CITY COUNCIL REGULAR MEETING

November 18, 2024 at 7:00 PM
Hewitt City Hall, 200 Patriot Court, Hewitt, TX 76643

AGENDA

Steve Fortenberry, Mayor: Ward 3, – **Erica Bruce**, Mayor Pro Tem: Ward 3
Michael S. Bancale, Council Member: At-Large – **Johnny Stephens**, Council Member: Ward 1
Bob Potter, Council Member: Ward 2 – **Brad Turner,** Council Member: Ward 1
Vacant Seat, Council Member: Ward 2

The meeting will be streamed live on the city's website at www.cityofhewitt.com/790/Hewitt-TX-TV.

Pursuant to Texas Government Code Sec. 551.127, members may attend and participate in the meeting remotely by video conference on a regular, non-emergency basis. Should that occur, a quorum of the members will be physically present at the location noted above on this agenda.

REGULAR MEETING - 7:00 PM

DECLARATION OF A QUORUM AND CALL TO ORDER

PLEDGE OF ALLEGIANCE

PUBLIC COMMENTS
The City Council invites citizens to speak on any topic not already scheduled for a public hearing. The Texas Open Meetings Act prohibits the Council from discussing, responding to, or acting on any comments or items not posted on the agenda. (Note: Citizens who wish to speak must complete a "Public Comment Form" and present it to the City Secretary before the meeting.)

REGULAR AGENDA ITEMS

1. Approve minutes of the November 4, 2024, City Council Regular Meeting.

2. Presentation of the report from the City Engineer Miles Whitney, P.E.
   Update on pending utility projects.
   Update on pending street projects.
   Update on pending drainage projects.

3. Discussion concerning Financial Statements ending October 31, 2024.

4. Discussion and possible action on an appointment to the Board of Adjustment.

5. Discussion and possible action on **Resolution No. 2024-14**, declaring intent to reimburse expenditures.

6. Discussion and possible action on **Resolution No. 2024-15**, amending and adopting the City of Hewitt's Investment Policy.

ADJOURNMENT

I certify that the above notice of meeting was posted on the Public Notice Board in front of City Hall on November 13, 2024, by 5:00 PM.

CITY OF HEWITT

Lydia Lopez
Lydia Lopez, TRMC/CMC
City Secretary

In compliance with the Americans with Disabilities Act, the City of Hewitt will provide reasonable accommodations for persons attending and/or participating in City Council meetings. The facility is wheelchair accessible, with accessible parking at the front of the building. Requests for sign interpreters or special services must be received forty-eight (48) hours before the meeting by calling the City Secretary at 254.296.5602 or by fax at 254.666.6014.

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COUNCIL AGENDA ITEM FORM

MEETING DATE: November 18, 2024

AGENDA ITEM #: 1.

SUBMITTED BY: Lydia Lopez, City Secretary

ITEM DESCRIPTION:

Approve minutes of the November 4, 2024, City Council Regular Meeting.

STAFF RECOMMENDATION/ITEM SUMMARY:

Attached is a copy of the meeting minutes. Please review and advise if any corrections are needed.

FISCAL IMPACT:

Amount Budgeted - N/A
Line Item in Budget - N/A

SUGGESTED MOTION:

I move to approve the minutes as presented but to allow corrections.

ATTACHMENTS:

1. November 4, 2024, City Council Regular Meeting Minutes

CITY COUNCIL REGULAR MEETING

November 4, 2024 at 7:00 PM

Hewitt Public Safety Facility - Training Rm., 100 Patriot Court, Hewitt, TX 76643

MINUTES

Steve Fortenberry, Mayor: Ward 3, – **Erica Bruce**, Mayor Pro Tem: Ward 3
Michael S. Bancale, Council Member: At-Large – **Johnny Stephens**, Council Member: Ward 1
Bob Potter, Council Member: Ward 2 – **Brad Turner,** Council Member: Ward 1
Vacant Seat, Council Member: Ward 2

REGULAR MEETING - 7:00 PM

DECLARATION OF A QUORUM AND CALL TO ORDER

Mayor Steve Fortenberry called the Regular Meeting to order at 7:00 PM, announced all members were present, and declared a quorum.

PLEDGE OF ALLEGIANCE

Mayor Steve Fortenberry led the Pledge of Allegiance.

PUBLIC COMMENTS

The City Council invites citizens to speak on any topic not already scheduled for a public hearing. The Texas Open Meetings Act prohibits the Council from discussing, responding to, or acting on any comments or items not posted on the agenda. (Note: Citizens who wish to speak must complete a "Public Comment Form" and present it to the City Secretary before the meeting.)

Mayor Steve Fortenberry read the statement above and inquired if the City Secretary had received any public comment forms. The City Secretary did not receive any public comment forms.

REGULAR AGENDA ITEMS

1. Approval of the City Council Workshop/Regular Meeting minutes held on October 21, 2024.

   MOTION: Council Member Bob Potter moved approval of the minutes as presented but allow for corrections.
   SECOND: Council Member Michael Bancale
   AYES: Bancale, Potter, Stephens, Turner, Bruce, and Fortenberry
   NAYES: None
   ABSENT: None
   MOTION PASSED.

2. Discussion and possible action on **Resolution No. 2024-11** establishing water and wastewater rates for Fiscal Year 2024-2025.
City Manager Bo Thomas presented a recap of the November 4, 2024, Workshop presentation.
MOTION: Mayor Pro Tem Erica Bruce moved to approve **Resolution No. 2024-11,** establishing water and wastewater rates for Fiscal Year 2024-2025.
SECOND: Council Member Bob Potter
AYES: Bancale, Potter, Stephens, Turner, Bruce, and Fortenberry
NAYES: None
ABSENT: None
MOTION PASSED.

3. Discussion and possible action on **Resolution No. 2024-12** approving the financing terms of Cogent Bank for a term of five (5) years at 4% for the financing of various vehicles and equipment.
City Manager Bo Thomas presented.
MOTION: Council Member Brad Turner moved to approve **Resolution No. 2024-12**, accepting the financing terms of Cogent Bank for five (5) years at 4% for the financing of various vehicles and equipment.
SECOND: Council Member Johnny Stephens
AYES: Bancale, Potter, Stephens, Turner, Bruce, and Fortenberry
NAYES: None
ABSENT: None
MOTION PASSED.

