

City of Lake Jackson

REQUEST FOR PROPOSAL

RFP – 19-08-001

**To serve as Depository for the purpose of providing
the banking functions for funds of the City of Lake
Jackson**

Issued by:

The City of Lake Jackson Finance Department

Pam Eaves, Finance Director

August 2019

I. INTRODUCTION

A. Request for Proposal

The City of Lake Jackson (the City) is seeking applications from eligible and qualified financial institutions to serve as the Banking Services Depository (the Depository) for the City. This includes the basic services of receiving deposits, paying items, wiring funds out, receiving wired funds, ACH payments, stop payments, time deposits, and other normal business banking activities.

This Request for Proposal (RFP) is intended to serve as the bid form for the depository agreement. There are several schedules to complete and questions to be answered. The depository contract shall be prepared based on the bidder's response to the RFP. All points outlined, and materials requested should be incorporated into the bidders' reply to be considered for evaluation. Attachments will be appropriate in order to provide some of the requested information.

Any and all charges and fees associated with the Bank Depository Services Agreement must be clearly and accurately included in the RFP response. The charges and fees represented in the RFP response shall overrule any and all previous bank service or other agreements between the City and the financial institution, as they relate to the accounts and services included herein. The City will not be obligated by any charges and fees not clearly and accurately presented in the RFP response. Services initiated after consummation of the Bank Depository Services Agreement shall carry charges and fees mutually agreed to, in writing, by the City and the financial institution. Regardless of time delay, the financial institution shall refund or credit the City for any erroneous charges and fees not agreed to in writing.

B. Contract Terms

The previous contract has expired. The new contract period will be for the five (5) years beginning October 1, 2019 and ending September 30, 2024, or thereafter until the successor Depository is named. The City wishes to communicate the primary objectives of the RFP, an important component of the overall cash management program of the City is to:

- To seek a banking corporation authorized to do business in Texas and willing to be attentive to the City's money matters;
- To maximize the total dollars earned by the City on account balances in order to be prudent and effective custodians of the financial resources;
- To maintain a good working relationship with the Depository Bank; and
- To fully comply with the requirements of Texas Local Government Code as amended.

II. PROPOSALS SUBMISSION

Sealed proposals are to be submitted using the attached bid form. They will be received in the office of the Controller, City of Lake Jackson, 25 Oak Drive, Lake Jackson, Texas, 77566, until 2:00 p.m., September 5, 2019; at which time said proposals will be publicly opened and read. All proposals must be sealed and clearly marked on the outside, “**RFP #19-08-001 Proposal to Serve as Depository for City of Lake Jackson**”. Banks submitting proposals should be careful to see that the appropriate bid form is used.

III. ACCOUNT STRUCTURE AND DESCRIPTION

For the purpose of the RFP and the bid form furnished herewith, accounts of the City shall include, but shall not be limited to, the following:

<u>ACCOUNT NAME</u>	<u>TYPE</u>
Clearing Fund	Checking with interest
Payroll	Checking with interest
The Wilderness Depository Account	Checking with interest
The Wilderness Operating Account	Checking with interest

Combined, these accounts average the following number of transactions each month:

Deposits and other Additions	412
Checks and Other Deductions	646

During the twelve-month period of August 2018 – July 2019 the Clearing Fund had an average monthly balance of \$7,102.916

IV. CRITERIA FOR EVALUATION

All proposals will be evaluated by the Finance Director and Controller. A written recommendation will be made to the City Council and released to interested parties. The City Council will consider designating the Depository at their regular meeting on Monday, September 16, 2019.

The City reserves the right to accept or reject part or all of any and all bids and requires that submitted bids remain in force for a thirty (30) day period after opening or until an award is made; whichever comes first.

The criteria that will be used to make the selection shall be based on, but not limited to, the following factors:

- a. Cost of Services.
- b. Rates offered on accounts.
- c. Services offered.
- d. Financial stability of institution.
- e. Completeness of bid form and submission of required information.

