



*** PUBLIC NOTICE ***

**NOTICE OF A CITY COUNCIL REGULAR SESSION IMMEDIATELY FOLLOWING
A WORKSHOP SESSION
OF THE CITY OF CORINTH**

**Thursday, January 9, 2020, 5:45P.M.
CITY HALL - 3300 CORINTH PARKWAY**

CALL TO ORDER:

WORKSHOP BUSINESS AGENDA

1. Hold a discussion and consider the date and time of the city council meetings.
2. Hold a discussion and provide staff direction relative to the establishment of a Youth Advisory Council (YAC).
3. Hold a discussion regarding cyber security training-phishing.
4. Discuss Regular Meeting Items on Regular Session Agenda, including the consideration of closed session items as set forth in the Closed Session agenda items below.
5. Receive a Presentation, hold a discussion and give staff direction regarding the Lake Cities Fire Department.

ADJOURN WORKSHOP SESSION

***NOTICE IS HEREBY GIVEN** of a Regular Session of the Corinth City Council to be held at Corinth City Hall located at 3300 Corinth Parkway, Corinth, Texas. The agenda is as follows:

CALL TO ORDER, INVOCATION, PLEDGE OF ALLEGIANCE & TEXAS PLEDGE:

"Honor the Texas Flag: I pledge allegiance to thee, Texas, one state under God, one and indivisible".

CONSENT AGENDA

All matters listed under the Consent Agenda are considered to be routine and will be enacted in one motion. Should the Mayor, a Councilmember, or any citizen desire discussion of any Item that Item will be removed from the Consent Agenda and will be considered separately.

1. Consider and act on minutes from the October 17, 2019 Workshop Session.

2. Consider and act on minutes from the October 17, 2019 Regular Session.
3. Consider and act on a resolution reviewing and approving the Investment Policy for funds for the City of Corinth; and providing an effective date.
4. Consider and act on a resolution reviewing and approving the Investment Policy for funds for the Economic Development Corporation; and providing an effective date.
5. Consider and act on a resolution reviewing and approving the Investment Policy for funds for the Crime Control & Prevention District; and providing an effective date.

CITIZENS COMMENTS

In accordance with the Open Meetings Act, Council is prohibited from acting on or discussing (other than factual responses to specific questions) any items brought before them at this time. Citizen's comments will be limited to 3 minutes. Comments about any of the Council agenda items are appreciated by the Council and may be taken into consideration at this time or during that agenda item. Please complete a Public Input form if you desire to address the City Council. All remarks and questions addressed to the Council shall be addressed to the Council as a whole and not to any individual member thereof. Section 30.041B Code of Ordinance of the City of Corinth.

BUSINESS AGENDA

6. Receive a presentation and hold a discussion regarding boat and RV parking survey.
7. Consider and act on an appointment of Place 5 of the Planning and Zoning Commission.
8. Consider and act on a resolution adopting a Debt Management and Continuing Disclosure Policy for the City of Corinth.
9. Consider and act on a resolution approving the Climate Resiliency and Financial Stability Policy for the City of Corinth and providing an effective date.

COUNCIL COMMENTS & FUTURE AGENDA ITEMS

The purpose of this section is to allow each councilmember the opportunity to provide general updates and/or comments to fellow councilmembers, the public, and/or staff on any issues or future events. Also, in accordance with Section 30.085 of the Code of Ordinances, at this time, any Councilmember may direct that an item be added as a business item to any future agenda.

CLOSED SESSION

The City Council will convene in such executive or (closed session) to consider any matters regarding any of the above agenda items as well as the following matters pursuant to Chapter 551 of the Texas Government Code.

Section 551.071. (1) Private consultation with its attorney to seek advice about pending or contemplated litigation; and/or settlement offer; and/or (2) a matter in which the duty of the attorney to the government body under the Texas Disciplinary Rules of Professional Conduct of the State of Texas clearly conflicts with chapter 551.

Section 551.072. To deliberate the purchase, exchange, lease or value of real property if deliberation in an open

meeting would have a detrimental effect on the position of the governmental body in negotiations with a third person.

Section 551.074. To deliberate the appointment, employment, evaluation, reassignment, duties, discipline, or dismissal of a public officer or employee; or to hear a complaint or charge against an officer or employee.

Section 551.087. To deliberate or discuss regarding commercial or financial information that the governmental body has received from a business prospect that the governmental body seeks to have locate, stay, or expand in or near the territory of the governmental body and with which the governmental body is conducting economic development negotiations; or to deliberate the offer of a financial or other incentive to a business prospect.

After discussion of any matters in closed session, any final action or vote taken will be in public by the City Council. City Council shall have the right at any time to seek legal advice in Closed Session from its Attorney on any agenda item, whether posted for Closed Session or not.

RECONVENE IN OPEN SESSION TO TAKE ACTION, IF NECESSARY, ON CLOSED SESSION ITEMS.

ADJOURN:

Posted this 3rd day of January, 2020 at 11:30 a.m. on the bulletin board at Corinth City Hall.

Kimberly Pence
Kimberly Pence, City Secretary
City of Corinth, Texas

WORKSHOP BUSINESS ITEM 1.

City Council Regular and Workshop Session

Meeting Date: 01/09/2020
Title: Council Date Discussion
Submitted For: Bob Hart, City Manager **Submitted By:** Bob Hart, City Manager
City Manager Review: Approval: Bob Hart, City Manager
Strategic Goals: Citizen Engagement & Proactive Government

AGENDA ITEM

Hold a discussion and consider the date and time of the city council meetings.

AGENDA ITEM SUMMARY/BACKGROUND

The city charter is silent as to the requirements of the city council meetings with the only reference being found in Section 3.06:

At all meetings, three (3) Councilmembers shall constitute a quorum for the purpose of transaction of business. The Mayor shall not be counted in the determination of a quorum.

Ordinance section 30.055 establishes the regular meeting dates and times as the first and third Thursday of each month at 7:00 p. m.

A discussion item has been paced on the agenda to discuss changing the meeting days and times at the request of Councilmember Henderson. The following points are provided to assist with your discussion:

- City councils typically meet one, two or four times per month.
- City Councils commonly meet on Monday, Tuesday or Thursday evenings; however, a few meet during the work day, i.e., at 9:00 am, 1:00 pm or 3:00 pm.
- Current boards meet on the following schedule:
 - EDC 1st Monday
 - P&Z 4th Monday
 - KCB 3rd Tuesday
 - Ambassadors 2nd Tuesday
 - P&R as needed
 - Ethics as needed
- Regional TML meetings are conducted on the 1st Thursday of each quarter
- Municipal Court meets on Tuesday (full day) and Thursday mornings.
- North Texas Commission meets on the 3rd Thursday of each quarter
- Need to be cognizant of the DCTA Board and the NCTCOG Board meeting days
- Need to be cognizant of the 30- day window for plats and subdivision approvals relative to the Planning and Zoning and Council meeting schedules.
- Mondays are complicated by Monday holidays – Presidents Day, MLK day, Memorial Day, Labor Day
- Ensure the presence of the city attorney. Our attorney, Patricia Adams, has other city meetings on the 2nd and 4th Mondays: and the 1st, 2nd and 3rd Tuesdays.