4. Discussion and possible action on **Resolution No. 2024-13** casting votes to elect the Directors for the McLennan Central Appraisal District for the year 2025.
City Manager Bo Thomas presented.
MOTION: Council Member Brad Turner moved to approve **Resolution No. 2024-13**, casting votes to elect the Directors for the McLennan Central Appraisal District for 2025 as follows: George Chase - 14; Jonathan Green - 14; John Kinnaird - 14; Mildred Watkins - 14; and Ben Perry - 15.
SECOND: Mayor Pro Tem Erica Bruce
AYES: Bancale, Potter, Stephens, Turner, Bruce, and Fortenberry
NAYES: None
ABSENT: None
MOTION PASSED.

5. Discussion and possible action on rescheduling the City Council meetings for the month of December 2024.
City Manager Bo Thomas presented.
MOTION: Council Member Michael Bancale moved to approve rescheduling the City Council meetings in December so that only one meeting will be held on December 9, 2024.
SECOND: Council Member Bob Potter
AYES: Bancale, Potter, Stephens, Turner, Bruce, and Fortenberry
NAYES: None
ABSENT: None
MOTION PASSED.

ADJOURNMENT
MOTION: Mayor Pro Tem Erica Bruce moved to adjourn the Regular Meeting at 7:23 P.M.
SECOND: Council Member Brad Turner
AYES: Bancale, Potter, Stephens, Turner, Bruce, and Fortenberry
NAYES: None
ABSENT: None
MOTION PASSED.

Approved:_________________________

ATTEST:

_______________________________ _______________________________
Lydia Lopez, City Secretary Steve Fortenberry, Mayor

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COUNCIL AGENDA ITEM FORM

MEETING DATE: November 18, 2024

AGENDA ITEM #: 2.

SUBMITTED BY: Miles Whitney, City Engineer

ITEM DESCRIPTION:

Presentation of the report from the City Engineer Miles Whitney, P.E.
Update on pending utility projects.
Update on pending street projects.
Update on pending drainage projects.

STAFF RECOMMENDATION/ITEM SUMMARY:

The City Engineer will present and answer any questions regarding the Engineer's report.

FISCAL IMPACT:

Amount Budgeted - N/A
Line Item in Budget - N/A

SUGGESTED MOTION:

No action is required.

ATTACHMENTS:

1. Hewitt-PR-11.12.2024

HEWITT TEXAS

CITY ENGINEER'S REPORT
November 12, 2024

Utility Projects

Commerce Park Plant Improvements

- Well
  Contract on hold till Plant portions progress.
- Plant
  - Work on the tank foundation continues. Tank contractor to be onsite late November, according to our discussions.

Lift Station No. 4

- Topo received, working preliminary alignments to document potential conflicts.

Street/Transportation Projects

E. Wall and Briarfield

City crews are potholing potential conflict areas to determine elevations on the lines.

Drainage Projects

N/A

By:

STATE OF TEXAS
MILES W. WHITNEY
116154
LICENSED
PROFESSIONAL ENGINEER

Miles W. Whitney, P.E.

Note: All dates are approximate and subject to change.

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COUNCIL AGENDA ITEM FORM

MEETING DATE: November 18, 2024

AGENDA ITEM #: 3.

SUBMITTED BY: Lee Garcia, Finance Director

ITEM DESCRIPTION:

Discussion concerning Financial Statements ending October 31, 2024.

STAFF RECOMMENDATION/ITEM SUMMARY:

The financial statements ending October 31, 2024, were electronically sent on November 7, 2024. This is an opportunity for the Council to ask questions or comments.

FISCAL IMPACT:

Amount Budgeted - N/A
Line Item in Budget - N/A

SUGGESTED MOTION:

No action is required.

ATTACHMENTS:

None

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COUNCIL AGENDA ITEM FORM

MEETING DATE: November 18, 2024

AGENDA ITEM #: 4.

SUBMITTED BY: Lydia Lopez, City Secretary

ITEM DESCRIPTION:

Discussion and possible action on an appointment to the Board of Adjustment.

STAFF RECOMMENDATION/ITEM SUMMARY:

Two alternate positions are currently vacant on the Board of Adjustment. I've attached Jeff Lara's application for board service for your review and consideration. Mr. Lara will be present should the Council wish to interview him.

FISCAL IMPACT:

Amount Budgeted - N/A
Line Item in Budget - N/A

SUGGESTED MOTION:

I move to approve the appointment of Jeff Lara to the Board of Adjustment as an alternate member, with a term expiring in April 2026.

ATTACHMENTS:

1. Council-Boards- Commissions-Committees list - 2024
2. Application for Board Service - Jeff Lara

CITY OF HEWITT: COUNCIL, BOARDS, COMMISSIONS, AND COMMITTEES

City Hall 666-6171 (Fax 666-6014); Community Services 666-2447; Utility Billing 666-3151 (after hours emergency 666-6272); Police Adm. 666-1661; Drug Tips 666-3333; Animal Control 666-6272; Library 666-2442; Park Reservations 666-6173; Municipal Court 666-1208; Chamber of Commerce 666-1200. City of Hewitt web site: www.cityofhewitt.com; Email: citysecretary@cityofhewitt.com

