

HEWITT TEXAS

CITY COUNCIL MEETING AGENDA

December 5, 2018
Special Called Meeting – 7:00 PM
CITY HALL, 200 PATRIOT COURT
HEWITT, TX 76643

MAYOR AND CITY COUNCIL

Ed Passalugo – Mayor, Ward 3

Steve Fortenberry – Mayor Pro Tem, Ward 3

Travis Bailey – Council Member, Ward 1

Wilbert Wachtendorf – Council Member, Ward 1

Bill Fuller – Council Member, Ward 2

James Vidrine – Council Member, Ward 2

Vacant – Council Member At-Large

CITY STAFF

Jim Devlin, Acting City Manager/Police Chief

Michael W. Dixon, City Attorney

Miles Whitney, City Engineer

Lydia Lopez, City Secretary

Katie Allgood, Managing Director

Lee Garcia, Finance Director

Lance Bracco, Fire Chief

Waynette Ditto, Library Director

Kevin Reinke, Utilities Director

Tracy Lankford, Community Dev. Director

Tuck Saunders, Assistant Police Chief

HEWITT TEXAS

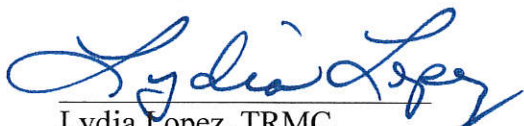
NOTICE OF MEETING OF THE GOVERNING BODY

Notice is hereby given that a **Special Called** meeting of the governing body of the City of Hewitt will be held on the **5th day of December, 2018, at 7:00 PM in Hewitt City Hall, Council Workshop Room/Council Chambers, 200 Patriot Court, Hewitt, Texas**, at which time the following subjects will be discussed:

1. Call the meeting to order
2. Pledge of Allegiance to the U.S. Flag
3. Consider approval of minutes of the City Council Workshop/Regular Meeting of November 19, 2018.
4. Hear visitors on matters pertaining to city business. *Under the Texas Open Meetings Act, the Council is prohibited from discussing, responding, or acting on any comments or items that have not been properly posted on the agenda.*
5. Consideration and possible action on approval of financing for vehicles and equipment approved for acquisition by City of Hewitt Resolution No. 2018-12, including approval of financing Resolution No. 2018-14, and authorization for execution of documents.
6. Consideration and possible action on a Resolution No. 2018-15 amending the City of Hewitt Investment Policy.
7. ***Executive Session:*** A closed meeting will be held pursuant to *Section 551.071 of the Government Code (V.C.T.A)* so that the City Council can seek and receive advice and counsel from their attorneys regarding actual or threatened litigation; settlement of claims; legal powers and restrictions, and possible legal exposure; and matters required to be kept confidential by the professional rules which govern the attorney: Texas Workforce Commission charges.
8. Discussion and action, if any, on threatened or pending litigation.
9. Adjourn.

I, the undersigned authority, do hereby certify that the above notice of meeting of the governing body of the City of Hewitt, Texas was posted on the Public Notice Board located in front of City Hall at 4:30 AM/PM on November 30, 2018

CITY OF HEWITT


Lydia Lopez, TRMC
City Secretary



COUNCIL AGENDA ITEM FORM

MEETING DATE: December 5, 2018

AGENDA ITEM #: 3

SUBMITTED BY: Lydia Lopez, City Secretary

ITEM DESCRIPTION:

Consider approval of minutes of the City Council Workshop/Regular Meeting of November 19, 2018.

STAFF RECOMMENDATION/ITEM SUMMARY:

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

ATTACHMENTS:

Draft minutes

HEWITT TEXAS

MINUTES OF A CITY COUNCIL WORKSHOP/REGULAR MEETING HEWITT CITY HALL – 200 PATRIOT COURT November 19, 2018 – 5:30 PM/7:00 PM

Members present: Mayor Ed Passalugo (presiding), Mayor Pro Tem Steve Fortenberry, Council Members, Wilbert “Walky” Wachtendorf, Bill Fuller, James Vidrine, and Travis Bailey

Staff present: City Attorney Mike Dixon, City Engineer Miles Whitney, Acting City Manager/Police Chief Jim Devlin, Assistant Police Chief Tuck Saunders; Fire Chief Lance Bracco, Managing Director Katie Allgood, Finance Director Lee Garcia, Library Director Waynette Ditto, Community Development Director Tracy Lankford, Utilities Director Kevin Reinke, and City Secretary Lydia Lopez