V. ADDITIONAL INFORMATION

- A. A pre-award interview may be conducted on site at the respective offerer's location during evaluation and prior to contract award. In order to be considered, each proposal must provide the following information:
1. Full name and address of your company and parent company if you are a subsidiary.
 2. Account Executive. Primary and back-up contact at the bank.
 3. Audited financial statements for the past year, the most recent quarterly F.D.I.C. call report, and the Uniform Bank Performance Report for the latest fiscal year end.
 4. A sample safekeeping agreement for the City's investment securities and/or pledge securities.
 5. Completed bid form—attached.
 6. A sample copy of the bank's monthly statement and account analysis.
- B. Any additional information which is necessary for the preparation of a proposal, including information regarding the City's current and projected financial situation, may be obtained from Toni Truly, Controller, City of Lake Jackson, 25 Oak Drive, Lake Jackson, Texas, 77566 (979) 415-2443.

BID FORM

CITY OF LAKE JACKSON

PROPOSAL FOR BANK DEPOSITORY SERVICES

Bank Name: _____

Address: _____

In accordance with your Request for Proposal (RFP), the state or national banking corporation, hereinafter called Bidder, for the privilege of acting as Depository for Funds of the City of Lake Jackson, of Brazoria County, Texas, hereinafter called the City, for a term of five years October 1, 2019 and ending September 30, 2024, or until such time as a successor Depository is named. The City requests information on the following:

1. The City desires all checking accounts to be interest bearing. Provide an explanation of the institution's policy & methodology used in setting rates paid on interest bearing accounts and account analysis earnings credit. Indicate if they are based on a market rate such as T-Bill discount or yield rate, or the federal funds rate, etc., and when the rates are changed. Provide the maximum balance, if any, that is allowed to earn interest.

2. The City desires the following services. Please indicate the direct service charge associated with each item. The depository bank will provide the following services and supplies, as indicated, for the compensation below:

<u>SERVICE DESCRIPTION</u>	<u>COST</u>
Online Account Maintenance – per account/per month	_____
Deposit Credited – per Deposit	_____
Checks Deposited – Unencoded – per Check	_____
Serial Check Sort – per Account	_____
Stop Payments – per Item	_____
Checks Paid – per check	_____
Wire Transfers – Incoming – per Item	_____
Wire Transfers – Outgoing – per Item	_____
Return Items – per Item	_____
Deposit Slips (2 Part) – per 1,000	_____
Zipper Bags with/without Locks– per Item	_____
Positive Pay services	_____
Monthly report of the market value of securities pledged – per Month	_____
Preparation of monthly statements showing debits, credits, and balances of each separate account – per Month	_____
ACH – incoming & outgoing	_____

4. Direct Debit is a service the City offers its 9,080 utility customers. Currently 2,300 customers use this service. The bank would be required to produce up to five monthly ACH debits to utility customers' accounts from information furnished by the City. Also, the City offers direct debit services to its 2,800 Recreation Center Members. Currently, 500 Recreation Center members utilize this service. The bank would be required to produce one monthly ACH debit to Recreation Center members' accounts. Please state the bank's procedures and associated fees for this service, and list appropriate cut-off times that would apply.

5. If interest-bearing accounts are not utilized, the City requires the use of a sweep account for overnight investment of all available funds in the disbursement account. This sweep investment account shall comply with the Public Funds Investment Act.

6. The City offers EFT payments to vendors. Please state the bank's procedures and associated fees for this service, and list appropriate cut-off times that would apply.

7. The City desires the ability to monitor its ledger and available balances on a daily basis. The City will require on-line balance reporting for daily access to its account balance information. At minimum the service must provide detailed information on debits and credits, status of deposits, available funds and the ability to transfer funds between accounts. Please discuss options you have available for providing this service and associated cost.

8. The City requires the bank to cash employee payroll checks (with proper identification) without service charges or fees to the employee or the City and without requiring the employee to open an account with the bank.

9. The City requires positive pay and full account reconciliation services on the Disbursement and Payroll Accounts. The Bank would only honor those checks issued by the City that are pre-authorized through the positive pay system. Positive pay files will be transmitted electronically.