City Council **2 YR Term – May**	**Board of Adjustment** **2 YR Term – April**	**Planning & Zoning Commission** **2 YR Term – June**	**Parks & Beautification Committee** **2 YR Term – December**	**Library Board** **2 YR Term – December**	**Civil Service Commission** **3 YR Term – December**
1st & 3rd Monday – 7 PM	3rd Thursday - 6 PM	1st Tuesday – 6 PM	3rd Wed. – 6 PM	Quarterly as needed	Called
Brad Turner **Ward 1** (05-2025) 425 W. Chapman Rd. (254) 709-3614	(04-2026) Chair Jim Winton 1136 Heatherwood (254) 857-9436	(06-2024) Paul D. Lasater 1321 Ridgeview (254) 716-0025	(12-2024) Jerry Snider 108 Brenda Dr. (254) 307-0613	(12-2024) Jerry Snider 108 Brenda Dr. (254) 307-0613	(12-2024) Chair Tom Mattern 1204 Ridgeview Cr. (254) 644-9632
Johnny Stephens **Ward 1** (05-2026) 305 Travis Ln. (254) 709-3989	(04-2026) Brenda Turner 209 Laredo Dr. (254) 666-0087	(06-2026) Brian Dalrymple 821 Sunny's Halo Dr. (254) 744-9711	(12-2025) Nathan Rusterholtz 1200 Dendron Dr. (972) 978-3202	(12-2025) Betty J. Smith 709 Seminole Trail (254) 666-7931	(12-2025) Vice Chair Sam MacKinnon 113 Emmalyn Dr. (254) 299-7788
Ward 2 (05-2026) **VACANCY**	(04-2025) Douglas Bergen 264 Earle Rd. (254) 666-0855	(06-2026) Walter H. Peterson 500 Moss Hill Rd. (254) 757-5128	(12-2025) Casey Lowrey 700 Wind Hill Dr. (254) 424-1266	(12-2024) Julie Holcomb 112 Travis Ln. (972) 935-4528	(12-2026) Sammy L. Thomas 100 Coventry Dr. (254) 749-0800
Bob Potter **Ward 2** (05-2025) 409 W Wall St. (254) 709-3666	(04-2025) Royce W. Smith 1128 Regina (254) 652-3099	(06-2025) Dustin Crawford 1001 December Dr. (903) 754-1204	(12-2025) Tyler Green 905 Regina Dr. (903) 806-8993	(12-2024) Lydia Dashner 520 Angel Fire Dr. (254) 666-9623	
Mayor Pro Tem Erica Bruce **Ward 3** (05-2025) 717 Fieldstone Dr. (254) 709-4050	(04-2025) Drexel King 331 Earle Rd. (919) 518-4801	(06-2025) Bobby Drake 107 Westchester Way (254) 772-7440	(12-2024) Vernon Bailey 301 Tampico Dr. (512) 797-6377	(12-2024) Jennifer Hunt 228 Cross Country Dr. (254) 498-0102	
Mayor Steve Fortenberry **Ward 3** (05-2026) 701 Oakmont Dr. (254) 709-0030	Alternate (04-2026) **VACANCY**	(06-2025) Michael Lee Hix 336 Bowie Ln. (254) 723-5071	(12-2024) Richard D. Driver 320 E. Spring Valley Rd. (806) 241-0098	(12-2025) Delores K. Sincerney 119 Russell Ln. (254) 744-5752	
Michael S. Bancale **At-Large** (05-2025) 909 Stoneridge Dr. (254) 709-3522	Alternate (04-2025) **VACANCY**	(06-2025) Travis Bailey 412 Oklahoma Ave. (254) 666-1492	(12-2024) **VACANCY**	(12-2025) Sally Goldman 132 Texas (254) 666-2436	

Updated: 10/9/2024

APPLICATION FOR BOARDS & COMMISSIONS
TO THE CITY OF HEWITT

The City of Hewitt appreciates your interest in serving the community. A listing of the boards and commissions is found behind your application. Appointments are made during the year as vacancies occur. This is great opportunity for you to play a vital role in shaping your community.

NAME OF APPLICANT: Jeff Lara

HOME ADDRESS: 436 W Wall St

DAYTIME TELEPHONE NUMBER: 254.412.8653 E-MAIL ADDRESS: jeff_lara3030@yahoo.com

PLEASE CHECK APPROPRIATE STATEMENTS: ☑ I reside within the city limits of Hewitt, Texas.*

* ***IMPORTANT - - By checking this box and signing this form, you are indicating that your legal residence or domicile - your home and fixed place of habitation to which you intend to return after any temporary absence - is located within the city limits of Hewitt, Texas.***

LENGTH OF TIME APPLICANT HAS RESIDED IN THE HEWITT CITY LIMITS: 4 years 7 months

PLEASE INDICATE BELOW HOW YOU WOULD LIKE TO SERVE THE CITY OF HEWITT. (**IMPORTANT**: IF MORE THAN ONE AREA IS INDICATED, **NUMBER YOUR PREFERENCES** WITH "1" BEING YOUR FIRST CHOICE, "2" BEING YOUR SECOND CHOICE, ETC.). PLEASE SEE REVERSE SIDE FOR DESCRIPTIVE INFORMATION.

X Board of Adjustment (must be resident of Hewitt)
____ Civil Service Commission (must be resident of Hewitt)
____ Library Board (must be resident of Hewitt)
____ Parks and Beautification Committee (must be resident of Hewitt)
____ Planning and Zoning Commission (must be resident of Hewitt)

OTHER WAYS YOU SERVE YOUR COMMUNITY: Youth Basketball Coach

SPECIAL INTERESTS/SKILLS/EXPERIENCE/EDUCATION YOU FEEL MAY BE HELPFUL: 15 Years Construction Experience building Apartments and Hotels; Public Improvement Construction; Real Estate Developement

OCCUPATION/EMPLOYER: Commercial Real Estate Agent at EG Realty

REFERENCES (MUST BE HEWITT RESIDENTS): Bob Potter TELEPHONE #: 2547093666
John Dulus TELEPHONE #: 2548554013

SIGNATURE OF APPLICANT: Jeff Lara DATE: 10/28/24

Return Application to:
Lydia Lopez, City Secretary
200 Patriot Court
Hewitt, Texas 76643
Phone: 254-296-5602 - Fax: 254-666-6014
Email: citysecretary@cityofhewitt.com

OFFICE USE ONLY
Date interviewed by Council: ________
Date appointed by Council: ________
Date sworn in by Council: ________ **Term to expire:** ________
Reappointed: ________ **Term to expire:** ________

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COUNCIL AGENDA ITEM FORM

MEETING DATE: November 18, 2024

AGENDA ITEM #: 5.

SUBMITTED BY: Lee Garcia, Finance Director

ITEM DESCRIPTION:

Discussion and possible action on **Resolution No. 2024-14**, declaring intent to reimburse expenditures.