WORKSHOP – 5:30 PM

1. Mayor Ed Passalugo called the meeting to order at 5:30 PM.
2. City Engineer Miles Whitney presented the Engineer’s Report and provided the following updates.
 - Update on pending utility projects.
 - Discuss “2017 - L.S. No. 5 Removal / I-35 Waterline Replacement; Phase 1” Bid Opening and Council’s consideration of award.
 - Update on pending street projects.
 - Update on pending drainage projects
3. Briefing and discussion concerning upcoming events:
 - Thanksgiving Holiday – City offices closed – November 22-23, 2018
 - Christmas Tree Lighting – December 8, 2018, 5:00-7:00 PM
4. Special presentation by Executive Director Alissa Cady, Greater Hewitt Chamber of Commerce. Ms. Cady expressed appreciation for the city’s partnership, presented a video highlighting the Chamber activities for the year, and responded to questions regarding the Publicity and Tourism Agreement. Mayor Ed Passalugo commended the Chamber for all that they do for the community.
5. Briefing and discussion concerning Dropcountr – Citizens Portal. Utilities Director Keven Reinke presented a PowerPoint presentation on the application.
6. Briefing and discussion concerning financial reports. Finance Director Lee Garcia advised that the city’s auditors recommended that the staff present the financial reports to the Council and was present to respond to questions. No questions were asked.
7. Briefing and discussion concerning Public Safety operations – Police & Fire.

- Activity Reports were presented by Fire Chief Lance Bracco and Police Chief Jim Devlin
- 8. City Attorney Mike Dixon reviewed the Regular Meeting agenda items.
- 9. **EXECUTIVE SESSION** pursuant to §551.074 of the *Texas Government Code* so that the City Council can deliberate the duties, employment, or appointment of a public officer or employee: potential candidates for Interim City Manager and/or City Manager. Mayor Ed Passalugo announced the Executive Session. *A motion was made by Council Member Bill Fuller and second by Council Member Travis Bailey to recess the Workshop and convene the Executive Session at 6:07PM.*
- 10. Adjourn – *A motion was made by Council Member Bill Fuller and second by Council Member Travis Bailey to adjourn the Workshops at 6:57 PM.*

REGULAR MEETING - 7:00 PM

1. **CALL TO ORDER.** Mayor Ed Passalugo called the meeting to order at 7:00 PM.
2. **PLEDGE OF ALLEGIANCE TO THE U.S. FLAG** – Mayor Ed Passalugo asked Yolonda Curtiss to lead the Pledge of Allegiance.
3. **CONSIDER APPROVAL OF MINUTES OF THE CITY COUNCIL REGULAR MEETING OF OCTOBER 1, 2018.** Council Member Wilbert “Walky” Wachtendorf noted a correction to Item 8 and 11 of the meeting minutes. The words “will be” should be replaced with “was” to properly note the executive session was held. *A motion was made by Council Member Wilbert “Walky” Wachtendorf and second by Council Member Travis Bailey to approve with the correction as noted; all voted in favor, motion passed.*
4. **CANVASS ELECTION RETURNS OF THE CITY’S SPECIAL ELECTION.** Mayor Ed Passalugo appointed Council Members Bill Fuller, Travis Bailey, and City Attorney Mike Dixon to review the returns submitted by the County Elections Administrator Kathy Van Wolfe.
5. **DISCUSSION AND POSSIBLE ACTION ON RESOLUTION NO. 2018-10 DECLARING THE RESULTS OF THE CITY’S SPECIAL ELECTION OF NOVEMBER 6, 2018.** City Attorney Mike Dixon confirmed the results presented by the County Elections Administrator and advised that a runoff election would have to be held between the top two candidates Erica Bruce and Betty Orton. *A motion was made by Council Member Wilbert “Walky” Wachtendorf and second by Mayor Pro Tem Steve Fortenberry to approve resolution; all voted in favor, motion passed.*
6. **DISCUSSION AND POSSIBLE ACTION ON RESOLUTION NO. 2018-11 ORDERING A RUNOFF ELECTION TO BE HELD ON DECEMBER 15, 2018, AND OTHER MATTERS RELATED THERETO.** *A motion was made by Council Member Bill Fuller and second by Council Member Travis Bailey to approve resolution; all voted in favor, motion passed.*

7. **HEAR VISITORS ON MATTERS PERTAINING TO CITY BUSINESS.** *Under the Texas Open Meetings Act, the Council is prohibited from discussing, responding, or acting on any comments or items that have not been properly posted on the agenda.*

Bill McLaughlin, 428 E Spring Valley Rd., appeared to express appreciation to staff for assisting him in addressing a drainage issue. No one else appeared.