COLLATERAL REQUIREMENTS

10. Collateral requirements shall be in accordance with both the Public funds Investment Act and the Public Funds Collateral Act (Chapter 2256 and 2257, Texas Government Code). The Depository shall secure the City's deposits by granting a security interest—via a security agreement—in certain “eligible collateral” as described in Chapter 2257 of the Texas Government Code. The Depository shall execute a custodial trust agreement and pledge collateral with a Federal Reserve Bank in the City's name, or at a third party institution that has no relationship with the Depository bank provided that:
 - a. the approved securities shall be of the kind defined in the Public Funds Investment and Collateral Act, and the amount pledged shall be equal to at least 102% of the aggregate market value of the deposit or investment including accrued interest.
 - b. the pledge of approved securities shall be waived only to the extent of the exact dollar amount of Federal Deposit Insurance Corporation insurance protection for the funds of the City on deposit with the Depository from day to day; and in the event of any termination of such insurance protection, this proposal shall immediately become void except as provided in (d) hereinafter;
 - c. the conditions of the pledge of approved securities required by this proposal are that the Depository shall faithfully perform all duties and obligations devolving upon the Depository by law and this proposal, pay upon presentation all check or drafts drawn on order of the authorized officials of the City of Lake Jackson in accordance with its orders duly entered according to the laws of Texas, pay upon demand any demand deposit of the City in the Depository, pay any time deposit or certificate of deposit of the City in the Depository upon maturity or after the period of notice required, and faithfully keep, account for as required by law, and faithfully pay over, at maturity or on demand as the City may elect, to any successor depository all funds of the City then on deposit with the Depository;

- d. the pledge of approved securities required by this proposal shall be a continuing pledge, ceasing only upon the later of the termination of a contract or the fulfillment by the Depository of all of its duties and obligations arising out of a contract, and a continuing security interest in favor of the City shall attach immediately upon any such pledge to all proceeds of sale and to all substitutions, replacements, and exchanges of such securities, and in no event shall such continuing security interest be voided by an act of the Depository. The depository shall have the right, with the consent of the City, to purchase and sell, and substitute or replace, any of the approved securities pledged pursuant to this contract with other approved securities, provided that all of the other conditions of this proposal are adhered to by the Depository, and such pledge shall be in addition to all other remedies available in law to the City;
- e. the Depository shall immediately furnish or cause to be furnished to the City original and valid safekeeping or trust receipts issued by the bank holding the approved securities pledged pursuant to the contract, marked by the holding bank on their face to show the pledge and market value as required above;
- f. any closing or failure of Depository, or any event deemed by the City to constitute a closing or failure of Depository, shall be deemed to have vested full title to all approved securities pledged pursuant to the depository contract in City, and the City is hereby empowered to take possession of and sell any and all of such pledged approved securities, whether in safekeeping at another bank or in possession of the City; and the City is specifically so empowered by Depository.
- g. a written security agreement is executed by the depository and the City contemporaneously at each transaction of acquisition or release of the asset, approved by the Board of Directors of the depository, and reflected in the official minutes of the Board of Directors of the depository from the time of its execution.
- h. The City requires within sixty (60) days of award of bid, copies of the depository's minutes where the board of directors approved said collateral and that it is an official record. The safekeeping arrangements should be included in the response and specify: where the securities will be held, in what form the securities will be held, the responsibilities of all parties involved and the procedures used to govern receipt, transfer and handling of the securities.

- i. the Depository provide the City a report of securities pledged at the end of each month or at any time requested by the Finance Director, Controller, the City Manager, or any other designated City official. The report should reflect the total pledged securities itemized by: Name; type/description; CUSIP; Par Value; Market Value; Maturity Date; Rating by Moody's or Standard & Poor's (if applicable).
 - j. Collateral may be audited at least annually by the City's independent auditors and may be audited by the City at any time during normal business hours of the bank.
11. Please list any other services your bank can render for the City. Often bids are so nearly identical that additional banking services rendered without cost to the City can be a determining factor in the awarding of the contract. Items listed in this section should relate to the City only. Services to employees or individuals associated with the City cannot be taken into consideration.

12. Provide a statement of any current or potential conflicts of interest.

This bid was requested by the City and is made by Bidder with the expressed agreement and understanding that the City reserves the right to reject any/or all bids; and the further right that if any portion or provision of this bid and/or any contract between Bidder and City entered into by virtue thereto is invalid, the remainder of this bid and/or resulting contract at the option of the City shall remain in full force and effect, and not be affected by said invalid portion or provision.