STAFF RECOMMENDATION/ITEM SUMMARY:

On November 4, 2024, the council approved the financing of vehicles and equipment in the amount of $650,000. During the year, items have been purchased. Staff is requesting a resolution of intent to reimburse these expenditures with the proceeds from the financing.

FISCAL IMPACT:

Amount Budgeted - N/A
Line Item in Budget - N/A

SUGGESTED MOTION:

I move to approve **Resolution No. 2024-14**, declaring the official intent of the city to reimburse expenditures incurred with respect to certain projects or programs or from certain funds with the proceeds of debt.

ATTACHMENTS:

1. 2024-14 Reimbursement Resolution

RESOLUTION NO. 2024-14

A RESOLUTION BY THE CITY COUNCIL OF THE CITY OF HEWITT, TEXAS DECLARING THE OFFICIAL INTENT OF THE CITY OF HEWITT, TEXAS, TO REIMBURSE EXPENDITURES INCURRED FOR CERTAIN PROJECTS OR PROGRAMS OR FROM CERTAIN FUNDS WITH THE PROCEEDS OF DEBT

WHEREAS, to facilitate an efficient borrowing program, the City of Hewitt, Texas (the "Issuer") intends to expend money on specific projects or programs or from certain funds before the issuance of debt by the Issuer for such purposes and

WHEREAS, the Issuer intends to reimburse such expenditures from the proceeds of debt to be issued by the Issuer and

WHEREAS, to comply with applicable provisions of the Internal Revenue Code of 1986, as amended, and Section 1.150-2 of the Income Tax Regulations, it is necessary to reimburse such expenditures with the proceeds of tax-exempt debt that the Issuer declares its official intent to make such reimbursement of expenditures;

NOW, THEREFORE, BE IT RESOLVED by the City of Hewitt, Texas, as evidenced by this Resolution, the Issuer intends to expend money on the cost of the capital items described in **Exhibit A** attached hereto before the issuance of lease financing to reimburse such expenditures. For such projects, the Issuer reasonably expects to issue debt in the estimated maximum principal amount of $650,000.

PASSED AND APPROVED this the 18th day of November 2024.

CITY OF HEWITT, TEXAS

____
Steve Fortenberry, Mayor

ATTEST:

____
Lydia Lopez, City Secretary

APPROVED AS TO FORM AND LEGALITY:

____
Michael W. Dixon, City Attorney

EXHIBIT A

DESCRIPTION OF CAPITAL ITEMS

8 Vehicles-Police
1 ¾ ton pickup-Streets
RFID Hardware-Library

COUNCIL AGENDA ITEM FORM

MEETING DATE: November 18, 2024

AGENDA ITEM #: 6.

SUBMITTED BY: Lee Garcia, Finance Director

ITEM DESCRIPTION:

Discussion and possible action on **Resolution No. 2024-15**, amending and adopting the City of Hewitt's Investment Policy.

STAFF RECOMMENDATION/ITEM SUMMARY:

The City Council shall review and adopt the City's Investment Policy and investment strategies at least annually by resolution, approving any changes or modifications at a legally scheduled meeting.

The only changes to the proposed policy are the date and the addition of credit unions insured under the National Credit Union Share Insurance Fund (NCUSIF) for potential certificates of deposit investments. No other changes to the policy were made.

Staff recommends the adoption of the proposed Investment Policy.

FISCAL IMPACT:

Amount Budgeted - N/A
Line Item in Budget - N/A

SUGGESTED MOTION:

I move to approve **Resolution No. 2024-15**, amending and adopting the City of Hewitt's Investment Policy.

ATTACHMENTS:

1. 2024-15 Investment Policy Resolution
2. Investment Policy 2024 11 18

RESOLUTION NO. 2024-15

A RESOLUTION BY THE CITY COUNCIL OF THE CITY OF HEWITT, TEXAS, AMENDING AND APPROVING THE CITY OF HEWITT'S INVESTMENT POLICY AND DETERMINING THAT THE MEETING AT WHICH THIS RESOLUTION IS PASSED WAS NOTICED AND HAS BEEN OPEN TO THE PUBLIC AS REQUIRED BY LAW

WHEREAS, the Hewitt City Council adopted an Investment Policy governing the investment of City funds in compliance with the Public Funds Investment Act and

WHEREAS, the Public Funds Investment Act requires that an annual review of public fund investment policies and strategies be conducted; and

WHEREAS, amendments to the Investment Policy are required by the Public Funds Investment Act to be approved by the Hewitt City Council; and

WHEREAS, the City's Investment Advisors, the City Manager, and the Finance Director have reviewed the Investment Policy and agree that it is of benefit to the City of Hewitt to amend the Investment Policy and

WHEREAS, the attached Investment Policy amends the City's former Investment Policy, complies with the Public Funds Investment Act, and authorizes the investment of City funds in safe and prudent investments.

NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF HEWITT, TEXAS:

SECTION 1. The facts and recitations contained in the above preamble of this Resolution are hereby incorporated for all purposes.

SECTION 2. The City Council of the City of Hewitt approves the revised investment policy **(as shown in Exhibit A)**. The City of Hewitt hereby adopts it to be effective immediately.

SECTION 3. It is hereby officially found and determined that the meeting at which this resolution is passed was noticed and has been open to the public as required by law.

PASSED AND APPROVED this 18th day of November, 2024.

CITY OF HEWITT, TEXAS

____
Steve Fortenberry, Mayor

ATTEST:

____
Lydia Lopez, City Secretary

APPROVED AS TO FORM & LEGALITY:

____
Michael W. Dixon, City Attorney

INVESTMENT POLICY
CITY OF HEWITT
Approved by City Council
November 18, 2024

I. POLICY

It is the policy of the City of Hewitt (the "City") that after allowing for the anticipated cash flow requirements of the City and giving due consideration to the safety and risk of investment, all available funds shall be invested in conformance with these legal and administrative guidelines, seeking to achieve reasonable interest earnings based on market conditions.

Effective cash management is recognized as essential to good fiscal management. Investment interest is a source of revenue to City funds. The City's investment portfolio shall be designed and managed in a manner intended to maximize this revenue source, to be responsive to public trust, and to be in compliance with legal requirements and limitations.