8. **CONSIDER AWARD OF BID FOR 2017 - L.S. NO. 5 REMOVAL/I-35 WATERLINE REPLACEMENT; PHASE 1 TO BELL CONTRACTORS, INC. IN THE AMOUNT OF \$550,134.48.** *A motion was made by Council Member James Vidrine and second by Council Member Travis Bailey to approve; all voted in favor, motion passed. Amended Motion: A motion was made by Council Member James Vidrine and second by Council Member Travis Bailey to authorize the acting city manager to sign agreements; all voted in favor, motion passed.*
9. **PUBLIC HEARING, DISCUSSION AND POSSIBLE ACTION ON ORDINANCE NO. 2018-18 AMENDING APPENDIX “B” TO THE CODE OF ORDINANCES OF THE CITY OF HEWITT, TEXAS, “SUBDIVISIONS” TO DELEGATE TO THE COMMUNITY DEVELOPMENT DIRECTOR AS THE BUILDING OFFICIAL THE AUTHORITY TO APPROVE AND SIGN AMENDING PLATS, MINOR PLATS, OR REPLATS SUBJECT TO THE TERMS AND RESTRICTIONS OF SECTION 212.0065 OF THE TEXAS LOCAL GOVERNMENT CODE; MAKING CHANGES TO PROVISIONS OF THE SUBDIVISION ORDINANCE TO CARRY OUT THIS DELEGATION; PROVIDING FOR A SEVERABILITY CLAUSE, REPEALING PROVISIONS IN DIRECT CONFLICT; FINDING THAT THE MEETING AT WHICH THIS AMENDMENT WAS ADOPTED COMPLIED WITH THE TEXAS OPENING MEETINGS ACTS; AND ESTABLISHING AN EFFECTIVE DATE.** Mayor Ed Passalugo called for those wishing to speak in favor or against. No one appeared. Public hearing was closed. *A motion was made by Council Member James Vidrine and second by Council Member Wilbert “Walky” Wachtendorf to approve; all voted in favor, motion passed.*
10. **DISCUSSION AND POSSIBLE ACTION ON A RESOLUTION NO. 2018-12 OF THE CITY COUNCIL AUTHORIZING THE ACQUISITION OF VEHICLES AND EQUIPMENT, CONDITIONAL ON THE DIRECTOR OF FINANCE SEEKING QUOTES FOR FINANCING AND THE CITY COUNCIL APPROVING A QUOTE FOR THE FINANCING OF THE ACQUISITION.** City Attorney Mike Dixon and Police Chief Jim Devlin presented. *A motion was made by Mayor Pro Tem Steve Fortenberry and second by Council Member James Vidrine to approve; all voted in favor, motion passed.*

11. **DISCUSSION AND POSSIBLE ACTION ON RESOLUTION NO. 2018-13 APPROVING THE RENEWAL OF AN EXISTING INTERLOCAL AGREEMENT BETWEEN THE CITY OF WACO AND THE CITIES OF BELLMEAD, HEWITT AND MCGREGOR FOR THE PURPOSE OF REGIONAL TOURISM MARKETING THROUGH THE WACO CONVENTION & VISITORS BUREAU'S REGIONAL MARKETING PROGRAM AND AUTHORIZING THE ACTING CITY MANAGER TO EXECUTE ANY DOCUMENTS NECESSARY IN CONNECTION THEREWITH.** *A motion was made by Council Member Wilbert "Walky" Wachtendorf and second by Council Member James Vidrine to approve; all voted in favor, motion passed.*
12. **DISCUSSION AND POSSIBLE ACTION ON APPROVAL OF PUBLICITY AND TOURISM AGREEMENT BETWEEN THE CITY OF HEWITT AND THE GREATER HEWITT CHAMBER OF COMMERCE.** *A motion was made by Council Member Bill Fuller and second by Mayor Pro Tem Steve Fortenberry to approve; all voted in favor, motion passed.*
13. **DISCUSSION AND POSSIBLE ACTION ON APPROVAL OF SERVICES AGREEMENT WITH DROPCOUNTR HOME AND CLEAR PRODUCTS, A SOFTWARE THAT ALLOWS UTILITY CUSTOMERS ACCESS TO THEIR ACCOUNTS.** *A motion was made by Council Member Wilbert "Walky" Wachtendorf and second by Council Member Travis Bailey to approve agreement; all voted in favor, motion passed.*
14. **ADJOURN.** *A motion was made by Council Member Bill Fuller and second by Council Member Travis Bailey, to adjourn the meeting at 7:21 PM; all voted in favor, meeting was adjourned.*