RECOMMENDATION

N/A

WORKSHOP BUSINESS ITEM 2.

City Council Regular and Workshop Session

Meeting Date: 01/09/2020
Title: Youth Advisory Commission
Submitted For: Bob Hart, City Manager **Submitted By:** Kim Pence, City Secretary
City Manager Review: Approval: Bob Hart, City Manager
Strategic Goals: Citizen Engagement & Proactive Government

AGENDA ITEM

Hold a discussion and provide staff direction relative to the establishment of a Youth Advisory Council (YAC).

AGENDA ITEM SUMMARY/BACKGROUND

Many communities across the country have established youth advisory councils (YAC). A youth advisory council can be considered a body of young people who provide counsel and support to organizations and governing bodies and create and participate in a variety of projects and community initiatives. The charge of a YAC should be to advise the city council and staff on youth-related topics and issues and to being ambassadors for the city organization. These ambassadors engage their community, show leadership, and work together to spread the city’s vision. Each council is driven by a unique vision that is enhanced by the addition of youth leadership.

The establishment of a YAC in Corinth can be challenging in that the city is served by four high schools (Lake Dallas, Ryan, Guyer and the Corinth Classical Academy) and a homeschool network. Further, the City of Lake Dallas recently created a YAC with Lake Dallas High School allowing for membership from any of the four lake cities.

Both the Texas Municipal League and the National League of Cities encourage and facilitate YAC's within their organizations. TML sponsors an annual training session/conference for YAC's.

RECOMMENDATION

Recommendation is at Council's discretion.

Attachments

Youth Advisory Guide

Youth Advisory Commissions

Updated January 2017

What is a YAC?

Every city, regardless of its size or location, shares a common resource—arguably its greatest resource—its youth. Creating safe and enriching environments that our children can thrive in is really what it is all about. Moving beyond satisfying these core needs, your city can also tap in to youth perspective, creativity, and energy by creating a youth advisory commission (YAC).

There are dozens of YACs operating across the state, each with their own personality. Some focus on community service, others concentrate on peer involvement, and some operate as mini-city councils that deliberate issues and make recommendations. All give youth a voice and a stake in their city government.

YACs provide cities with energetic volunteers for civic projects, give city leaders a fresh viewpoint on issues challenging our cities, and create a sense of accomplishment for our youth.



Borger Youth Advisory Council, February 2014

From City of Muleshoe Youth Advisory Council Commitment Pledge:

The goal of the Muleshoe Youth Advisory Council is to develop a group of youth leaders who are committed to learning about local government and the roles youth can have in it. Muleshoe YAC will also learn to make a difference in our community and the lives of other youth, recognizing their voice and using it and representing other youth in the City of Muleshoe. Time, effort, and commitment are involved.

From the Lake Jackson Youth Advisory Commission flyer:

Why should I join YAC?

- *Be a voice for the youth of Lake Jackson*
- *Meet new people*
- *Have fun*
- *Volunteer in the community*
- *Be involved in city activities by being a part of the city*

Benefits

The benefit of YACs works both ways. Youth have an outlet to affect change in their community and have a place to interact with their peers and adults on issues of importance to their community. On the flip side, the city creates an outlet to not only engage youth but to harness their energy and ideas.



Rockwall Youth Advisory Council, February 2014

YAC Projects

YACs are involved in a number of projects in their communities. Below is a short sampling of successful projects that YACs have performed. We encourage you to get creative and help us add to this list.

- Advise the city council on teen-related issues (Bryan, Burleson, Flower Mound, Kyle)
- Movie in the park (Muleshoe)
- School supply give away program (Port Arthur)
- Family fun night (Cedar Hill)
- Hip hop summit (DeSoto)
- 5K run to support a charity (Muleshoe)
- Fun and educational lock-in (Arlington)
- Learn about all areas of city government (North Richland Hills, Rockwall, Borger, Muleshoe)
- Create luminaries for Relay for Life (Killeen)
- Fundraising and item drive for those in need (Belton, Killeen, Pearland)

- Adopt-a-roadway (Killeen)
- Teens in the drivers seat campaign (Garland)
- Partner with the city's local chapter of Keep Texas Beautiful (Lake Jackson, Killeen)
- Holiday events (Easter Hunt, Tree Lighting, Christmas Carnival, etc.) (Cedar Killeen, Lake Jackson, University Park)
- Reports/presentations to city council (Borger, Burleson, Rockwall, University Park)
- Intern with city officials (Borger)
- Four community service projects a year (Arlington)
- Annual teen talk event (Garland)
- Black history talent show (Abilene)
- Mock city council meetings (Muleshoe)
- Youth engagement awards program (Grand Prairie)
- Photo projects (DeSoto)
- Annual youth conference (Killeen)
- Teen survey (Baytown)
- Advocate a municipal issue before state legislative leaders (Borger)
- Assist at city festivals/events (University Park)
- Provide training to YAC members (college prep, leadership, teamwork, diversity training, healthy habits, professional image) (Port Arthur, Rockwall)
- Career fest (Austin)
- Host a prom for senior citizens or a father-daughter dance (Copperas Cove)
- Civic literacy event (Fort Worth)
- Assist with city-wide clean-up and/or recycling efforts (University Park)

- Volunteer at various local organization (Killeen, University Park)
- Join forces with local schools on projects (Hutto)
- Improve speaking and presentation skills (Borger)
- Network with other youth (Bryan)
- Develop public service announcements on issues of importance to youth (Garland)
- Host the Texas Youth Advisory Commission Summit (Garland, Killeen, DeSoto, Port Arthur, Rockwall, Pearland)

How to Form a YAC

Get buy in and feedback from your youth. Talk with the youth in your community. Ask them if a youth commission would be an appropriate forum for their participation.

Back it up on paper. Work with your youth to develop YAC bylaws. These bylaws should outline the duties and responsibilities of the commission. Several YACs have also been established by city ordinance as well.

Keep it going. Maintaining your YAC requires an enthusiastic champion within city hall and a plan for recruiting new members. Your adult leader/cheerleader will need to take an active role in recruitment—whether it is reaching out to local schools, holding an open house at city hall, or tapping current members to recruit their peers.



Abilene's Carver Youth Council, February 2014

How TML Can Help

The formation of youth advisory commissions in cities across the state is a priority of the Texas Municipal League (TML) Board of Directors. In 2003, then-TML President Jackie Levingston championed the issue, and today more than 45 Texas cities have programs that involve youth. This initiative provides cities with energetic volunteers for civic projects, gives city leaders a fresh perspective on issues challenging our cities, and creates a sense of accomplishment for our youth.

