Manager, Controller and the Director of Support Services, who are the investment officers. The General Manager, Assistant Manager or Treasurer of the Board shall review all purchases and sales of investments made by the investment officer. The Financial Services Manager and the Controller shall carry out established written procedures and internal controls for the operation of the investment of funds consistent with this investment policy. Unless otherwise authorized by law, a person may not deposit, withdraw, invest, transfer, or manage in any other manner, funds of the

investment pool without express written authority of the Board of Directors, General Manager, Director of Support Services or Financial Services Manager, consistent with the investment policy adopted by the Board.

Authority that is granted to the Financial Services Manager, Controller and the Director of Support Services to deposit, withdraw, invest, transfer, or manage the River Authority's funds is effective until rescinded by the Board or until termination of the person's employment. Procedures should include references to safekeeping, delivery vs. payment, investment collateral/depository agreements and banking services contracts. No person may engage in an investment transaction except as provided under the terms of this policy and the procedures established by the Board of Directors. The investment officer(s) shall attend at least one training session relating to the Treasurer's or investment officer's responsibilities, as required, within 12 months after taking office or assuming responsibilities. The investment officer(s) shall attend an investment training session not less than once in a two-year period and receive not less than 10 hours of instruction relating to investment responsibilities, as required, from an independent source approved by the Board of Directors of the River Authority or Fiscal Committee.

c. Prudence

The standard of prudence to be used by investment officials shall be the "prudent person" standard and shall be applied in the context of managing an overall portfolio. Investment officers acting in accordance with written procedures and this investment policy and exercising due diligence shall be relieved of personal responsibility for an individual security's credit risk or market price changes, provided deviations from expectations are reported in a timely fashion and the liquidity and the sale of securities are carried out in accordance with the terms of this policy.

Investments shall be made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived.

If the investment officer of the River Authority has a personal business relationship with a business organization offering to engage in an investment transaction with the River Authority, the officer shall file a statement disclosing that personal business interest. If the investment officer is related within the second degree by affinity or consanguinity, as determined under Chapter 573, to an individual seeking to sell an investment to the River Authority, the officer shall file a statement disclosing that relationship. Any statements, as required, must be filed with the Texas Ethics Commission and the River Authority Board of

Directors. The investment officer has a personal business relationship with a business organization if:

- the investment officer(s) owns ten percent or more of the voting stock or shares of the business organization or owns \$5,000 or more of the fair market value of the business organization;
- funds received by the investment officer(s) from the business organization exceeds ten percent of the investment officer's gross income from the previous year; or
- the investment officer(s) has acquired from the business organization during the previous year, investments with a book value of \$2,500 or more for the personal account of the investment officer(s).

## 5. SAFEKEEPING AND CUSTODY

### a. Authorized Financial Dealer and Institution

A list will be maintained of financial institutions authorized to provide investment services. In addition, the Board shall adopt a list of qualified brokers that are authorized to engage in investment transactions annually. These may include "primary" dealers or regional dealers that qualify under Securities and Exchange Commission Rule 15C3-1 (uniform net capital rule).

All broker/dealers who desire to become qualified bidders for investment transactions must supply the following as appropriate:

- audited financial statements;
- proof of Financial Industry Regulatory Authority (FINRA) certification;
- proof of state registration;
- completed broker/dealer questionnaire; and
- certification of having received and thoroughly reviewed the River Authority's investment policy.

A current audited financial statement is required to be on file for each financial institution and broker/dealer in which the River Authority invests.

### b. Internal Controls

The Financial Services Manager is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the River Authority are protected from loss, theft or misuse. The internal control structure shall be designed to provide reasonable assurance that these objectives are met. The concept of reasonable assurance recognizes that (1) the cost of control should

not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management.

Accordingly, an external auditor will perform an annual independent review to assure compliance with policies and procedures. The internal controls shall address the following points:

i. Control of collusion

Collusion is a situation where two or more employees are working in conjunction to defraud their employer.

ii. Separation of transaction authority from accounting and record keeping.

By separating the person who authorizes or performs the transaction from the people who record or otherwise account for the transaction, a separation of duties is achieved.

iii. Custodial safekeeping

Securities purchased from any bank or dealer including appropriate collateral (as defined by State Law) shall be held in safekeeping by either a third party financial institution or in the River Authority's designated depository bank.

iv. Clear delegation of authority to subordinate staff members

Subordinate staff members must have a clear understanding of their authority and responsibilities to avoid improper actions. Clear delegation of authority also preserves the internal control structure that is contingent on the various staff positions and their respective responsibilities.

v. Written confirmation or telephone transactions for investments and wire transfers

Due to the potential for error and improprieties arising from telephone transactions, all telephone transactions should be supported by written communications and approved by the appropriate person. Written communications may be via fax if on letterhead and the safekeeping institution has a list of authorized signatures.

c. Delivery vs. Payment

All trades where applicable will be executed by delivery vs. payment (DVP). This ensures that securities are deposited in the eligible financial institution prior

to the release of funds. The custodian will hold securities as evidenced by safekeeping receipts that the River Authority has on file.