Investments shall be made with the primary objectives of:

* **Safety** and preservation of principal
* Maintenance of sufficient **liquidity** to meet operating needs
* **Diversification** to minimize market risks
* **Public trust** from prudent investment activities
* Achievement of **reasonable interest earnings**

II. PURPOSE

The purpose of this Investment Policy is to establish guidelines and policies controlling the investment of the City's funds. The Policy is designed to comply with Chapter 2256 of the Texas Government Code, the Public Funds Investment Act, (the "Act"), which requires the City to adopt a written Investment Policy regarding the investment of its funds and funds under its control. This Investment Policy addresses the methods, procedures and practices that must be exercised to ensure effective and judicious fiscal management of the City's funds. All investments shall be designed and managed in a manner responsive to the public trust and consistent with state and local law.

All participants in the City's investment process shall seek to act responsibly as custodians of the public trust. Investment Officers shall avoid any transaction that might impair public confidence in the City's ability to govern effectively.

III. SCOPE

This Policy shall govern the investment of all financial assets of the City. All funds accounted for in the City's Annual Comprehensive Financial Report (ACFR) are to be governed by this Policy and include:

- General Fund
- Capital Projects Funds
- Enterprise Funds
- Debt Service Funds, including reserves and sinking funds
- Any new fund created by the City, unless specifically exempted from this Policy by law

This Policy shall apply to all transactions involving the financial assets and related activity for all the foregoing funds.

IV. INVESTMENT OBJECTIVES AND STRATEGIES

The City shall manage and invest its cash with five primary objectives, listed in order of priority: **safety, liquidity, diversification, public trust, and yield.** The safety of the principal invested will represent the primary objective.

The City shall maintain a comprehensive cash management program, which includes timely collection of account receivables, timely payments to vendors in accordance with invoice and available discount terms, and prudent investment of all assets.

Attention to cash management principles will ensure that cash is available when needed and all funds will be invested to obtain the best use of City assets to obtain a reasonable market rate of earnings.

The City shall maintain a "buy and hold" portfolio strategy. Maturity dates are to be matched with cash flow requirements and investments purchased with the intent to be held until maturity. Investments shall not be sold or redeemed prior to maturity with the following exceptions:

- An investment with declining credit may be sold or redeemed early to minimize loss of principal, or
- Liquidity needs of the portfolio require that the investment be sold or redeemed.

Safety [*PFIA 2256.005(b)(2)*]

Safety of principal is the foremost objective of the City's investment program. Investments shall be undertaken in a manner that seeks to ensure the preservation of capital throughout the portfolio. Safety will be attained through mitigating credit and interest rate risk.

- Credit Risk – The City will minimize credit risk, the risk of loss due to the failure of the issuer or backer of the investment, by purchasing high credit quality securities and diversifying the investment portfolio by market sector and maturity so that potential losses on individual issuers will be minimized.

- Interest Rate Risk – The City will minimize the realized risk that the market value of investments in the portfolio will fall due to changes in general interest rates by analyzing cash flow and investing within the parameters of that cash flow and diversifying by market sector and maturity.

Liquidity [*PFIA 2256.005(b)(2)*]

The investment portfolio shall remain sufficiently liquid to meet all anticipated operating requirements by structuring the portfolio maturities with cash needs to meet anticipated demands. Because all possible cash demands cannot be anticipated, a portion of the portfolio will be invested in cash equivalent alternatives such as financial institution deposits, money market mutual funds, and local government investment pools that offer same-day liquidity.

Diversification

The portfolio will be diversified by investment types and maturity to avoid market risks and issuer default, as appropriate.

Public Trust

All participants in the City's investment process shall act responsibly as custodians of the public trust. Investment Officers shall avoid any transaction which might impair public confidence in the City's ability to govern effectively.

Yield (Optimization of Interest Earnings) [*PFIA 2256.005(b)(3)*]

The investment portfolio shall be designed with the objective of attaining a reasonable market yield at all times, taking into account the investment risk constraints and liquidity needs of the City. Return on investment is of lesser importance compared to the safety and liquidity objectives described above.

Investment Strategies by Fund Type:

1. **General, Enterprise, or Operating-type Funds**

Suitability – Any investment eligible in the Investment Policy is suitable for General, Enterprise, or Operating-type funds.

Safety of Principal – All investments shall be of high quality with no perceived default risk. Market price fluctuations will occur. However, managing the weighted average days to maturity of each fund's portfolio to less than 270 days and restricting the maximum allowable maturity to two years will minimize the price volatility of the portfolio.

Liquidity – General, Enterprise, or Operating-type Funds require the greatest short-term liquidity of any of the fund-types. Financial institution deposit accounts, short-term investment pools and money market mutual funds will 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 flow requirement. Historical market "spreads" between the bid and offer prices of a particular security-type of less than ten basis points will 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 City. Diversifying the appropriate maturity structure up to the two-year maximum will reduce interest rate risk.

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 will be the minimum yield objective.

2. Capital Projects Funds

Suitability – Any investment eligible in the Investment Policy is suitable for Capital Projects Funds.

Safety of Principal – All investments will be of high quality with no perceived default risk. Market price fluctuations will occur. However, by managing Capital Projects Funds to not exceed the anticipated expenditure schedule, the market risk of the overall portfolio will be minimized. No stated final investment maturity shall exceed the shorter of the anticipated expenditure schedule or three years.

Liquidity – Most capital projects programs have reasonably predictable draw down schedules. Therefore, investment maturities should generally follow the anticipated cash flow requirements. Financial institution deposit accounts, short term investment pools and money market mutual funds will provide readily available funds generally equal to one month's anticipated cash flow needs, or a competitive yield alternative for short-term fixed maturity investments. A singular repurchase agreement may be utilized if disbursements are allowed in the amount necessary to satisfy any expenditure request. This investment structure is commonly referred to as a flexible repurchase agreement.

Marketability – Securities with active and efficient secondary markets are necessary in the event of an unanticipated cash flow requirement. Historical market "spreads" between the bid and offer prices of a particular security-type of less than ten basis points will define an efficient secondary market.