PROPOSAL SUBMITTED BY

Name of Financial Institution

Address of Financial Institution

Telephone Number

Officer Name & Title (printed)

Officer Signature

Date

E-mail Address

CITY OF LAKE JACKSON

Investment Policy

I. Introduction

The purpose of this document is to set forth the investment policies and operational policies for the management of the public funds of the City of Lake Jackson. This policy is intended to provide guidelines for the City Manager and Finance Director to effectively supervise and manage the investment assets of the City in accordance with the City Charter and the Public Funds Investment Act (Chapter 2256, Texas Government Code, as amended).

II. Policy

It is the policy of the City of Lake Jackson that the administration and investment of funds be handled as its highest public trust. Investments shall be made in a manner that will provide the maximum security of principal invested, employing limitations on maturities and diversification of the portfolio, while meeting the daily cash flow needs of the City; and conforming to all applicable Federal, State and local government statutes governing the investment of public funds. The receipt of a market rate of return will be secondary to safety and liquidity requirements. It is the intent of the City of Lake Jackson to pursue a passive investment strategy in which investments are held to maturity as opposed to an active strategy in which investments are sold prior to maturity. The earnings from investment will be used in a manner that best serves the public trust and interest of the City of Lake Jackson.

III. Scope

The investment policy applies to all financial assets of the City of Lake Jackson. These funds are accounted for in the City's Comprehensive Annual Financial Report and include the General, Special Revenue, Debt Service, Capital Projects, and Proprietary Funds. All cash of the various funds (excluding bond funds) are combined into the pooled cash fund for efficiency and maximum investment opportunity. Interest revenue derived from the pooled cash fund is allocated to the participating funds (monthly) based on the relative cash balance of each fund. Bond funds are invested in separate investment pool accounts. Maintaining these funds in separate accounts simplifies the calculation necessary for the reporting of arbitrage earnings. All funds in the pooled cash fund are to be administered in accordance with this policy.

IV. Objective

The primary objectives, in priority order, of the City's investment activities shall be preservation and safety of principal, liquidity and yield, expressed as optimization of interest earnings.

A. Safety of Principal

The City of Lake Jackson has as its foremost objective to ensure the safety of principal. Investments of the City shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio.

B. Liquidity

The City's investment portfolio shall be structured such that the City is able to meet all obligations in a timely manner. This shall be achieved by maintaining sufficient funds in local government investment pools to meet current operating requirements.

C. Optimization of Interest earnings

The City's cash management portfolio shall be designed with the objective of regularly exceeding the average rate of return on three-month U.S. Treasury Bills; while remaining within the objective of safety and liquidity. The City will seek to balance its market risk (risk of changing value) with its opportunity risk (risk of changing yield and underperforming portfolio)

V. Current Investment Philosophy

The current philosophy calls for the estimation of the City's core funds. Core Funds would be the least amount of money the City has on hand during the year minus a reasonable margin for error and unforeseen emergency expenditures. If it is advantageous from a yield standpoint, this portion of the pooled cash fund is then placed in authorized investments with a maturity of one to five years.

VI. Prudence

The standard of prudence to be applied by the investment officer shall be the "prudent investor" rule, which states: "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 with respect to an investment decision, the determination shall be made taking into consideration:

- A. 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.
- B. Whether the investment decision was consistent with the written investment policy of the City.

VII. Ethics and Conflict of Interest

Officers and employees involved in the investment process shall refrain from personal business activity that could conflict with proper execution of the investment program, or which could impair the ability to make impartial investment decisions.

An investment officer of the City who has a personal business relationship with an organization seeking to sell an investment to the City shall file a statement disclosing that personal business interest. An investment officer who 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. Disclosure shall be filed with the Texas Ethics Commission and the City Council of the City of Lake Jackson.

VIII. Delegation of Investment Authority

The Director of Finance is designated as the Investment Officer of the City and is responsible for considering the quality and capability of staff involved in investment management and procedures. All participants in the investment process shall seek to act responsibly as custodians of the public trust. The Investment Officer shall develop and maintain written administrative procedures for the operation of the investment program that are consistent with this investment policy.