5. SUITABLE AND AUTHORIZED INVESTMENTS

a. Investment Types

Authorized Investments allowed under the Public Funds Investment Act are:

i. Obligations of, or guaranteed by, governmental entities. (Section 2256.009).

A. Except as provided by subsection (b), the following are authorized investments under this subchapter:

- (1) obligations of the United States or its agencies and instrumentalities;
- (2) direct obligations of this state or its agencies and instrumentalities;
- (3) other obligations, the principal and interest of which are unconditionally guaranteed or insured by, or backed by the full faith and credit of, this state or the United States or their respective agencies and instrumentalities; and
- (4) obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than A or its equivalent.

B. The following are not authorized investments under this section:

- (1) obligations whose payment represents the coupon payments on the outstanding principal balance of the underlying mortgage-backed security collateral and pays no principal;
- (2) obligations whose payment represents the principal stream of cash flow from the underlying mortgage-backed security collateral and bears no interest;
- (3) collateralized mortgage obligations that have a stated final maturity date of greater than 10 years; and

- (4) collateralized mortgage obligations the interest rate of which is determined by an index that adjusts opposite to the changes in a market index.

ii. Certificates of Deposit (Section 2256.010)

A certificate of deposit is an authorized investment under this subchapter if the certificate of deposit is issued by a state or national bank domiciled in this state or a savings and loan association domiciled in this state and is:

- A. guaranteed or insured by the Federal Deposit Insurance Corporation or its successor;
- B. secured by obligations that are described by Section 2256.009(a), including mortgage backed securities directly issued by a federal agency or instrumentality that have a market value of not less than the principal amount of the certificates, but excluding those mortgage backed securities of the nature described by Section 2256.009(b); or
- C. secured in any other manner and amount provided by law for deposits of the River Authority.

iii. Repurchase Agreements (Section 2256.011)

- A. A fully collateralized repurchase agreement is an authorized investment under this subchapter if the repurchase agreement:
  - (1) has a defined termination date;
  - (2) is secured by obligations described by Section 2256.009(a) (1); and
  - (3) requires the securities being purchased by the River Authority to be pledged to the River Authority, held in the River Authority's name, and deposited at the time the investment is made with the River Authority or with a third party selected and approved by the River Authority; and
  - (4) is placed through a primary government securities dealer, as defined by the Federal Reserve, or a financial institution doing business in this state.
- B. In this section, "repurchase agreement" means a simultaneous agreement to buy, hold for a specified time, and sell back at a future date obligations described by Section 2256.009(a) (1), at a

market value at the time that funds are disbursed of not less than the principal amount of the funds disbursed. The term includes a direct security repurchase agreement and a reverse security repurchase agreement.

- C. Notwithstanding any other law, the term of any reverse security repurchase agreement may not exceed 90 days after the date the reverse security repurchase agreement is delivered.
- D. Money received by the River Authority under the terms of a reverse security repurchase agreement shall be used to acquire additional authorized investments, but the term of the authorized investments acquired must mature not later than the expiration date stated in the reverse security repurchase agreement.

iv. Bankers' Acceptances (Section 2256.012)

A bankers' acceptance is an authorized investment under this subchapter if the banker's acceptance:

- A. has a stated maturity of 270 days or fewer from the date of its issuance;
- B. will be, in accordance with its terms, liquidated in full at maturity;
- C. is eligible for collateral for borrowing from a Federal Reserve Bank; and
- D. is accepted by a bank organized and existing under the laws of the United States or any state, if the short-term obligations of the bank, or of a bank holding company of which the bank is the largest subsidiary, are rated not less than A-1 or P-1 or an equivalent rating by at least one nationally recognized credit rating agency.

v. Commercial Paper (Section 2256.013)

Commercial paper is an authorized investment under this subchapter if the commercial paper:

- A. has a stated maturity of 270 days or fewer from the date of its issuance; and
- B. is rated not less than A-1 or P-1 or an equivalent rating by at least:
  - i. two nationally recognized credit rating agencies; or