Diversification – Market conditions and arbitrage regulations influence the attractiveness of staggering the maturity of fixed rate investments for bond proceeds. Generally, if investment rates exceed the applicable cost of borrowing, the City is best served by locking in most investments. If the cost of borrowing cannot be exceeded, then current market conditions will determine the attractiveness of diversifying maturities or investing in shorter and larger amounts. At no time shall the anticipated expenditure schedule be exceeded in an attempt to bolster yield.

Yield – Achieving a positive spread to the cost of borrowing is the desired objective, within the limits of the Investment Policy's risk constraints. The yield of an equally weighted, rolling six-month Treasury-Bill portfolio will be the minimum yield objective for non-borrowed funds.

3. Debt Service Funds

Suitability – Any investment eligible in the Investment Policy is suitable for Debt Service Funds.

Safety of Principal – All investments shall be of high quality with no perceived default risk. Market price fluctuations will occur. However, by managing Debt Service Funds to not exceed the debt service payment schedule the market risk of the overall portfolio will be minimized.

Liquidity – Debt Service Funds have predictable payment schedules. Therefore, investment maturities should not exceed the anticipated cash flow requirements. Financial institution deposit accounts, short term investments pools and money market mutual funds may provide a competitive yield alternative for short-term fixed maturity investments. A singular repurchase agreement may be utilized if disbursements are allowed in the amount necessary to satisfy any debt service payment. This investment structure is commonly referred to as a flexible repurchase agreement.

Marketability – Securities with active and efficient secondary markets are not necessary as the event of an unanticipated cash flow requirement is not probable.

Diversification – Market conditions influence the attractiveness of fully extending maturity to the next "unfunded" payment date. Generally, if investment rates are anticipated to decrease over time, the City is best served by locking in most investments. If the interest rates are potentially rising, then investing in shorter and larger amounts may provide advantage. At no time shall the debt service schedule be exceeded in an attempt to bolster yield.

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 shall be the minimum yield objective.

4. Debt Service Reserve Funds

Suitability – Any investment eligible in the Investment Policy is suitable for Debt Service Reserve Funds. Bond resolution and loan documentation constraints and insurance company restrictions may create specific considerations in addition to the Investment Policy.

Safety of Principal – All investments shall be of high quality with no perceived default risk. Market price fluctuations will occur. However, by managing Debt Service Reserve Fund maturities to not exceed the call provisions of the borrowing will reduce the investment's market risk if the City's debt is redeemed and the Reserve Fund liquidated. No stated final investment maturity shall exceed the shorter of the final maturity of the borrowing or five years. Annual mark-to-market requirements or specific maturity and average life limitations within the borrowing's documentation will influence the attractiveness of market risk and influence maturity extension.

Liquidity – Debt Service Reserve Funds have no anticipated expenditures. The Funds are deposited to provide annual debt service payment protection to the City's debt holders. The funds are "returned" to the City at the final debt service payment. Market conditions and arbitrage regulation compliance determine the advantage of investment diversification and liquidity. Generally, if investment rates exceed the cost of borrowing, the City is best served by locking in investment maturities and reducing liquidity. If the borrowing cost cannot be exceeded, then current market conditions will determine the attractiveness of locking in maturities or investing shorter and anticipating future increased yields.

Marketability – Securities with less active and efficient secondary markets are acceptable for Debt Service Reserve Funds.

Diversification – Market conditions and the arbitrage regulations influence the attractiveness of staggering the maturity of fixed rate investments for Debt Service Reserve Funds. At no time shall the final debt service payment date of the bond issue be exceeded in an attempt to bolster yield.

Yield – Achieving a positive spread to the applicable borrowing cost is the desired objective. Debt Service Reserve Fund portfolio management shall operate within the limits of the Investment Policy's risk constraints.

V. RESPONSIBILITY AND CONTROL

Delegation of Authority [*PFIA 2256.005(f)*]

Investment Officer(s)

In accordance with the Act, the City Council designates the City Manager and the Finance Director as the City's Investment Officers. An Investment Officer is authorized to execute investment transactions and transfer funds between City accounts on behalf of the City. No person may engage in an investment transaction or the management of City funds except as provided under the terms of this Policy. The investment authority granted to an Investment Officer is effective until rescinded by the City Council.

The City Council shall provide periodic training in investments for the Investment Officer(s) through courses and seminars offered by professional organizations, associations, and other independent sources approved by Council. Training will be in accordance with the provisions of the Act and is to ensure the quality and capability of investment management in compliance with the Act. The training must include education in investment controls, security risks, strategy risks, market risks, diversification of investment portfolio, and compliance with the Act.

Investment Officer(s) shall attend ten (10) hours of investment training within twelve (12) months of attaining the position and shall receive eight (8) hours of investment training not less than once in a two-year period that begins on the first day of the City's fiscal year and consists of the two consecutive fiscal years after that date. The Government Finance Officers Association of Texas (GFOAT), Government Treasurers' Organization of Texas (GTOT), Texas Municipal League (TML), University of North Texas (UNT), Texas Association of Regional Councils, American Institute of Certified Public Accountants (AICPA), and the Government Finance Officers Association (GFOA) are approved independent training sources.

Internal Controls

The Investment Officer is responsible for establishing and maintaining internal controls to protect the assets of the City 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 a 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, within the scope of the annual audit, the City shall establish a process for annual independent review by an external auditor to assure compliance with this Policy and supporting procedures. At a minimum, the internal controls shall address the following points:

- Avoidance of collusion.
- Separation of transactions authority from accounting and record keeping.
- Custodial safekeeping.
- Delegation of authority to subordinate staff members.
- Written reporting and confirmation for all investments and wire transfers.

Prudence (*PFIA 2256.006*)

The standard of care as defined by the Act and to be applied by the Investment Officer at all times shall be the "prudent person" rule. This rule states that:

> "*Investments shall be made with judgment and care, under prevailing circumstances, that a person of prudence, discretion, and intelligence would exercise in the management of the person's own affairs, not for speculation, but for investment, considering the probable safety of capital and the probable income to be derived.*"

In determining whether an Investment Officer has exercised prudence in the performance of their duty, the determination shall be made taking into consideration:

- The investment of all funds, or funds under the City's control, over which the Officer had responsibility rather than a consideration as to the prudence of a single investment.
- Whether the investment decision was consistent with the written approved Investment Policy of the City.