IX. Investment Training

The investment officer of the City of Lake Jackson shall attend at least one ten (10) hour training session relating to investment responsibilities within 12 months after assuming such duties and shall continue to attend an investment training session not less than once every two years thereafter consisting of at least (10) hours of instruction. The two year training cycle begins on October 1st and consists of two consecutive years after that date. Training shall be in accordance with the Public Funds Investment Act and include education in investment controls, security risks, strategy risks, market risks, diversification of investment portfolio, and compliance with state statutes governing the investment of public funds. All training shall be conducted by an independent source which has been approved by the City council or its designated investment committee.

The Government Treasures Organization of Texas, the Government Finance Officers Association of Texas, The Texas Municipal League, the University of North Texas, and Texas Tech – Center for Professional Development are hereby approved as “independent sources” that may provide such training to the investment officer.

X. Investment Committee

There is hereby created an investment committee consisting of the City Manager, Director of Finance, and the Mayor. The investment committee shall meet on an as called basis. The investment committee will include in its discussions the composition of the current portfolio and the strategy for future anticipated transactions. Members of the committee shall demonstrate knowledge in the area of finance, investments, or cash management. The City shall provide training in investments for the investment committee through courses and seminars offered by professional organizations and associations

XI. Authorized Financial Dealers and Institutions

Investment officials shall not knowingly conduct business with any firm with whom public entities have sustained losses on investments. All financial institutions and authorized representatives who desire to become qualified bidders for investment transactions must supply the following as appropriate:

- Proof of Certification by the Financial Industry Regulatory Authority (FINRA).
- Proof of current registration with the State Securities Commission.
- Completed broker/dealer questionnaire.
- Certification of having read the City's investment policy signed by an authorized representative of the organization. (see page 10)
- Acknowledgement that the organization has implemented reasonable procedures and controls in an effort to preclude imprudent investment activities arising out of investment transactions conducted between the City and the organization. (see page 10)

The investment officer is precluded from purchasing an investment from a representative who has not delivered the written certification.

An annual review of the financial condition and registration of qualified bidders will be conducted by the Investment Committee.

XII. Depositories

At least once every five years, the City will use a competitive bidding process to designate one banking institution as its central banking services provider. This institution will be used for normal banking services associated with a business checking account, including ACH debit and credit transactions.

XIII. Competitive Bidding

All purchases of obligations of the United States Government, its agencies and instrumentalities will be purchased only after soliciting quotations from at least two authorized brokers. This is to ensure that the City is receiving a fair market value or price for the investment.

XIV. Delivery vs. Payment

Treasury Bills, Notes, Bonds and Government Agencies' securities shall be purchased using the delivery vs. payment method. That is, funds shall not be wired or paid until verification has been made that the correct security was received by the safekeeping institution or Trustee. The security shall be held in the name of the City or held on behalf of the City. The Trustee's records shall assure the notation of the City's ownership of or explicit claim on the securities. Pool funds and mutual funds are excluded from this requirement.

XV. Insurance or Collateral

All deposits and investments of City funds shall be fully insured or secured by pledged collateral. In order to anticipate market changes and provide a level of security for all funds, the collateralization level will be no less than 102% of market value of principal and accrued interest on the deposits or investments less an amount insured by the FDIC or the SIPC. Evidence of the pledged collateral shall be maintained by the Director of Finance.

Collateral pledged to secure deposits of the City shall be held by a safekeeping institution in accordance with a custodial agreement which clearly defines the procedural steps for gaining access to the collateral should the City of Lake Jackson determine that the City's funds are in jeopardy. All collateral held by a third party custodian designated by the City, shall be held in the City's name as evidenced by safekeeping receipts of the institution with which the securities are deposited. The safekeeping institution or Trustee shall be the Federal Reserve Bank or an institution not affiliated with the firm pledging the collateral. The custodial agreement shall be executed between the City of Lake Jackson, the firm pledging the collateral, and the Trustee; and shall specify the acceptable investment securities for collateral, including provisions relating to the possession of the collateral, the substitution or release of investment securities, ownership of securities, and the method of valuation of securities.