- ii. one nationally recognized credit rating agency and is fully secured by an irrevocable letter of credit issued by a bank organized and existing under the laws of the United States or any state.
- vi. Mutual Funds (Section 2256.014)
- A. A no-load money market mutual fund is an authorized investment under this subchapter if the mutual fund:
    - (1) is regulated by the Securities and Exchange Commission;
    - (2) has a dollar-weighted average stated maturity of 90 days or fewer; and
    - (3) includes in its investment objectives the maintenance of a stable net asset value of \$1 for each share
  - B. In addition to a no-load money market mutual fund permitted as an authorized investment in Subsection (a), a no-load mutual fund is an authorized investment under this subchapter if the mutual fund:
    - (1) is registered with the Securities and Exchange Commission;
    - (2) has an average weighted maturity of less than two years;
    - (3) is invested exclusively in obligations approved by this subchapter;
    - (4) is continuously rated as to investment quality by at least one nationally recognized investment rating firm of not less than AAA or its equivalent; and
    - (5) conforms to the requirements set forth in Sections 2256.016 (b) and (c) relating to the eligibility of investment pools to receive and invest funds of investing entities.
  - C. The River Authority is not authorized by this section to:
    - (1) invest in the aggregate more than 80 percent of its monthly average fund balance, excluding bond proceeds and reserves and other funds held for debt service, in money market mutual funds described in Subsection (a) or mutual funds described in subsection (b), either separately or collectively;

- (2) invest in the aggregate more than 15 percent of its monthly average fund balance, excluding bond proceeds and reserves and other funds held for debt service, in mutual funds described in Subsection (b);
- (3) invest any portion of bond proceeds, reserves and funds held for debt service, in mutual funds described in Subsection (b); or
- (4) invest its funds or funds under its control, including bond proceeds and reserves and other funds held for debt service, in any one mutual fund described in Subsection (a) or (b) in an amount that exceeds 10 percent of the total assets of the mutual fund.

vii. Authorized Investments: Investment Pools (Section 2256.016)

- A. The River Authority may invest its funds and funds under its control through an eligible investment pool if the governing body of the River Authority by rule, order, ordinance, or resolution, as appropriate, authorizes investment in the particular pool. An investment pool shall invest the funds it receives from entities in authorized investments permitted by this subchapter.
- B. To be eligible to receive funds from and invest funds on behalf of an entity under this chapter, an investment pool must furnish to the investment officer or other authorized representative of the River Authority, an offering circular or other similar disclosure instrument that contains, at a minimum, the following information:
  - (1) the types of investments in which money is allowed to be invested;
  - (2) the maximum average dollar-weighted maturity allowed, based on the stated maturity date, of the pool;
  - (3) the maximum stated maturity date any investment security within the portfolio has;
  - (4) the objectives of the pool;
  - (5) the size of the pool;
  - (6) the names of the members of the advisory board of the pool and the dates their terms expire;

- (7) the custodian bank that will safekeep the pool's assets;
- (8) whether the intent of the pool is to maintain a net asset value of one dollar and the risk of market price fluctuation;
- (9) whether the only source of payment is the assets of the pool at market value or whether there is a secondary source of payment, such as insurance or guarantees, and a description of the secondary source of payment;
- (10) the name and address of the independent auditor of the pool;
- (11) the requirements to be satisfied for the River Authority to deposit funds in and withdraw funds from the pool and any deadlines or other operating policies required for the River Authority to invest funds in and withdraw funds from the pool; and
- (12) the performance history of the pool, including yields, average dollar-weighted maturities, and expense ratios.

C. To maintain eligibility to receive funds from and invest funds on behalf of an entity under this chapter, an investment pool must furnish to the investment officer or other authorized representative of the River Authority:

- (1) investment transaction confirmations; and
- (2) a monthly report that contains, at a minimum, the following information:
  - (a) the types and percentage breakdown of securities in which the pool is invested;
  - (b) the current average dollar-weighted maturity, based on the stated maturity date, of the pool;
  - (c) the current percentage of the pool's portfolio in investments that have stated maturities of more than one year;
  - (d) the book value versus the market value of the pool's portfolio, using amortized cost valuation;

- (e) the size of the pool;
- (f) the number of participants in the pool;
- (g) the custodian bank that is safekeeping the assets of the pool;
- (h) a listing of daily transaction activity;
- (i) the yield and expense ratio of the pool;
- (j) the portfolio managers of the pool; and
- (k) any changes or addenda to the offering circular.

D. The River Authority by contract may delegate to an investment pool the authority to hold legal title as custodian of investments purchased with its local funds.

E. In this section, “yield” shall be calculated in accordance with regulations governing the registration of open-end management investment companies under the Investment Company Act of 1940, as promulgated from time to time by the federal Securities and Exchange Commission.

viii. Portfolio of Certain Investment Pools (Section 2256.017)

A public funds investment pool created to function, as a money market mutual fund must mark its portfolio to market daily and, to the extent reasonably possible, stabilize at a \$1 net asset value. If the ratio of the market value of the portfolio divided by the book value of the portfolio is less than 0.995 or greater than 1.005, portfolio holdings shall be sold as necessary to maintain the ratio between 0.995 and 1.005.

ix. Advisory Board of Investment Pools (Section 2256.018)

A. An investment pool other than a pool described by Subsection (b) shall establish an advisory board composed of participants in the pool and other persons.