Approved: December 5, 2018

Lydia Lopez, City Secretary

Ed Passalugo, Mayor

HEWITT TEXAS

ITEM #4 – HEARING OF VISITORS

PROCEDURES FOR CITIZEN PARTICIPATION AT MEETINGS

1. Citizens are encouraged to discuss matters of concern with the staff and individual council members prior to placing items on the agenda. This will allow the matter to be properly investigated before it is presented to the entire council and will often expedite a resolution.

NO CITIZEN OR STAFF MEMBER MAY SPEAK OR OTHERWISE INTERRUPT ANY MEETING UNTIL RECOGNIZED BY THE PRESIDING OFFICER.

2. To maintain decorum at public hearings, the mayor will ask citizens in attendance if they wish to speak for or against the item on the agenda. If so, they will be given an opportunity to speak at the proper time and when recognized by the chair. If more than five citizens wish to address the council on any single agenda item, those citizens are advised to select a spokesperson to present their case.
3. Only under the agenda item “Hear Visitors” are citizens permitted to speak regarding matters that pertain to city business or address an item on the agenda. **The council is prohibited by law from discussing or acting on any item that has not been posted on the agenda.**
4. Individual citizens that discuss items not listed on the agenda shall be limited to **five minutes**. If five or more citizens wish to discuss a single item or topic that is not listed on the agenda, then the total presentation will be limited to a maximum of twenty-five minutes. City council members shall **not** enter into discussion on any subject that has not been properly placed on the agenda; however, council members may ask questions for clarification purposes.
5. As a general rule, citizens may not participate or address the council or staff during the workshop session.

Under the Texas Open Meetings Act, the Council is prohibited from discussing, responding, or acting on any comments or items that have not been properly posted on the agenda.

HEWITT TEXAS

COUNCIL AGENDA ITEM FORM

MEETING DATE: December 5, 2018

AGENDA ITEM #: 5

SUBMITTED BY: Lee Garcia, Finance Director

ITEM DESCRIPTION:

Consideration and possible action on approval of financing for vehicles and equipment approved for acquisition by City of Hewitt Resolution No. 2018-12, including approval of financing Resolution No. 2018-14, and authorization for execution of documents.

STAFF RECOMMENDATION/ITEM SUMMARY:

The city published two times in the Waco Tribune newspaper on November 22nd and 29th, 2018, for financing of police vehicles, public works vehicles, and heavy equipment. Bids were received on December 5th, 2018, at 10 a.m. and will be summarized and presented to council. Staff recommends approving the lowest bid for a period of five years.

ATTACHMENTS:

Resolution Approving Financing Terms

Lease Financed Items

At Meeting: Bid Results, Lease Payment Schedule

Resolution No. 2018-14

WHEREAS: The City of Hewitt, Texas (the "City") has previously determined to undertake a project for the purchase of various vehicles and equipment (the "Project"), and the finance director has now presented a proposal for the financing of such Project.

BE IT THEREFORE RESOLVED, as follows:

1. The City hereby determines to finance the Project through XXXXXX, in accordance with the proposal dated XXXXXXXX, 2018. The amount financed shall not exceed \$475,000.00, the annual interest rate (in the absence of default or change in tax status) shall not exceed XXXX% and the financing term shall not exceed XXX years from closing.
2. All financing contracts and all related documents for the closing of the financing (the "Financing Documents") shall be consistent with the foregoing terms. All officers and employees of the City are hereby authorized and directed to execute and deliver any Financing Documents, and to take all such further action as they may consider necessary or desirable, to carry out the financing of the Project as contemplated by the proposal and this resolution.
3. The finance director is hereby authorized and directed to hold executed copies of the Financing Documents until the conditions for the delivery of the Financing Documents have been completed to such officer's satisfaction. The finance director is authorized to approve changes to any Financing Documents previously signed by City officers or employees, provided that such changes shall not substantially alter the intent of such documents or certificates from the intent expressed in the forms executed by such officers. The Financing Documents shall be in such final forms as the finance director shall approve, with the finance director's release of any Financing Document for delivery constituting conclusive evidence of such officer's final approval of the Document's final form.
4. The City shall not take or omit to take any action the taking or omission of which shall cause its interest payments on this financing to be includable in the gross income for federal income tax purposes of the registered owners of the interest payment obligations. The City hereby designates its obligations to make principal and interest payments under the Financing Documents as "qualified tax-exempt obligations" for the purpose of Internal Revenue Code Section 265(b)(3).
5. The City intends that the adoption of this resolution will be a declaration of the City's official intent to reimburse expenditures for the project that is to be financed from the proceeds of the XXXXXX financing described above. The City intends that funds that have been advanced, or that may be advanced, from the City's general fund, or any other City fund related to the project, for project costs may be reimbursed from the financing proceeds.