Collateral requirements shall be in accordance with both the Public Funds Investment Act and the Public Funds Collateral Act (Chapter 2256 and 2257, Government Code). Collateral underlying repurchase agreements is limited to direct obligations of the United States or its agencies and instrumentalities. The City of Lake Jackson shall accept the following investment securities as collateral:

- A. Direct obligations of the United States or its agencies and instrumentalities.
- B. Direct obligations of this state or its agencies and instrumentalities.
- C. Other obligations which are guaranteed or backed by the full faith and credit of this state or the United States or their respective agencies and instrumentalities.
- D. Obligations of states, agencies, counties, cities and other political subdivisions rated not less than "A " or its equivalent.
- E. Letters of credit issued by the Unities States or its agencies and instrumentalities.
- F. FDIC insurance coverage.

XVI. Authorized Investments

Authorized investments for municipal governments in the state of Texas are set forth in the Public Funds Investment act, as amended. (Section 2256.009 – 2256.019, Government code) Suitable investments for the City of Lake Jackson are limited to the instruments listed below.

- A. Obligations of the United States, or its agencies and instrumentalities, and government sponsored enterprises; and have a maximum stated maturity date of 5 years or less.

- B. Certificates of deposits issued by a depository institution that has its main office or a branch office in this state, or purchased through a broker/dealer located in this state. The certificate of deposit must be guaranteed or insured by the Federal Deposit Insurance Corporation or its successor or secured by obligations that are described in Section 2256.009 (a) of the Government Code.
- C. Fully collateralized direct repurchase agreements with a defined termination date secured by obligations of the United States or its agencies and instrumentalities. These shall be pledged to the City of Lake Jackson, held in the City's name, and deposited at the time the investment is made with the City or with a third party selected and approved by the City. Repurchase agreements must be purchased through a primary government securities dealer, as defined by the Federal Reserve. A master repurchase agreement must be signed by the bank/dealer prior to investment in a repurchase agreement.
- D. No load money market mutual funds that are registered and regulated by the Securities and Exchange Commission, with a dollar weighted average stated maturity of 90 days or fewer and include in its investment objectives the maintenance of a stable net asset value of \$1 for each share. Money market mutual funds must provide the City with a prospectus and other information required by the Securities and Exchange Act of 1934 (Section 2256.014 (a), Government Code).
- E. Local government investment pools that have been authorized by the governing body by rule, ordinance or resolution. The investment pool must maintain a rating no lower than AAA, AAA-m or an equivalent rating by at least one nationally recognized rating agency. (Prudent measures will be taken to liquidate an investment that is downgraded to less than the required minimum rating.)
- F. Interest bearing checking account at the City's banking services provider.

XVII. Rating Changes

If an investment receives a change in rating that makes it no longer acceptable under the City's investment policy or PFIA, the City shall liquidate the investment at the earliest opportunity and reinvest the funds in an acceptably rated alternative investment.

XVIII. Exemption of Existing Investments

The City is not required to liquidate investments that were authorized investments at the time of purchase (Section 2256.017, Government Code).

XIX. Prohibited Investments

State law specifically prohibits investment in the following investment securities:

- A. Obligations whose payment represents the coupon payments on the outstanding principal balance of the underlying mortgage backed security collateral and pays no principal.

- B. Obligations whose payment represents the principal stream of cash flow from the underlying mortgage-backed security collateral and bears no interest.
- C. Collateralized mortgage obligations that have a stated final maturity date of greater than 10 years.
- D. Collateralized mortgage obligations the interest rate of which is determined by an index that adjusts opposite to the changes in a market index.

XX. Diversification and Maturity

Invested funds shall be diversified to minimize risk resulting from over- concentration of assets in any one security type or institution. The following maximum limits by instrument are established for the City’s total portfolio:

- Up to 75% par of the portfolio may be invested in direct obligations of the United States or its agencies and instrumentalities.
- No more than 20% par of the portfolio may be invested in certificates of deposit.
- No more than 75% par of the portfolio may be invested in authorized investment pools..
- No more than 50% par of the portfolio may be invested in an interest bearing checking account at the City’s banking services provider.
- No more than 30% may be invested in a money market mutual fund.