B. A public funds investment pool created under Chapter 791 and managed by a state agency shall establish an advisory board composed equally of participants in the pool and other persons who do not have a business relationship with the pool. A board member must be qualified to advise the pool.

Sec. 2256.019. Rating of Certain Investment Pools. A public funds investment pool must be continuously rated no lower than AAA or AAA-m or at an equivalent rating by at least one nationally recognized rating service.

b. Collateralization

In accordance with state law on the Collateralization of Public deposits, and the River Authority depository contract, full collateralization will be required on all certificates of deposits and repurchase agreements.

A third party custodian designated by the River Authority will hold securities. The third party custodian shall provide a monthly listing of the collateral pledged to the River Authority marked to current market prices. The listing will include total pledged securities itemized by name, type and description of the security; safekeeping receipt number; par value; current market value; maturity date, if available; and Moody's or Standard & Poor's rating if available.

c. Compliance with State Law

All authorized investments outlined above must meet the requirements of the Public Funds Investment Act, Section 2256 of the Texas Government Code. No investment may be made in any instrument except as provided above

7. INVESTMENT PARAMETERS

a. Diversification

The investments will be diversified by security type and institution.

b. Maximum Maturity

The River Authority shall limit their maximum final stated maturity to five (5) years. To the extent possible, investments will be made to match anticipated cash flow requirements. Unless matched to a specific cash flow and authority is given to exceed, the River Authority will not directly invest in securities maturing more than 5 years from the date of purchase.

8. REPORTING

a. Methods

An investment report will be prepared quarterly, including a management summary that provides the status of the current investment portfolio and investment transactions made over the last quarter. This report will be provided

to the Board of Directors and will be signed by the Director of Support Services, Financial Services Manager, and the Controller. As part of the scope of the River Authority's Annual Audit, all internal controls on investments, safekeeping procedures and investment procedures performance will be presented to the Fiscal Committee by the Auditor.

b. Performance Standards

The investment portfolio will be managed in accordance with the parameters specified within this policy.

The portfolio should obtain a market average rate of return during a market/economic environment of stable interest rates. (The 3-month U.S. Treasury Bill rate is an appropriate benchmark standard)

c. Marking to Market

A statement of the market value of the portfolio shall be done quarterly. This will ensure that the minimal amount of review has been performed on the investment portfolio in terms of value and subsequent price volatility.

d. Exemption

Should amendments be made to State Law or River Authority policy, the River Authority will not be required to liquidate currently held investments that were authorized investments at the time of purchase. At maturity or liquidation, such monies shall be reinvested only as provided by this policy.

9. AMENDMENTS

This policy shall be reviewed annually by the Board of Directors. The Board shall adopt, by resolution or ordinance, the investment policy and strategies. The Board of Directors must approve any changes upon recommendation of the General Manager, Financial Services Manager or Director of Support Services charged with maintaining internal controls.

10. INVESTMENT STRATEGIES

The River Authority operates with a pooled investment strategy and the investment strategies for the individual funds of the River Authority are as follows:

a. Operating Funds:

The Operating Funds of the River Authority are:

- General Fund
- ~~Park Services Fund~~
- SARA Wastewater Fund
- SARA Water Fund
- Salatrillo Wholesale Fund

Investment strategies for the operating funds of the River Authority have as their objectives the following: To assure that the anticipated cash flows are matched with adequate liquidity. During economic cycles assuring that the investment portfolio will experience minimal volatility. Investment purchases will be of high quality, with short to medium term securities that complement each other in a laddered portfolio structure and will have a stated final maturity of five (5) years or less.

b. Debt Service Funds:

The Debt Service Funds of the River Authority are:

- SACIP Debt Service
- Martinez Construction & Improvement Debt Service
- ~~Salatrillo Construction & Improvement Debt Service~~
- Salatrillo Reuse Debt Service
- Utility O&M Debt Service
- Public Facilities Corporation Debt Service

Investment strategies for the Debt Service Funds have as their primary objective the assurance of investment liquidity adequate to cover obligations on required payment dates. Securities purchased shall not have a stated maturity date, which exceeds the unfunded required payment date.

c. Reserve Funds:

The Reserve Funds of the River Authority are:

- SACIP Debt Service Reserve
- SARA Wastewater Construction & Improvement Reserve
- ~~Salatrillo Construction & Improvement Reserve~~
- Salatrillo Reuse Debt Reserve
- Utility O&M Reserve

Investment strategies for the River Authority's Reserve Funds have as the primary objective the assurance of investment liquidity and a low degree of volatility. Except as may be otherwise required, (investments must first follow the bond ordinances) securities should be of high quality, with short to intermediate term

maturity. Purchased securities will have a stated final maturity of five (5) years or less.