The Investment Officer, if acting in accordance with written procedures and exercising due diligence, shall not be held personally liable for any specific investment's credit risk or market price changes, provided that these deviations are reported immediately and the appropriate action is taken to control adverse developments.

Ethics and Conflicts of Interest [*PFIA 2256.005(i)*]

The Investment Officer(s), and employees involved in the investment process, shall refrain from any personal business activity that would conflict with the proper execution and management of the investment program, or that would impair their ability to make impartial decisions.

Investment Officer(s) shall disclose any personal or business relationship involving material interests in financial institutions with which the City conducts business. They shall further disclose any personal financial/investment positions that could be related to the performance of the investment portfolio. Investment Officer(s) shall refrain from undertaking personal investment transactions with the same individual or firm with which business is conducted on behalf of the City.

Any Investment Officer(s) of the City who has a personal business relationship with an organization or is related within the second degree by affinity or consanguinity to an individual seeking to sell an investment to the City shall file a statement disclosing that relationship, in accordance with the Act, with the Texas Ethics Commission and the City Council.

VI. SUITABLE AND AUTHORIZED INVESTMENTS

City funds may be invested only in the instruments described below, all of which are authorized and further defined by the Act. Investment of City funds in any instrument or security not authorized for investment under the Act is prohibited. The City will not be required to liquidate an investment that becomes unauthorized subsequent to its purchase. The City will create a competitive environment for all individual security purchases and sales, financial institution deposits, money market mutual funds, and local government investment pools, as appropriate.

1. Obligations, including letters of credit, of the United States of America, its agencies and instrumentalities, including the Federal Home Loan Banks, but excluding those prohibited by the PFIA.

2. Certificates of Deposit and other evidences of deposit at a financial institution that, i) has its main office or a branch office in Texas and is guaranteed or insured by the Federal Deposit Insurance Corporation (FDIC) or its successor, or the National Credit Union Share Insurance Fund (NCUSIF) or its successor, ii) is secured by obligations in a manner and amount provided by law for deposits of the City, or iii) is placed in compliance with the requirements of the PFIA.

3. Fully collateralized repurchase agreements executed in compliance with the Act, under the terms of an executed Master Repurchase Agreement, and secured in accordance with this Policy.

4. AAA-rated, SEC registered no-load money market mutual funds which strive to maintain a net asset value of $1.0000 per share.

5. AAA-rated, Texas local government investment pools, which meet all the requirements of the Act. Participation in any pool must be authorized by resolution of the City Council.

Un-Authorized Investments [*PFIA 2256.009*(*b*)(*1-4*)]

Mortgage-backed securities including interest-only or principal-only collateralized mortgage obligations (CMO), inverse floating interest rate CMO or CMO with a maturity date of over 10 years are strictly prohibited for investment by the City.

Credit Rating and Effect of Loss of Required Rating [*PFIA 2256.021*]

No less than quarterly, the Investment Officer will obtain the current credit rating for each held investment from a reliable source to ensure that the investment has maintained the required minimum rating. All prudent measures will be taken to liquidate an investment that is downgraded to less than the required minimum rating.

VII. INVESTMENT PARAMETERS

Maximum Maturities and Maximum WAM [*PFIA 2256.005(b)(4)(B)*]

The longer the maturity of securities, the greater the price volatility and market risk. Therefore, it is the City's policy to concentrate its investment portfolio in shorter-term securities which match cash flow needs to limit risks caused by changes in interest rates.

The City shall attempt to match its investments with anticipated cash flow requirements. The City's fund-type investment strategies will determine appropriate maximum maturity and weighted average maturity. Certificates of deposit and repurchase agreements may be collateralized using longer dated investments in accordance with this Policy.

Dollar-weighted average maturity will be calculated using the stated final maturity dates of each security. [PFIA 2256.005(b)(4)(C)]

VIII. AUTHORIZED BANKS AND DEALERS

The process of obtaining and contracting with a primary depository to serve the banking service needs of the City will be governed by Chapter 105 of the Local Government Code: Depositories for Government Funds and Chapter 2257, the Public Funds Collateral Act, Texas Government Code.

At least every five (5) years a primary depository shall be selected for banking services through the City's procurement process, which shall include a formal request for application (RFA). The selection of a depository will be determined through a competitive process and evaluation of applications will include the following selection criteria:

- The ability to qualify as a depository for public funds in accordance with State law.
- The ability to provide required banking services.
- Creditworthiness and financial stability of the depository.
- The ability to provide cost effective services as defined by the City based on the lowest net banking service cost, consistent with the ability to provide the required levels of service.

The City may utilize other financial institutions as depositories for deposits and the purchase of certificates of deposit under the terms of a written depository/collateral agreement as defined by this Policy.

<u>Collateral Policy (*PFCA 2257.023*)</u>

<u>Collateral Pledged to the City by Depositories</u>
Consistent with the requirements of the Public Funds Collateral Act, it is the policy of the City to require full collateralization of all financial institution deposits in a depository above the FDIC or NCUSIF insurance coverage. To anticipate and provide for market price fluctuations and provide a required level of security for all funds, with the exception of deposits secured with irrevocable letters of credit from a U.S. Government Agency at 100% of principal and accrued interest, the depository will provide and maintain collateral whose market value equals or exceeds 102% of the total value of principal and accrued interest on City deposits less an amount insured by the FDIC or NCUSIF.

Any financial institution designated as a depository by the City will provide collateral in accordance with this Policy and applicable State law. The City reserves the right, in its sole discretion, to accept or reject any form of insurance or collateralization pledged towards depository deposits. Financial institutions serving as a depository will be required to sign a Depository/Collateral Agreement with the City. The collateralized deposit portion of the Agreement shall define the City's rights to the collateral in case of default, bankruptcy, or closing and shall establish a perfected security interest in compliance with Federal and State regulations, including:

- The agreement must be in writing;
- The agreement must be executed by the Depository and the City contemporaneously with the acquisition of the asset;
- The agreement must be approved by the Board of Directors or designated committee of the Depository and a copy of the meeting minutes must be delivered to the City; and
- The agreement must be part of the Depository's "official record" continuously since its execution.