The sky is the limit in regards to the types of projects your YAC can undertake. A great way for adult leaders and youth to connect to new ideas and spark innovation is to meet with other youth groups. TML has two terrific outlets to do just that.

1. Join the YouthNet Listserv at www.netqa.org/youthnet.

The YouthNet listserv is an easy way to collaborate on youth-focused city initiatives, projects, and issues. YouthNet is a complimentary service open to all TML member city officials.

2. Attend the annual Texas Youth Advisory Commission Summit. TML is proud to sponsor an annual youth summit. The first Texas Youth Advisory Commission Summit was held in Woodway in 2001. Nearly 50 city officials and youth leaders attended the summit.

In 2003, the TML board approved the sponsorship of the YAC summit. This commitment continues today as well as the summit's success. More recently, the 2014 summit in Rockwall attracted 302 participants from 29 cities, and the 2015 summit in Killeen attracted 305 participants from 22 cities.

Over the years, participants have been exposed to exciting careers (from lawmakers to film-makers), have heard from inspiring speakers, have forged lasting friendships, have exchanged ideas, have served those in need through a variety of community service projects, and have had fun.

For more information about the upcoming annual summit (which is usually held in February), go to www.yacsummit.org.

YACs in Texas

Why reinvent the wheel? Reach out to existing YACs for example mission statements, recruitment materials, guidelines, applications, meeting agendas, meeting minutes, and project descriptions.

[Abilene's Carver Youth Council](#)

[Arlington Mayor's Youth Commission](#)

[Austin Youth Council](#)
[Baytown Youth Advisory Commission](#)
[Belton Youth Advisory Commission](#)
[Borger Youth Advisory Council](#)
[Bryan Youth Advisory Commission](#)
[Burleson Mayor's Youth Council](#)
[Cedar Hill Mayor's Youth Council](#)
[Cibolo Youth Council](#)
[Copperas Cove Youth Advisory Council](#)
[DeSoto Youth Advisory Council](#)
[Flower Mound Youth Action Council](#)
[Fort Worth Youth Advisory Board](#)
[Frisco Mayor's Youth Council](#)
[Garland Youth Council](#)
[Georgetown Youth Advisory Board](#)
[Grand Prairie Youth Council](#)
[Houston Mayor's Youth Council](#)
[Hutto Youth Advisory Task Force](#)
[Irving Youth Council](#)
[Jacinto City's Youth Council](#)
[Kennedale Youth Advisory Council](#)
[Killeen Youth Advisory Commission](#)
[Kyle Area Youth Advisory Council](#)
[Lake Jackson Youth Advisory Commission](#)
[Lancaster Youth Advisory Committee](#)
[Laredo Youth Council](#)
[Missouri City Mayor's Youth Commission](#)
[Muleshoe Youth Advisory Council](#)
[North Richland Hills Youth Advisory Committee](#)
[Pearland Youth Action Council](#)
[Port Arthur Youth Advisory Council](#)

[Rockwall Youth Advisory Council](#)

[San Antonio Youth Commission](#)

[San Marcos Youth Commission](#)

[Sugar Land Mayor's Youth Advisory Council](#)

[University Park Youth Advisory Commission](#)

[Waco Youth Council](#)

[Wylie Youth Council](#)

[National League of Cities Youth Education and Families](#)

For more information about YACs and the YAC Summit, contact Gray Bulman (gray@tml.org, 512-231-7406) or Rachael Pitts (rpitts@tml.org, 512-231-7472).

WORKSHOP BUSINESS ITEM 3.

City Council Regular and Workshop Session

Meeting Date: 01/09/2020
Title: Cyber Security Training - Phishing
Submitted For: Kim Pence, City Secretary **Submitted By:** Kim Pence, City Secretary
City Manager Review: Approval: Bob Hart, City Manager
Strategic Goals: Citizen Engagement &
Proactive Government
Organizational Development

AGENDA ITEM

Hold a discussion regarding cyber security training-phishing.

AGENDA ITEM SUMMARY/BACKGROUND

The staff has initiated cybersecurity training for all employees including phishing periodically tests sent to each employee. Those employees that do not pass must redo their training. This training and testing has not been extended to council and board members. The most severe concern is a ransom ware attack costing the city in excess of one million dollars.

The discussion is whether or not to extend the training and phishing awareness testing to the council and board members.

RECOMMENDATION

To include council and board members in cybersecurity training.

WORKSHOP BUSINESS ITEM 5.

City Council Regular and Workshop Session

Meeting Date: 01/09/2020
Title: Lake Cities Fire Department Overview
Submitted For: Bob Hart, City Manager **Submitted By:** Lee Ann Bunselmeyer, Director
City Manager Review: Bob Hart, City Manager

AGENDA ITEM

Receive a Presentation, hold a discussion and give staff direction regarding the Lake Cities Fire Department.

AGENDA ITEM SUMMARY/BACKGROUND

The Lake Cities Fire Department is a progressive organization that provides fire, rescue, and emergency medical services. The Department consists of a combination of 53 full-time firefighters, paramedics, and administrative personnel. The department currently operates out of three fire stations and a fire headquarters.

In 2016, the three cities (Hickory Creek, Lake Dallas, and Shady Shores) renewed a five-year inter-local agreement with the City of Corinth for Fire services. The **Fire** district is approximately 30 square miles with a combined population of approximately 35,000.

Staff will provide the City Council with a general overview of the Lake Cities Fire Department operations, structure, performance measures, staffing levels, and options that can position the department to best manage the community's anticipated funding requirements.

RECOMMENDATION

N/A

CONSENT ITEM 1.

City Council Regular and Workshop Session

Meeting Date: 01/09/2020
Title: October 17, 2019 Workshop Session
Submitted For: Bob Hart, City Manager
City Manager Review: Approval: Bob Hart, City Manager
Strategic Goals: Citizen Engagement & Proactive Government

Submitted By: Kim Pence, City Secretary

AGENDA ITEM

Consider and act on minutes from the October 17, 2019 Workshop Session.

AGENDA ITEM SUMMARY/BACKGROUND

Attached are the minutes from the October 17, 2019 Workshop Session. The minutes are in draft form and are not considered official until formally approved by the City Council.

RECOMMENDATION

Staff recommends approval of the October 17, 2019 Workshop Session minutes.