XXI. Investment Strategies

The City of Lake Jackson maintains a pooled investment portfolio that utilizes separate investment strategies for each of the three fund types represented in the portfolio. Investments will be made that will assure safety of principal, liquidity, yield, marketability, and diversification, respectively. In order to minimize risk of loss due to interest rate fluctuations, investment maturities will not exceed the anticipated cash flow requirements of the funds. The composite portfolio will have a dollar weighted average maturity of 365 days or less. This dollar weighted average maturity will be calculated using the stated final maturity dates of each security. Investment guidelines by fund- type are as follows.

- A. Investment strategies for operating funds and commingled pools containing operating funds have as their primary objective to assure that anticipated cash flows are matched with adequate investment liquidity. The secondary objective is to create a portfolio structure which will experience minimal volatility during economic cycles. This may be accomplished by purchasing high quality, short-to-medium-term securities that will complement each other in a ladder structure.
- B. Investment strategies for debt service funds shall have as the primary objective to ensure that investments mature as necessary to cover the debt service obligation on the required payment date.
- C. Investment strategies for debt service reserve funds shall have as their primary objective the ability to generate a dependable revenue stream to the appropriate fund from securities with a low degree of volatility. Except as may be required by the bond ordinance specific to an individual issue, securities should be of high quality, with short-to-medium-term maturities.

XXII. Monthly Reporting

The Investment officer shall submit a monthly report to the City Manager and the City Council summarizing the results of the City's investment activity. This report will include:

- A listing of individual securities held at the end of the reporting period.
- Unrealized gains or losses resulting from appreciation or depreciation by listing the beginning and ending book and market value of securities for the period.
- Additions and changes to the market value during the period.
- Average weighted yield to maturity of portfolio.
- Listing of investments by maturity date.
- Fully accrued interest for the reporting period.
- The percentage of the total portfolio which each type of investment represents.
- A signed statement by the investment officers certifying compliance with state law and the investment strategy and policy approved by the City Council.

The monthly reports shall be formally reviewed by the City's independent auditor on an annual basis and the results of the review shall be reported to City Council if investments are other than money market mutual funds, investment pools or accounts offered by the City's depository bank in the form of CD's, or money market accounts or similar accounts. (Section 2256.023, (d), Government Code).

XXIII. Marking to Market

Market value of all securities in the portfolio will be determined on a monthly basis and included in the monthly financial report. The market value of the securities is to be provided by the City's depository or some other recognized market-pricing source.

XXIV. Internal Control

The City of Lake Jackson, in conjunction with its annual financial audit shall perform a compliance audit of management controls on investments and adherence to the City's investment policy (Section 2256.005 (m), Government Code).

XXV. Investment Policy Adoption

The City of Lake Jackson's investment policy shall be adopted annually by resolution of the City Council (Section 2256.005, Government Code). The policy shall be reviewed annually by the City Council and any changes or modifications must be approved by the City Council as set forth in Section 2256.005 of the government Code.

INVESTMENT POLICY CERTIFICATION FORM
As required by Texas Government Code 2256.005(k)

City of Lake Jackson, Texas

This certification is executed on behalf of the City of Lake Jackson (the Investor) and _____ (the Business Organization) pursuant to the Public Funds Investment Act, Chapter 2256, Texas Government Code (the Act) in connection with investment transactions conducted between Investor and the Business Organization.

The undersigned Qualified Representative of the Business Organization hereby certifies on behalf of the Business Organization that:

1. The undersigned is a Qualified Representative of the Business Organization offering to enter an investment transaction with the Investor as such terms are used in the Public Funds Investment Act, Chapter 2256, Texas Government Code and
2. The Qualified Representative of the Business Organization has received and reviewed the Investment Policy furnished by the Investor and
3. The Qualified Representative of the Business Organization has implemented reasonable procedures and controls in an effort to preclude investment transactions conducted between the Business Organization and the Investor that are not authorized by the entity's investment policy, except to the extent that this authorization is dependent on an analysis of the makeup of the entity's entire portfolio or requires and interpretation of subjective investment standards.

Qualified Representative - (signature)

(Printed Name)

(Financial Institution, Business Organization)

SWORN AND SUBSCRIBED BEFORE ME, this the _____ day of _____, 2019.

Notary Public in and for the State of Texas.