6. All prior actions of City officers in furtherance of the purposes of this resolution are hereby ratified, approved and confirmed. All other resolutions (or parts thereof) in conflict with this resolution are hereby repealed, to the extent of the conflict. This resolution shall take effect immediately.

Approved this _____ day of _____ 2018.

THE CITY OF HEWITT, TEXAS

Ed Passalugo, Mayor

ATTEST:

Lydia Lopez, TRMC
City Secretary



COUNCIL AGENDA ITEM FORM

MEETING DATE: December 5, 2018

AGENDA ITEM #: 6

SUBMITTED BY: Lee Garcia, Finance Director

ITEM DESCRIPTION:

Consideration and action on a Resolution amending the City of Hewitt's Investment Policy.

STAFF RECOMMENDATION/ITEM SUMMARY:

The City's Investment Policy requires Council to review and approve the policy and investment strategies annually, approving any changes or modifications at a regularly scheduled meeting. Changes made this year include:

- a) Page 12. PFIA Policy Certificates. 2nd to last line. Added "as required by the Act."
- b) Last page. Raymond James & Associates, Inc. Contact name changed from Polly Moore to Phil Hartigan, 1130 North Carroll Avenue, Ste. 100, Southlake, TX 76092 844-811-7731.

Staff recommends adopting the following amended Investment Policy.

ATTACHMENTS:

Resolution and Investment Policy 12 5 2018

RESOLUTION NO. 2018-15

**A RESOLUTION BY THE CITY COUNCIL OF
THE CITY OF HEWITT, TEXAS, AMENDING
AND APPROVING THE CITY OF HEWITT
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 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 Advisor, City Manager, and Finance Director have reviewed the Investment Policy and are in agreement 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 and 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 the attached Exhibit A) and is hereby adopted by the City of Hewitt 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 the 5th day of December 2018.

CITY OF HEWITT, TEXAS

Ed Passalugo, Mayor

ATTEST:

Lydia Lopez, City Secretary

**INVESTMENT POLICY
CITY OF HEWITT
Approved by City Council
December 5th, 2018**

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 Comprehensive Annual Financial Report (CAFR) 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 assure 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 [PFLA 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 [PFLA 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) [PFLA 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.

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 a quarter of a percentage point will define an efficient secondary market.

Liquidity – General, Enterprise, or Operating-type Funds require the greatest short-term liquidity of any of the fund-types. Demand 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.

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.

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 a quarter of a percentage point will define an efficient secondary market.

Liquidity – Most capital projects programs have reasonably predictable draw down schedules. Therefore, investment maturities should generally follow the

anticipated cash flow requirements. Demand 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.

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.

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

Liquidity – Debt Service Funds have predictable payment schedules. Therefore, investment maturities should not exceed the anticipated cash flow requirements. Demand 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.

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.

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

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.

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.

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:

- Control 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 (PFLA 2256.006)

The standard of prudence 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 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.”

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 [PFLA 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 with 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.

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 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 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 investments, 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.

Collateral Policy (PFCA 2257.023)

Collateral Pledged to the City by Depositories

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 insurance coverage. In order 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.

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 has to 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 delivered 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 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 manager 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 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 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.

XI. REPORTING (*PFLA 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 market and book 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 [*PFLA 2256.023(d)*].

XII. INVESTMENT POLICY ADOPTION [*PFLA 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: December 5, 2018

Attachment A

**City of Hewitt, Texas
Authorized Broker/Dealer List**

FTN Financial Capital Markets
Zach Brewer
920 Memorial City Way, 13th Floor
Houston, TX 77024
713-435-4351

Duncan Williams, Inc.
Patrick Boyer
6750 Poplar Avenue
Suite 100
Memphis, TN 38138
901-604-6811

Raymond James & Associates, Inc.
Phil Hartigan
1130 North Carroll Avenue, Ste. 100
Southlake, TX 76092
844-811-7731

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.