d. Capital Project Funds:

The Capital Project Funds of the River Authority are:

- SACIP Projects
- City of San Antonio Projects
- San Antonio Water System Projects
- Medina Dam Improvement Projects
- Bexar County CIP Projects
- Bexar County Projects
- Down River County Projects
- Other Capital Projects
- SARA Wastewater Construction & Improvement Projects
- SARA Water Construction & Improvement Projects
- Salatriillo Construction & Improvement Projects
- Salatriillo Reuse Capital Projects
- ~~Park Services Projects~~
- Regional Water Resource Development Group Water Purchases
- Utility O&M Capital Projects

Investment strategies for the River Authority's project funds must first have as their primary objective the assurance of meeting cash flow requirements on all contractual obligations. In addition, where applicable, all bond covenants must be followed. All securities purchased must be of high quality; short to medium term that complements each other in a laddered portfolio structure. Purchased securities will have a stated final maturity of five (5) years or less.

e. Special Revenue Funds:

The Special Revenue Funds of the River Authority are:

- Flood Tax Revenue
- South Texas Regional Water Planning Group
- Regional Water Resource Development Group
- Regional Water Alliance
- City of Kenedy Desalination
- ~~Bay & Estuary Study~~
- Insurance Fund
- TCEQ Clean Rivers Program
- ESD Contracts Fund
- Federal EPA Contracts Fund
- Karnes County Maintenance

- Local Grants Fund
- SACIP Land Sales Fund
- SARIDA Fund
- Park Resources Development Fund

Investment strategies for the special revenue funds of the River Authority have as their objectives the following: To assure that the anticipated cash flows are matched with adequate liquidity. During economic cycles assure that the investment portfolio experiences minimal volatility. Investment purchases will be of high quality, with short to medium term securities that complement each other in a laddered portfolio structure and will have a stated final maturity of five (5) years or less.

**Approved:**

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Suzanne B. Scott, General Manager

10/19/2010  
Date

ORDINANCE NO. O-1353

AN ORDINANCE OF THE BOARD OF DIRECTORS OF THE SAN ANTONIO RIVER AUTHORITY APPROVING BOARD POLICY FN 0003 CONCERNING INVESTMENT POLICIES AND STRATEGIES

Preamble

WHEREAS, FN 0003, passed and approved November 19, 2008, adopted policy FN 0003 concerning investment policies and strategies; and

WHEREAS, Ordinance No. O-1340, passed and approved October 20, 2010, adopted Board Policy concerning investment policies and strategies; and

WHEREAS, it is necessary and in the public interest to annually review and approve the Board Policy relating to public funds investments and strategies.

NOW, THEREFORE, BE IT ORDAINED BY THE BOARD OF DIRECTORS OF THE SAN ANTONIO RIVER AUTHORITY THAT:

1. Ordinance No. O-1340 passed and approved October 20, 2010, relating to the investment policies is repealed.
2. Policy FN 0003, attached to this Ordinance as Exhibit A and incorporated herein by reference, is approved as the official written policy of the River Authority concerning investment policies and strategies.

PASSED AND APPROVED this 19<sup>th</sup> day of October, A.D., 2011.

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GAYLON J. OEHLKE, Chairman

ATTEST:

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ROBERTO G. RODRÍGUEZ, Secretary

ACKNOWLEDGEMENT OF CHAIRMAN

STATE OF TEXAS           §  
  §  
COUNTY OF BEXAR       §

BEFORE ME, the undersigned authority on this day personally appeared GAYLON J. OEHLKE, Chairman of the Board of Directors of the SAN ANTONIO RIVER AUTHORITY, a political subdivision of the State of Texas known to me to be the person and officer whose name is subscribed to the foregoing instrument, and acknowledged to me that he executed the same for the purposes and consideration therein expressed, in the capacity therein stated, and as the act and deed of said political subdivision.

GIVEN UNDER MY HAND AND SEAL OF OFFICE this 19<sup>th</sup> day of October, 2011.

\_\_\_\_\_  
LUPE SANCHEZ, Notary Public  
In and for the State of Texas  
My commission expires: 11/14/2012



**Fiscal Committee**

**Date:** 10/10/2011

**Broker/Dealer List**

**Submitted By:** Sharon McCoy-Huber

**Division:** Support Services

**Department:** Finance

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**Information**

**CAPTION**

**PRESENTATION AND DISCUSSION REGARDING REVIEW AND DESIGNATION OF QUALIFIED BROKERS WHO ARE AUTHORIZED TO ENGAGE IN INVESTMENT TRANSACTIONS WITH THE SAN ANTONIO RIVER AUTHORITY**

**Presenter**

Sharon McCoy-Huber and Larry Anderson

*Estimated Presentation Time: 5 minutes*

On October 20, 2010, the Board reviewed the Broker/Dealer list as required by the Public Investment Act (Act). The Act requires that annually the Board review brokers to engage in investment transactions. The brokers/dealers on the attached list meet the requirements to serve as Brokers/Dealers with the San Antonio River Authority.