Attachments

Minutes

**STATE OF TEXAS
COUNTY OF DENTON
CITY OF CORINTH**

On this the 17th day of October 2019 the City Council of the City of Corinth, Texas met in Workshop Session at the Corinth City Hall at 5:45 P.M., located at 3300 Corinth Parkway, Corinth, Texas. The meeting date, time, place and purpose as required by Title 5, Subtitle A, Chapter 551, Subchapter C, Section 551.041, Government Code, with the following members to wit:

Members Present:

Mayor Heidemann
Sam Burke, Mayor Pro Tem
Scott Garber, Council Member
Tina Henderson, Council Member

Members Absent:

Kelly Pickens, Council Member
Lowell Johnson, Council Member

Staff Members Present

Bob Hart, City Manager
Kim Pence, City Secretary
Lee Ann Bunselmeyer, Finance, Administration, Communications & Marketing Director
Cody Collier, Director of Public Works
Patricia Adams, Messer, Rockefeller, & Fort
Jimmy Gregg, Police Captain
Helen-Eve Liebman, Planning and Development Director
Ben Rodriguez, Planning and Development Manager
George Marshall, City Engineer
Jason Alexander, Economic Development Corporation Director
Brenton Copeland, Technology Services Assistant Manager
Patrick Hubbard, Planning and Development, Development Coordinator

Others Present:

CALL TO ORDER:

Mayor Heidemann called the meeting to order at 5:45 p.m.

WORKSHOP BUSINESS AGENDA:

1. Receive a presentation and update on the Climate Ready Communities project.

Bob Hart, City Manager – If you remember when we did the star program, the sustainability program. A lot of the initial contact came out of some of the work with me from ICMA and with the sustainability committee. On the heels of that we made a good connection with the Geos Institute and we became a beta test site for them and some of the background on that was the bond rating agencies are starting to look at cities responses for this. This is a very easy way to do this with without costing anything other than time. Patrick Hubbard has been leading the effort with the staff.

Patrick Hubbard, Planning and Development, Development Coordinator - So we started the actual plan phase in October of last year. The beta was a year prior to that.



What is Climate Ready Communities?

- The GEOS Institute
- Climate Ready Communities Program
- Beta Test 2017-2018
- Pilot Program 2018-Present



Before we get too far ahead I just want to touch on why is this becoming more of a priority as time goes on? Here's some data from Yale University. It shows 69% of the community are concerned about the topic. About 60% are actually worried about it and about 55% think we should be more aggressive. It is consistently coming up more and more in the news being a concern of stakeholders such as bond raters, businesses looking at different locations and other factors of that nature and it tends to align up with other projects that we are doing so we get a lot of co-benefits from doing this program at a relatively low cost that aligned with many of our other initiatives.

Why Study Climate Change?

2018 Survey of Denton County Residents beliefs shows that:

- 69% believe that Climate Change is happening.
- 59% are worried about it.
- 54% believe that local officials should do more to address it.

The topic is increasingly a concern of stakeholders, credit rating agencies, businesses and partner organizations

This project intersects with many ongoing efforts (i.e. Greenbelt Preservation, Floodplain Management, Water Conservation, Emergency Preparedness, Asset Management, etc.)



To highlight some recent news is as these credit impacts, this is an article from earlier this month, a couple quotes. I won't read them to you but basically Mr. Bobby here was discussing, there's an expectation that there will be impacts on municipal bond market, next year, starting with the investors and working its way down to issuers. And stating that acting earlier, it is likely to be cheaper. And speaking directly from Moody's, Emily Raines, Vice President there, discussed that they are not just looking at the actual risk themselves that they are looking at whether or not cities are doing anything about it, whether or not they are taking it seriously.

Why Study Climate Change?

Expert Input on Upcoming Credit Impacts:

"We are about a year away from climate change beginning to affect the muni market [municipal bond market] — a little," ... "Changes on the investor side are going to happen first, [credit] ratings will come second, and issuer behavior will be a distant third."

...

"As investors get smarter about climate change risk, it will become more expensive for governments with the largest need to borrow," ... "Their costs to borrow could certainly be higher. Acting earlier is almost always cheaper."

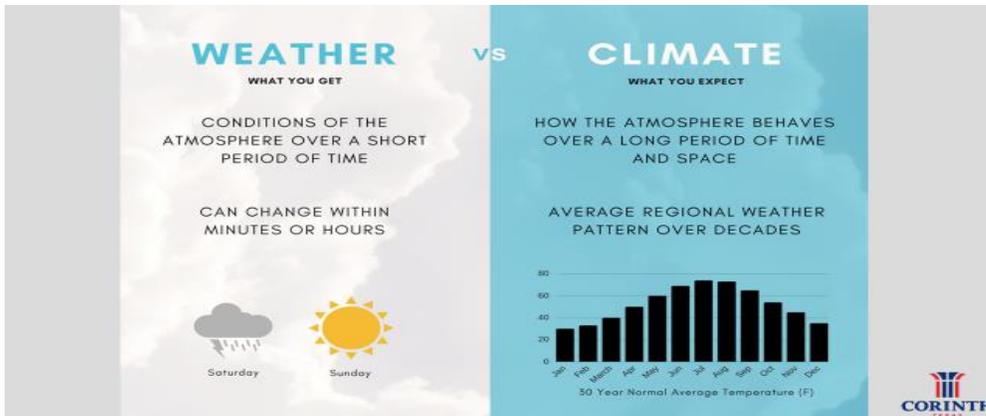
- Matt Fabian, Municipal Market Analytics (October, 2019)

"We look not just at the vulnerability of state and local governments, but their ability to manage the impact ... we'll also be looking at what these governments are doing to mitigate the impact."

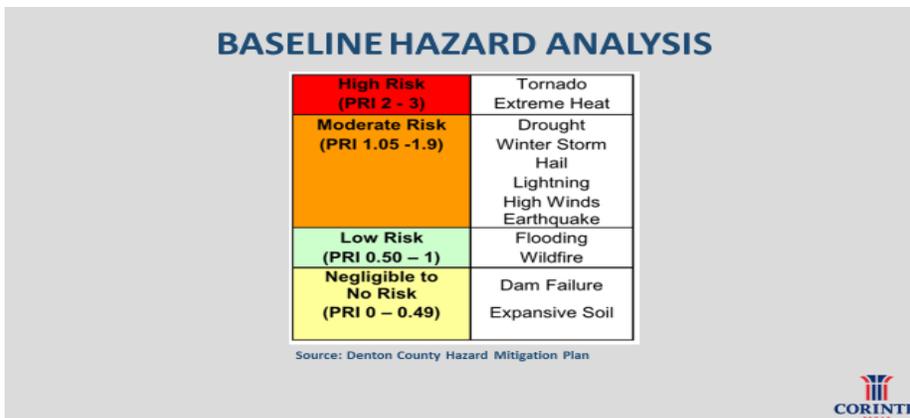
- Emily Raines, Vice President, Moody's Public Finance Group



It's important at this point to make sure they have common understanding of what the project consists of, this slide addresses that. Basically, when we talk weather and climate, people confuse them, weather is day to day climate is over a period of years. You may ask a question about weather, you might say, we will have Pumpkin Palooza on Saturday, it is going to be hot and what should you wear. If you're going ask a question about climate, it might be, what is the average date of the first frost of the year? and if it is moving further out how is that impacting anything else that might occur within the calendar.