The written agreement will specify the acceptable collateral, require independent safekeeping of the collateral, require City approval before substitution or release of investment securities, provide for original safekeeping receipts, and complete monthly reporting of collateral including the valuation of securities.

A clearly marked evidence of pledge must be supplied to the City and retained by the Investment Officer(s). A monthly collateral report provided by the custodian shall be reviewed by the Investment Officer(s) to assure that the market value of the pledged securities is adequate.

Collateral may be held only by an independent institution including a Federal Reserve Bank, a Federal Home Loan Bank, or a third-party bank approved by the City.

A Repurchase Agreement, as authorized by the Act, has a defined termination date, is secured by a combination of cash and obligations as described by Section 2256.009(a)(1) and requires the securities being purchased by the City or cash held by the City to be pledged to the City, held in the City's account, and deposited at the time the investment is made with the City or with a third-party selected and approved by the City. Securities (termed as collateral) are bought (i.e. owned) under a Repurchase Agreement and will be maintained at a margin of 102% and settled delivery versus payment. The collateral terms and conditions will be controlled by a written repurchase agreement.

Authorized Collateral for Depositories and Repurchase Agreements

The City shall accept only the following types of collateral:

- Obligations of the United States or its agencies and instrumentalities, including mortgage-backed securities which pass the high-risk mortgage obligation test, and irrevocable letters of credit issued by the Federal Home Loan Bank.

- Direct obligations of any U.S. state or its subdivisions rated at least A by at least one nationally recognized rating agency.

All collateral shall be subject to inspection and audit by the Investment Officer(s) and the City's independent auditors.

Authorized Brokers/Dealers (*PFIA 2256.025*)

The City Council shall, at least annually, review, revise, and adopt a list of qualified broker/dealers (see Attachment A) authorized to engage in securities transactions with the City. To purchase securities, the City must have a list of no less than two broker/dealers.

Authorized brokerage firms may include primary dealers or regional broker/dealers that qualify under Securities & Exchange Commission Rule 15C3-1 (Uniform Net Capital Rule).

Delivery vs. Payment [*PFIA 2256.005*(*b*)(*4*)(*E*)]

Securities purchased by the City shall be settled into the City's account with the safekeeping agent on a **delivery versus payment** (DVP) basis. DVP assures that City funds will not be released until the purchased security has been received. Securities will be held by an independent third-party safekeeping agent as evidenced by safekeeping receipts.

PFIA Policy Certificates

All local government investment pools and discretionary investment management firms (business organizations) will be required to provide information regarding the business organization and the individual representative as required by the City. Each business organization will be required to sign a certification acknowledging that the business organization has received and reviewed the City's current Investment Policy and that reasonable procedures and controls have been implemented to preclude investment transactions that are not authorized by the City's Policy, except to the extent that this authorization is dependent on an analysis of the makeup of the City's entire portfolio or requires an interpretation of subjective investment standards, as required by the Act. When material changes are made to the Policy, re-certification is required.

IX. PERFORMANCE BENCHMARK

The City's investment portfolio will be managed in accordance with the parameters specified within this Policy including the objective of a reasonable market yield commensurate with the investment risk constraints and the cash flow requirements of the City.

The weighted average yield to maturity (the standard for calculating portfolio rate of return) on the total portfolio will be the City's performance measurement and will be calculated and reviewed on at least a quarterly basis. In accordance with the City's cash flow needs and based on the maximum weighted average maturity of the adopted Investment Strategy, the City's portfolio shall be designed with the objective of regularly meeting or exceeding the respective Strategy's average yield on the appropriate US Treasury-Bill for the same period. This benchmark is not just a measure of market performance but equally a measure of the risk in the portfolio.

X. REPORTING (*PFIA 2256.023*)

The Investment Officers shall prepare for the City Council an investment report on a quarterly basis that summarizes investment strategies employed in the most recent quarter and describes the portfolio in detail and summary information. This reporting shall be made in accordance with the Act.

The quarterly investment report shall include a summary statement of investment activity during the period. This summary will be prepared in a manner that will allow the City Council to ascertain whether investment activities during the reporting period have conformed to the Investment Policy. The report will include the following at a minimum:

- A listing of individual investments held at the end of the reporting period.
- Unrealized gains or losses at the end of the period (the difference between current and prior market value).
- Average weighted yield to maturity of portfolio.
- Fully accrued interest for the reporting period and total earnings for the period.
- The percentage of the total portfolio by type of investment.
- Statement of compliance of the City's investment portfolio with State law and the investment strategy and Policy approved by the City Council.

Market values will be obtained from reputable and independent sources.

In conjunction with the annual audit, an independent auditor will perform a formal annual review of the quarterly reports with the results reported to the City Council by that auditor [*PFIA 2256.023*(*d*)].

XI. INVESTMENT POLICY ADOPTION [*PFIA 2256.005*(*e*)]

The City's Investment Policy shall be reviewed and adopted at least annually by resolution of the City Council. It is the City's intent to comply with State laws and regulations. The City's Investment Policy may be revised by Council consistent with changing laws, regulations, or the needs of the City. The City Council shall review and approve the Policy and investment strategies annually, approving any changes or modifications, at a legally scheduled meeting.

Adopted by Hewitt City Council: November 18, 2024

Attachment A

City of Hewitt, Texas
Authorized Broker/Dealer List

FHN Financial Capital Markets
Buddy Saragusa
920 Memorial City Way, 13th Floor
Houston, TX 77024
713-435-4375

SouthState|DuncanWilliams
Patrick Boyer
6750 Poplar Avenue
Suite 100
Memphis, TN 38138
901-604-6811

SAMCO Capital Markets, Inc.
Robert Phillips
1700 Pacific Avenue
Suite 2000
Dallas, TX 75201
214-765-1408

Wells Fargo Brokerage Services, L.L.C.
Chuck Landry
1445 Ross Avenue
Suite 210
Dallas, TX 75202
800-937-0998
214-777-4018

Note: The firm name is authorized. Contact data informational only.