No action other than Board review is needed on this item.

**Discussion**

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**Attachments**

Broker List

**SAN ANTONIO RIVER AUTHORITY  
BROKER/DEALERS**

RBC Dain Rauscher Florham Park, NJ 07932-1407	Mr. Daniel Vidovich Vice President
Gilford Securities, Inc. Irvine, CA 92614	Mr. Robert Allen
ING/Financial Northeastern Corp. Miami, FL 33131	Mr. Michael A. Harris Vice President
First Southwest Company Austin, TX 78701	Ms. Linda Callaway Senior Vice President
Frost Bank Capital Markets San Antonio, TX 78205	Mr. Brad Johnson Investment Officer
AJ Capital, Corp. Spring, TX 77389	Ms. Anne Jenkins
Coastal Securities Austin, TX 78746	Mr. Steven Albert Vice President
Duncan-Williams, Inc. Houston, TX 77065	Mr. Stephen Capoferi Vice President
Wells Fargo Brokerage Services, LLC Austin, TX 78701	Mr. Lance Pettus
TexasTerm/TexasDaily Austin, TX	Ms. Anne Romanick
Vining Sparks IBG, L.P. Frisco, TX 75034	Mr. Greg Johnson Investment Officer
Rice Financial Products Company Chicago, IL 60604	Ms. Carol L. Mackoff Managing Director
Morgan Keegan & Company Austin, Texas 78746	Ms. Polly F. Moore, AIF Managing Director
Carty & Company, Inc. Memphis, TN 38119	Lee Bowling Account Executive

**Fiscal Committee**

**Date:** 10/10/2011

**Funds Management Policy**

**Submitted For:** Larry Anderson

**Submitted By:** Sharon McCoy-Huber

**Division:** Support Services

**Department:** Finance

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**Information**

**CAPTION**

**DISCUSSION AND APPROPRIATE ACTION REGARDING THE FUNDS MANAGEMENT POLICY, FN 0002**

**Presenter**

Larry Anderson and Sharon McCoy-Huber

*Estimated Presentation Time: 15 minutes*

Staff will review the Funds Management Policy with the Committee to give Committee members an opportunity to recommend and vote upon any changes they deem appropriate. Staff will make recommended changes in the language of the current Funds Management Policy FN 0002 to allow for designations of fund balance. The current Funds Management Policy FN 0002 is attached.

Staff will also provide an overview of the current Governmental Accounting Standards Board (GASB) Statement 54. The GASB standards apply to and influence the Funds Management Policy language. One of the attachments is a PowerPoint that was presented last year on GASB 54. During the October meeting, we will revisit the PowerPoint and have discussions for action on the Funds Management Policy to be taken at a future Committee/Board meeting.

**Recommendation**

Motion to be crafted, if necessary, after Committee discussion.

**Discussion**


**Vote**

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**Attachments**

Current Funds Management Policy FN 0002

Previous PowerPoint Presentation

	<p style="text-align: center;"><b>SAN ANTONIO RIVER AUTHORITY</b></p>	<p style="text-align: center;"><b>POLICY &amp; PROCEDURE</b></p>	<p style="text-align: center;"><b>POLICY NUMBER: FN 0002</b></p>
<p><b>SUBJECT:</b> Funds Management</p>			<p><b>REPLACING POLICY NUMBER:</b> EO 0008</p>
<p><b>RESPONSIBLE MANAGER:</b> Financial Services Manager</p>		<p><b>EFFECTIVE DATE:</b> 08/15/2001</p>	
		<p><b>REVISED DATE:</b> 11/17/2010</p>	<p><b>PAGE(S): 1 of 3</b></p>

## PURPOSE

The purpose of this policy is to establish guidelines for the maintenance and use of San Antonio River Authority (River Authority) fund balances net of fixed assets, i.e. cash balances.

## FUND TYPES

The River Authority maintains five major types of funds. They are Operating, Debt Service, Reserve, Special Revenue and Capital Project Funds. Each is described below.

***Operating Funds:*** These funds are used for purposes of supporting the ongoing operations of the River Authority. Revenues consist of customer revenue, interest earnings and charges for services rendered. Uses of these funds include operating expenses and capital purchases and improvements.

***Debt Service Funds:*** These funds are established from funding sources as required by bond covenants. Monies flow through these funds in prescribed amounts from funding sources for purposes of payments of principal and interest on debt.

***Reserve Funds:*** These funds are also required by bond covenants to maintain specified amounts of funds in reserve to support bond management.