So, the first phase of this process was actually to assess our hazards. We did that by integrating the most current data, published principally from the federal government, with respect to our existing hazard mitigation plan. I took the framework laid out by our own local professionals and overlaid the data that has most recently been published on the topic. This chart summarizes from our current hazard mitigation plan what we have previously identified to be our greatest risks.



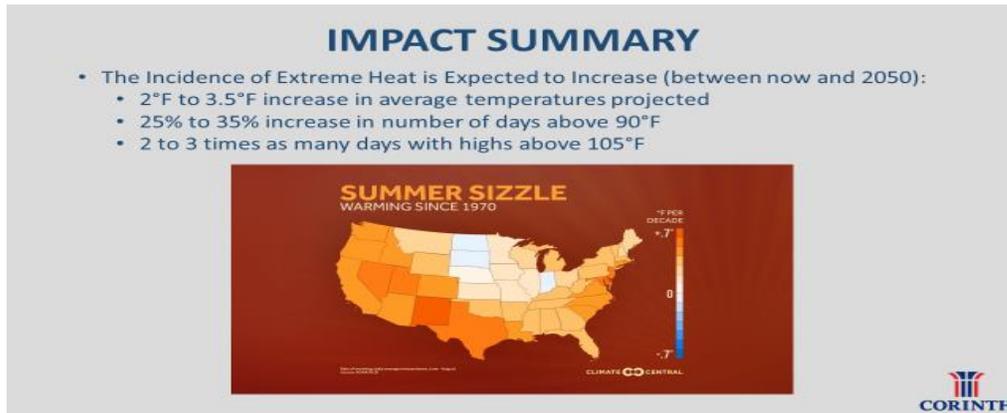
Mayor Heidemann – That data that you are showing, is that accumulated through COG?

Patrick Hubbard, Planning and Development, Development Coordinator - This is Corinth specific so this came from the Denton County hazard mitigation plan through the Corinth annex so this something that Corinth specifically put together for ourselves. It is published in our Hazard Mitigation Plan which you can access through the Denton Department of Emergency Management. I believe the Fire Department also has a copy of that. So this is our existing hazard mitigation plan.

Mayor Heidemann – Because I know that COG just appointed a committee down there of meteorologists to study this very same thing for the 16 counties that are here in North Texas.

Patrick Hubbard, Planning and Development, Development Coordinator – I will be sure to look into that. So basically the impacts that we identified, they kind of flow downstream from two basic trends that we are seeing emerge. We are seeing an increase in temperatures

estimated to be between about two degrees and three and a half degrees between now and 2050 and then of course there is a down-stream effect on the number of days, over a certain temperature, falling from fact that there is a two to three and a half percent increase. You are expecting about 25% to 30% increase in number of days above 90 degrees and two to three times as many days above 105 degrees. This chart here summarizes warming since 1970. We have been seeing close to .7 degrees per decade increase since that time as well.



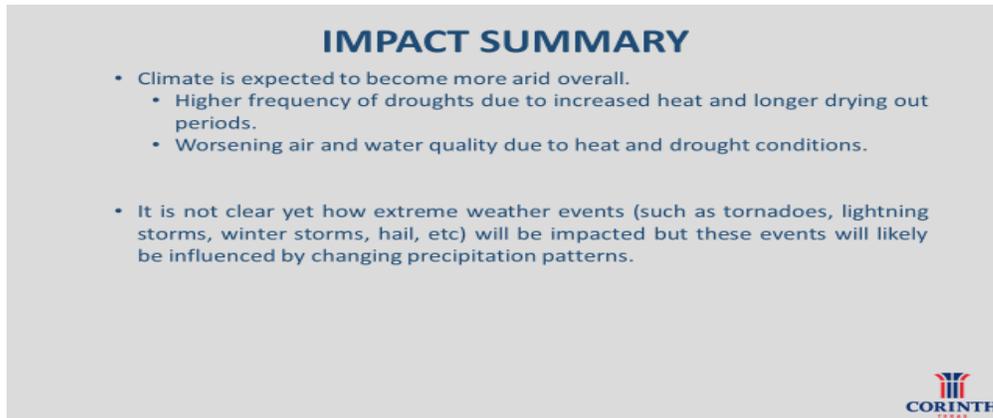
The other issue that you will see is an increasing precipitation. Rather not an increase in total precipitation increasing but an increase in the incidence of heavier storms with about the same rate of overall precipitation you are going to see basically the same amount of total precipitation events, roughly, but it is expected to be concentrated in fewer, heavier events.



We have done some preliminary analysis of how we have built our city to this point. That leads us to conclude that we have built to meet that future demand. That doesn't mean there won't ever be catastrophic flood but there is not an expectation of needing to go back and retrofit necessarily a large amount of infrastructure or anything in that sense.

To summarize the impacts of some of the more downstream effects. Basic results are moving towards arid conditions. Arid as opposed to humid, we are moving to more desert like conditions, from where we are now. With that, we have seen a higher frequency of droughts which has a propensity to create wildfires as well as impacts on water quality, water scarcity and so on. The impacts on certain extreme weather events, like tornadoes which is our highest

risk are not really certain at this point time. I mean, we understand that these things affect those types of phenomena, but there are a lot of factors that affect those things like El Nino patterns and things of that nature. So the current data is not conclusive on how exactly we expect to see a set of change and that sort of thing but there is an expectation that there will be some change.



IMPACT SUMMARY

- Climate is expected to become more arid overall.
 - Higher frequency of droughts due to increased heat and longer drying out periods.
 - Worsening air and water quality due to heat and drought conditions.
- It is not clear yet how extreme weather events (such as tornadoes, lightning storms, winter storms, hail, etc) will be impacted but these events will likely be influenced by changing precipitation patterns.



This was the baseline for which we use to carry out our workshops. We had a one day workshop, which was actually two parts. The first phase was a service vulnerability assessment, we took that data which was provided to you all and completed an assessment of how that specifically relates to sectors of our community, natural environment, economic sector, health and cultural sectors of our community. That was the first half of that workshop.



Vulnerability Assessment and Resiliency Plan Workshop

- 2 Part Workshop
 - Vulnerability Assessment Workshop
 - Related the specific changes in climate to sectors within Corinth
 - Built
 - Natural
 - Economic
 - Health
 - Cultural
 - Resiliency Plan Workshop
- Results of Workshops are to be drafted into Climate Resiliency Plan (to be presented in a future meeting)

 Leading the way to climate change solutions that matter



And the second part was actually to identify the likely problems are, identify how they specifically relate to us and the third phase is what we are going to do about it. We have started working on a resiliency plan which is what we are currently preparing and from that workshop, and I apologize, I am going to read these to you because I want to make sure I go through them. We had some preliminary results that I am going to go through. Our workshop participants which consists of several people in this room, as well as some other departments and folks from the community as well, are concerned with making sure that we have the infrastructure maintenance in place to meet changes as they occur. They are concerned about the increased incidence of heat related illness, environmental disasters, which might impact emergency operations. There is concerned about water scarcity, which also has effects on

water and air quality, that has been discussed in what is provided, you see an increase in ozone, see increase algal blooms which is something that was brought up by Upper Trinity at the event, things of that nature that could have long term effects on water quality as would be consistent with drought conditions as well as impacts on vegetation and wildlife and an increasing cost of living and doing business stemming from having to address all the various issues.