***Special Revenue Funds:*** These funds are set up to support special projects. Revenues typically include grants or other special sources of revenue received by the River Authority. These funds are designated for operations, studies or reports. Laws and/or contracts with others govern the use of these funds.

***Capital Project Funds:*** These funds are designated to support construction of capital projects. The use of a particular capital project fund is limited to the capital project for which it is formed. Funding sources are typically bonds, impact fees or monies received from another entity for purposes of constructing a designated facility or project.

## **FUND MANAGEMENT**

The policy for the management of the River Authority funds is:

*Operating Funds* – Operating Funds will be managed to meet the following objectives.

1. Maintenance of Adequate Reserves. Sufficient fund balances will be maintained to:
  - a. Unassigned fund balance - Maintain appropriate reserves to fund operating expenses where funding sources are variable throughout the annual fiscal cycle.
  - b. Assigned fund balance - Maintain appropriate reserves to meet emergency expenses and interruptions in revenue sources. Approximately three months of critical operating expenses will be maintained in reserve including but not limited to personnel, utilities, and telephone expenses. The reserve will be replenished at least annually when sufficient funds are available.
  - c. Committed fund balance - Provide and protect the River Authority's ability to borrow funds to construct new capital projects. The River Authority will maintain operating fund balances and take other actions necessary to maintain an appropriate bond rating to support future bond issues.
  - d. Unassigned fund balance - Provide funds for planning the expansion of existing projects or the development of new projects that are forecast to meet growth of a particular operation.
2. Utilization of Fund Balances: Fund balances available after meeting the requirements for reserves in (1) above will be used to:
  - a. Committed fund balance - Invest in the River Authority's human and physical resources to provide a sound functional organization that is able to respond to opportunities to provide services to its constituents consistent with the River Authority's mission, purpose, and enabling legislation.
  - b. Committed fund balance - Support and generate new projects where the Board of Directors determine that investment is necessary and desirable and is consistent with the River Authority's mission, purpose, and enabling legislation.
3. Reports and Budgets: The General Manager will report to the Board of Directors as a part of the annual budget process on the fund balances. The report will include the proposed use of the fund balances, including reserve requirements, in the budget being proposed.

***Debt Service, Reserve, Special Revenue and Capital Project Funds*** – Each of these funds will be independently managed to conform to the particular requirements associated with each contract, project, bond issue or other purpose for which they are specifically established.

**Approved:**

\_\_\_\_\_  
Suzanne B. Scott, General Manager

11/17/2010  
\_\_\_\_\_  
Date



## Funds Mgmt. Policy & GASB 54

- Agenda
  - Review fund types
  - Fund types referenced in the Funds Management Policy
  - Define fund balance
  - Current fund balance terminology
  - New fund balance terminology
  - Funds Management Policy & the new fund balance terminology

## Fund Types

- Governmental-type Activity Funds – Activities generally financed through taxes, intergovernmental revenues, and other nonexchange revenues.
  - General Fund – 1
  - Debt Service Funds – 2
  - Reserve Funds – 4
  - Special Revenue Funds – 15
  - Capital Project Funds – 5

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## Fund Types

- Business-type Activity Funds – Activities are financed in whole or in part by fees charged to external parties for goods or services.
  - Enterprise Funds – 6
  - Internal Service Funds – 1
- Fiduciary Funds – Reports assets held for other entities
  - Agency Funds – 5

4



## Fund Types referenced in the Policy

- Operating Funds
  - General Fund – serves as the chief operating fund of the River Authority. Used to account for all financial resources except those required to be accounted for in another fund.

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## Fund Types referenced in the Policy

- Operating Funds (cont.)
  - SARA Wastewater Fund – serves as the primary enterprise fund. Used to account for activities of wastewater treatment systems for residential & business customers outside the jurisdiction of the City of San Antonio, but within the River Authority's watershed.
  - Salatrillo Wastewater Fund – Used to account for activities of wastewater treatment plant activities for wholesale customers.

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## Fund Types referenced in the Policy

- Debt Service Funds – established from funding sources as required by bond covenants.
- Reserve Funds – maintains specified amounts of monies in reserve to support bond management.

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## Fund Types referenced in the Policy

- Special Revenue Funds – Accounts for proceeds of specific revenue sources that are restricted for specified purposes.

Grants	Other Legal Authority	
TCEQ Clean Rivers Program	Flood Tax Revenue	SACIP Land Sales
Environmental Sciences Contracts	Karnes Co. Maintenance	Public Facility Corp.
EPA Grants	Regional Water Res. Dev. Group	SARIDA
So. Central TX Reg. Water Plng. Group	Regional Water Alliance	RiverWalk Wtrshd All.
Kenedy Brackish Grndwtr. Desalination	Estuary Response Study	Park Resource Dev.

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## Fund Types referenced in the Policy

- Capital Project Funds – Used for the acquisition or construction of major capital facilities.
  - SARIP – San Antonio River Foundation
  - SARIP – Bexar Co. Flood Tax
  - SARIP – Bexar Co. Visitor Tax
  - SARIP – 1999 Amendatory Contract
  - Bexar County Capital Projects

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## Fund Balance

- Sometimes referred to as “Net Assets”
- *Definition*
  - Difference between assets and liabilities.

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## Current Fund Balance Terminology

- **Business-type Activity Funds**
  - Invested in capital assets, net of related debt – Cost of capital assets, less depreciation, less outstanding principal of related debt
  - Restricted for:
    - Debt service – funds set aside to make debt payments on capital-related debt.
    - Federal & state programs –
    - Construction – funds set aside to use for construction.
  - Unrestricted – remaining balance of net assets

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## Current Fund Balance Terminology

- **Governmental-type Activity Funds**
  - Reserved for:
    - Encumbrances – contracts intended to be honored that do not lapse at year end
    - Debt service
    - Notes receivable
  - Unreserved, reported in:
    - General fund
    - Special revenue funds
    - Capital projects funds

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## New Fund Balance Terminology

- Non-spendable fund balance
  - amounts that are not in a spendable form (inventories)
- Restricted fund balance
  - amounts constrained to specific purposes by their providers (grants or bonds)
- Committed fund balance
  - amounts constrained to specific purposes by a government
- Assigned fund balance
  - amounts a government intends to use for a specific purpose
- Unassigned fund balance
  - amounts that are available for any purpose (general fund only)

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## Funds Mgmt. Policy and New Fund Balance Terminology

- Enterprise funds – remain the same as business-type activity funds
- General fund
  - Non-spendable fund balance – inventory
  - Restricted fund balance – minor grants
  - Committed fund balance – monies remaining prior to increasing the tax rate from \$0.00
  - Assigned fund balance – encumbrances and 3 to 6 months operating expenses
  - Unassigned fund balance – other operating & maintenance funds
- Debt Service & Reserve funds
  - Restricted fund balance
- Special Revenue funds
  - Restricted fund balance – grants
  - Assigned fund balance – non grant related funds
- Capital Project funds
  - Assigned fund balance

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**Fiscal Committee**

**Date:** 10/10/2011

**Status of KAAs**

**Submitted For:** Steve Graham

**Submitted By:** Lupe Sanchez

**Division:** Executive Offices

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**Information**

**CAPTION**

**REPORT ON THE STATUS AND RESULTS OF KEY ACTIONS AND ACCOUNTABILITIES (KAAs) REGARDING THE SAN ANTONIO RIVER AUTHORITY'S KEY INITIATIVE 1 FOR FISCAL YEAR 2011**

**Presenter**

Steve Graham and Suzanne Scott

*Estimated Presentation Time: 15 minutes*

A detailed briefing will be given on the results and the Key Actions and Accountabilities (KAAs) of various departments, programs and efforts to accomplish SARA's FY12 Key Initiative No. 1 (Increase non-O&M tax revenues by 5% and develop an action plan for incremental increases through FY 2015).

**Discussion**

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**Fiscal Committee**

**Individual Items #: 13. - 15.**

**Date:** 10/10/2011

**GM's Report / Items for Future Consideration / Next Meeting Date**

**Submitted For:** Suzanne B. Scott

**Submitted By:** Lupe Sanchez

**Division:** Executive Offices

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13.

**CAPTION**

**GENERAL MANAGER'S REPORT CONCERNING THE FOLLOWING:**

- **UPCOMING EVENTS CALENDAR,**
- **FUTURE BOARD AND/OR COMMITTEE MEETINGS, AND**
- **MEETINGS INVOLVING THE ATTENDANCE OF ONE OR MORE BOARD MEMBERS**

**Presenter**

Suzanne B. Scott

*Estimated Presentation Time: 5 minutes*

**Discussion**

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14.

**CAPTION**

**ITEMS FOR FUTURE CONSIDERATION**

**Presenter**

Ms. Baiamonte, Committee Chair

*Estimated Presentation Time: 5 minutes*

**Discussion**

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15.

**CAPTION**

**NEXT MEETING DATE**

**Presenter**

Ms. Baiamonte, Committee Chair

*Estimated Presentation Time: 5 minutes*

Unless otherwise decided by the Committee, the next Fiscal Committee meeting will be Monday, November 7, 2011, at 12:00 p.m.

**Discussion**

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**Fiscal Committee**

**Item #: 16.**

**Date:** 10/10/2011

**Adjourn**

**Submitted For:** Karen Bishop

**Submitted By:** Lupe Sanchez

**Division:** Executive Offices

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**Information**

**CAPTION**

**ADJOURN**

**Presenter**

Mr. Baiamonte, Committee Chair

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