Preliminary Workshop Results

- Workshop participants are concerned about the impact of changes on:
 - Infrastructure Maintenance (including public facilities and utilities)
 - Increased incidence of heat related illness and environmental disasters impacting emergency operations
 - Water scarcity
 - Negative impacts on air and water quality
 - Negative impacts on vegetation and wildlife
 - Increased cost of living and doing business



Strategies that we generally grouped here to address this really consists, thankfully, a lot of things we have already kind of got the ball rolling on, which is investment in green infrastructure, emergency management preparedness, green development standards, asset management planning, environmental planning and education for our community, make sure that people understand things about water conservation for example, solar power and decentralization of our power grid, working to make sure we have some resiliency there so we are not dependent entirely, improvements to diversify and make our town vibrant, so we are resistant to particular shocks that may affect certain sectors and heat safety and health initiatives to minimize heat related illnesses. That is where we are at on this, we are working out the draft resiliency plan. We are shooting for towards the latter half of the first quarter of 2020 calendar for completion of that.

Preliminary Workshop Results

- Workshop participants suggested addressing these concerns through:
 - Green Infrastructure
 - Emergency Management and Preparedness
 - Green Development Standards
 - Asset Management Planning
 - Environmental Planning and Education
 - Solar Power and Decentralization of the Power Grid
 - Improvements in Economic Diversity and Vibrancy
 - Heat Safety and Health Initiatives



Mayor Heidemann – Very good, any questions from Council?

Bob Hart, City Manager –We should get a copy of what you've done today to Edith.

George has her contact information.

Patrick Hubbard, Planning and Development, Development Coordinator – I have been in communications with some of the folks there, I will check on Edith as well.

Mayor Heidemann – I know we just approved several meteorologists just for this reason.

2. **Discuss Regular Meeting Items on Regular Session Agenda, including the consideration of closed session items as set forth in the Closed Session agenda items below.**

There was no discussion on the Regular Session agenda items.

3. **Receive a presentation and discuss the Tax Increment Reinvestment Zone (TIRZ) and the Transit Oriented Development (TOD) District.**

Bob Hart, City Manager – We talked about this at the last meeting, I wanted to circle back after our visit with Hugh Coleman and make sure everyone is on the same page as we move forward. We are down to about a six week window to bring all of this together. As a reminder, we have about 995 acres involved. I will talk about the TIRZ and the TOD area recognizing that everything is within the TIRZ but I am separating them for the ease of conversation here. So the TIRZ is everything in the TIRZ outside the TOD and then the TOD. We are looking at 36 years and it would generate about 124 million dollars. That is based on the assumption that the city's in and 50% and the county is in at 100%. If you remember Hugh's comment, they don't have any money to put in at the front end but we ought to be looking at 100%. So we have gone back and rerun the numbers, based on that so that is why we have to go back and have that conversation. Total of about 124 million, ours is about 74 million so that leaves the county roughly with 50 million being in from that perspective.

OVERVIEW

- The Tax Increment Reinvestment Zone (TIRZ) spans approximately 995 acres and includes an emerging Transit Oriented Development (TOD) District in Corinth's core
- The term of the TIRZ is for 36 years and is projected to generate \$124,374,355 in revenue and assuming that Denton County participates at 100 percent and the City participates at 50 percent:
 - Denton County and the City will participate in projects inside the TOD
 - The City will participate in projects outside the TOD
 - The City's participation at 50 percent is projected to be \$74,286,748

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The TOD projects, this is really what we would be focusing on, what is within the TOD and where you would see the county dollars flow. So that as we are talking, whether you do the TIF or whether you just put the money in for projects, that way we can be flexible and swing back and forth. All of these will look familiar, same projects, same dollars.

The two that are critical, that we do quickly will be the North Corinth Street realignment and building NCTC Way and that allows us to eliminate the crossings at Walton and North Corinth

Street. Everything else flows from the plan that Paris Rutherford did which deals with Main Street, Hospital Drive, Lion, rebuilding Walton and so forth. We have also included the parking facilities that are related to this, both surface parking that you have to have to make the TOD work with the rail stop. The land acquisition that would deal with the right of way, with the park and so forth to make that TOD happen. The park pavilion, the open space. We included Shady Shores in that and Old 77, rebuilding that. That is what we defined as the limits of the TOD boundary.

If you remember, we have broken out this notion of the TOD funding as our contributions into DCTA. There is a three year commitment that we wanted to go to COG to get help on and then we have 33 years that we still have to put in on this and then we have some drainage. The drainage is all related to the development across the street with Corinth Parkway, with the open space and so forth. That is what we would have there. We would have the county participation and the city's participation into the TOD and it puts us at about 96 million, so that would be the basis of when we start having those conversations.

TIRZ (TOD) PROJECTS

N. Corinth Street From NCTC To Corinth Pkwy	\$ 4,242,500
NCTC Way From Frontage (I-35E) To N. Corinth St	\$ 2,421,250
Main St From Corinth Pkwy To NCTC	\$ 2,801,750
Corinth Pkwy Narrowing From Main St To Hospital Dr	\$ 316,250
Hospital Drive From Lion Blvd To Corinth Pkwy	\$ 3,287,938
Walton Dr From North Corinth St to Shady Rest	\$ 5,205,750
Lion Blvd - From N. Corinth St to Main St	\$ 2,058,063

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Lion Blvd - From N. Corinth St to Main St	\$ 2,058,063

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TIRZ (TOD) PROJECTS – CONT'D

Annual rail operations (\$850,000/year – 33 years)	\$ 28,050,000
Drainage From Corinth Pkwy To I-35E	\$ 1,147,125
Drainage From Walton To Lynchburg (Main Channel)	\$ 1,147,125

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TIRZ (TOD) PROJECTS – TOTAL

Requested County TOD Participation ⁽¹⁾	\$ 57,199,017
City TOD Participation	\$ 38,740,270
TOTAL TOD PROJECTS	\$ 95,939,287

⁽¹⁾ **Note:** The County's participation in the TIRZ (TOD) Projects is capped at \$57,199,017.

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The TIRZ projects, this is everything outside the TOD. The same that we have been talking about, the Dobbs/Lake Sharon alignment, Tower Ridge. Let me go back to Dobbs and Lake Sharon. We told Hugh we wanted the political support with the overpass. John Polster has been working on that, the mayor signed the letter that went over the other day that was well received and George was over there this morning meeting and that bridge overpass is the next project up on the list. George was at the county's road coordination meeting that Hugh Coleman has.

George Marshall, City Engineer – John Polster is everything transportation related to the whole region. He said there was basically 80 million dollars available and that project is about 40.

Bob Hart, City Manager – That is a real positive part of all of this, then everything else is everything we have been talking about, Tower Ridge, Lake Sharon, the water tower, Park Ridge and so on, no changes it is how we have allocated them.

We looked at trying to anticipate some of the issues with Realty Capital and then administrative costs to deal with the TIFF. Outside of the TOD, the TIRZ component, no county participation and that is where we have 35 million in. When we sit down and start talking with the county commissioners we start laying out, one is we have good contributions in within the TOD and then we have all the contributions in on the balance of the TIFF so we

will put more money in than the county.

TIRZ PROJECTS

Quail Run Realignment From Dobbs/Lake Sharon To Frontage (I-35E)	\$	2,543,750
Tower Ridge Drive From Cliff Oaks To FM 2181	\$	1,344,063
Lake Sharon/Dobbs From Tower Ridge To Quail Run	\$	4,910,000
Parkridge From Church to Lake Sharon Dr	\$	9,724,313
Parkridge/Long Lake From FM 2181 South (Wastewater)	\$	1,725,000
Water Tower Near CoServ	\$	4,197,500
Riverview From Fairview To Frontage (I-35E)	\$	1,328,250

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TIRZ PROJECTS – CONT'D

Garrison Street From Frontage (I-35E) To Cliff Oaks Dr	\$	2,609,063
Offsite Water From I-35E to Water Tower	\$	1,063,750
Economic Development Grants/Parking Structure (Realty Capital Development)	\$	4,792,742
Administrative Costs	\$	1,308,047

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TIRZ PROJECTS – TOTAL

Requested County Outside TOD Participation	\$	-0-
City, Outside TOD Participation	\$	35,546,478
TOTAL TOD PROJECTS	\$	35,546,478

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This is where we are standing overall.

TOTAL FOR ALL TIRZ / TOD PROJECTS

TIRZ (TOD) Projects	\$ 95,939,267
TIRZ Projects	\$ 35,546,478
Rail Stop Construction (Political Support)	To Be Determined
TOTAL FOR ALL PROJECTS	\$ 131,485,765
LESS PROJECTED REVENUES	\$ 124,374,355
ADDITIONAL FUNDING REQUESTED	(\$ 7,111,410)

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Here is the financial assumptions, from our standpoint we have to generate sales tax from economic development so all of this TIRZ business, we have to get sales tax revenue in. What we are looking at here is a transit stop would be considered as a project, under the economic development, that is pretty crucial, which means that we could use the EDC half sales tax to pay for our share of the funding for DCTA. I think that is going to become important because what everybody is looking for right now from us, Denton and Lewisville in particular is how Corinth is going to generate money out of this TIRZ to make this thing fly. I mean they want to be able to be confident that money is there. By taking this approach, and taking the EDC money and setting it over there, then you are assured of having the half cent sales tax dedicated for that funding and that takes that issue off the table.

FINANCIAL ASSUMPTIONS

- TIRZ must generate sales tax revenues through economic development
- The transit stop is considered a "project" as defined by the Development Corporation Act
- The CEDC will use its ½ cent sales tax to fund the transit stop
- The Fire District Election in May – ¼ cent sales tax revenue
- Allow the Street Maintenance Fund to lapse
- While the CEDC is building a fund balance, it will use its authority as a Type B corporation to fund street improvements

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FINANCIAL ASSUMPTIONS – CONT'D

2020	2021	2022	2023	2024
\$ -0-	\$ -0-	50% (NCTCOG)	100% (NCTCOG)	100% (NCTCOG)
2025	2026	2027	2028	2029
50% (NCTCOG) 50% (CEDC)	100% (CEDC)	100% (CEDC)	100% (CEDC)	100% (CEDC)
2030	2031	2032	2033	2034
100% (CEDC)	100% (CEDC)	100% (CEDC)	100% (CEDC)	100% (CEDC)

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Sam Burke, Mayor Pro Tem - I think so, they have been contributing a half cent sales tax since it started and they don't want any free riders. And so, the discussion has been very loose at this point at DCTA but they want some mechanism for funding a contribution,

Scott Garber, Council Member – What is a half cent?

Bob Hart, City Manager – About \$850,000, it covers it. In the next slide or two I will be able to lay that out a little better.

Tina Henderson, Council Member – But we are saying that we have to generate sales tax revenue through economic development but if we put all of our economic development money in the transit stop, we have no money to help create economic development.

Bob Hart, City Manager – We can take money out of the TIFF to do that and I will address that in just a second.

Bob Hart, City Manager – Now the next thing is, we would recommend we do the fire district election in May like we have talked about but we allow the quarter cent street maintenance sales tax to lapse so that would go away. Then our sales tax would be a quarter for police, a quarter for fire and a half for EDC.

Sam Burke, Mayor Pro Tem – The committed portion of our sales tax does not go up?

Bob Hart, City Manager – That is right, it is already maxed out.

Mayor Heidemann – Does that lapse the same time as the election?

Bob Hart, City Manager – It would lapse and it would lapse at the end of September of next year, when the fire would start up.

Tina Henderson, Council Member – Please excuse my ignorance but if we don't have a street maintenance plan, how do we take care of our streets?

Bob Hart, City Manager – We are going to start with is using some EDC money. Because EDC is a 4B corporation, that would allow us to use money for streets, so that is kind of what we're doing here. Here is the way that we are suggesting we lay out these assumptions. We start but we do not put any money in 2020 and 2021 and then we ask COG for three years of money. Half of it we get in 2022 and then we do hundred percent from COG in 2023 and 2024 and then in 2025, which is the last half of that third year, we get 50% from COG. We have to go in and sell this to COG, they will put three years in but this is how we suggest we lay it out.

Mayor Heidemann – Is that COG or RTC?

Bob Hart, City Manager – Probably RTC.

Bob Hart, City Manager – Then we would come in, in 2025, use the last half of the COG money and then put in a quarter cent of the EDC money. That gives us five and a half years to build up the fund balance to deal with that, we also have some land sale money coming back with Realty Capital. We have a corpus of money to work with so that is how we would tend to the streets; we are using about \$130,000 a year to play with and then we would show DCTA and the members that we are putting in 100% of our contribution all from the EDC. That gives them 100% assurance that the money is there. What we'll do in the meantime, as the TIFF is growing, we can start to move and start to shift what comes out of the TIFF and what comes out of EDC. You look at all of our economic development efforts they are all going to be within the boundaries of the TIFF so I think that would make this work.

Sam Burke, Mayor Pro Tem – And then we become eligible to have a member on the DCTA board, a voting member.

Scott Garber, Council Member – Will that start in 2022 or will it start in 2025?

Sam Burke, Mayor Pro Tem – It would probably start in 2022.

Scott Garber, Council Member – So somebody is funding it on Corinth's behalf.

Sam Burke, Mayor Pro Tem – Yes, it is a half-cent sales tax or an equivalent.

Mayor Heidemann –I will defer to you, Sam, we make this presentation, is this something that we are going to have to document in a legal fashion so that both the City of Corinth sign off on it and DCTA sign off on it?

Sam Burke, Mayor Pro Tem – Defer to Patricia.

Patricia Adams, Messer, Rockefeller, & Fort – Yes

Sam Burke, Mayor Pro Tem – That is the weird part of all this, I don't know how you commit RTC or Michael Morris to it. There is going to have to be some agreement that is enforceable.

Patricia Adams, Messer, Rockefeller, & Fort – I don't understand fully the source of these funds where they say they just have money so do they have some mechanism set up to do grants or to partner in projects? I want to know their structured for the money. We have to be sure that they were structured where we can bind them.

Bob Hart, City Manager – It actually would be month to month because that is when the sales tax is remitted.

Patricia Adams, Messer, Rockefeller, & Fort – We always have to have a written document when money exchanges.

Scott Garber, Council Member – when you show 100% does that mean 100% of \$850,000? So if the economy dips a little bit it would still be 100%?

Bob Hart, City Manager – Yes, it would be 100% of the half cent sales tax, whether that is \$850, \$800 or \$900, as it fluctuates it would move, is what I would see. That is easy to track. This rail is not going to become operational, the stop will not be operational here until about 2024 so we are still generating money before the stop is actually operational. All of this is being built and going on so somewhere in this window 2023 to 2025 is when this becomes operational and we are already putting money in to make this thing happen.

Sam Burke, Mayor Pro Tem – Are we going to issue bonds to do the projects and then reimburse them out of the TIRZ?

Bob Hart, City Manager – I do not know the answer to that, that is going to be the next challenge because we have to build NCTC Way and North Corinth Street and we have to get some of the land acquisition done.

Tina Henderson, Council Member – To me, we're going to put all our money and rail stop but we are going to have nothing here for people to come because we do not have any money to bring people here. We don't have the money to do this if we can't incentivize people to come, how are we going to get people to come here?

Bob Hart, City Manager – In this period, this five year window is when we have to get the fund balance up so we do have money to work with and that is the other part of this, we have to be setting money back.

Tina Henderson, Council Member – For the next five years, we have absolutely nothing to give a business owner.

Bob Hart, City Manager – We do but we want to be careful but the objective is we are going to save as much money as we can.

Scott Garber, Council Member – What is our current fund balance in EDC?

Jason Alexander, Economic Development Corporation Director – We have 1.1 million, approximately.

Scott Garber, Council Member – And how much are we owed on the property?

Jason Alexander, Economic Development Corporation Director – About \$2.9, actually we paid that all off but we will get about \$2.9.

Scott Garber, Council Member – By the time we have to fund that 2025 there should be close to \$9 to \$10 million.

Bob Hart, City Manager – I would guess \$6 million.

Lee Ann Bunselmeyer, Finance Director - Each year even if you use some of the funds for some street maintenance projects, you will put away somewhere around \$500,000 a year into

EDC.

Tina Henderson, Council Member – But weren't we going to use some of that EDC money for Park Ridge and to buy some more property?

Bob Hart, City Manager – We can still do that because if you go back and look we still have the TIRZ stuff we have to do and we will be able to move money to make all that work. You always will be leveraging the money and some of it you will be advancing money, you have developer agreements, getting money back, so we are always going to be moving money around.

Scott Garber, Council Member – Just another point and correct me if I'm wrong but by 2026 and 2027 we would expect that sales tax would go up because development is going to be on the ground

Bob Hart, City Manager – No, it is always committed to a half cent.

Tina Henderson, Council Member – I am all for the rail stop, I am just concerned about our streets and things like that. I do not like to sacrifice anything and that is what concerns me.

Bob Hart, City Manager – The balance to that is for us to be sustainable long term, we have to get sales tax up as a percent and we have about a five year window here to make some headway.

Sam Burke, Mayor Pro Tem – We are making a place where the businesses will want to be, we won't be in a position where, we can offer you X Y or Z even though you do not really want to come here. It is that they want to be here, we are not going to have to ask or provide an incentive or as much of it.

3. **Review water meter reading software.**

Cody Collier, Director of Public Works - Back in 2016 I brought this to council and we all went with it. In November we received our first shipment and started receiving the registers and the transponders and our crews began swapping. We started noticing in early 2017 there was a problem with our transponders, the polymers were cracking; I think we talked about this in another workshop. They did a recall, RG3 came out, acknowledged the problem, retooled, changed the polymer design and got all the transponders back out. They started coming out and replacing them and then they started having some cable defects with the new system, they had a different style connector. They scrapped everything they had and developed a new style connector which is a much more durable product.

They started coming out and started replacing another thousand transponders due to the cable defect. While our crews were installing, they were coming in through warranty and removing and replacing everything that had the issue. They were doing us a great favor by doing that but in the process, they caused billing issues because the k-factor which is a multiplier factor. You have a register that sits on the meter, this register does not know if it is on a three quarter

inch meter or one inch meter and two inch meter so the k-factor is what you program into it to know if you are sitting on a two inch meter instead of a three quarter inch meter so every revolution should be more water consumption.

So that improperly charged that k-factor so what was happening was bills were getting skewed by magnitudes depending on what size they programmed them. Those were corrected and verified.

In 2018 we had about 400 registers that were moved to do the blank screens and non-reporting and 600 transponders we noticed started failing. We contacted RG3 and found out that the manufacturing company who produced the circuit boards was soldering the circuitry on it and they did not have the proper acid and washing baths on the circuit boards, the flux that was on those soldering joints is corrosive. So if it is not properly bathed and removed it starts to eat up the joints and you lose connection on the circuitry. That is what started causing the registers and our transponders to go bad.

The results of that we were seeing was about 500 rereads a month, what was happening, the transponders would collect some data and hold it, and then lose, and then it would wait until it could make the connection. The connection was spotty in between so when it would update, you see a spike in a bill. It was the consumption, the register was right, but the transponder was collecting backed up data basically because it could not connect. Those are some of the issues we were seeing, and of course we had about an eight month delay, the delay was a result specifically of all these issues.

Currently, we have about 3800 meters that are reading properties for the AMI system through the radio read which requires no one to drive by physically to look at or touch it. We have about 2700 that we are having to drive by because they do not have all the collectors up yet. We are looking at about 607 where we are having to do manual reads and there are various reasons for that, some is because of the environment it is physically sitting in, some of our meters are still in driveways, which are concrete with rebar concrete boxes and cast iron lids. We have a shipment of new lids coming in that will allow us to bring those transponders up so they can transmit out and some of the manual reads are due to failures of some of the transponders that are in the ground. The register still physically works, you can see it take a reading but it cannot transmit.

Mayor Heidemann – Does this include commercial too?

Cody Collier, Director of Public Works – Yes sir. We talked about the radio antennas, we get about 53% collected from AMI. We have 22 towers up now.

Lee Ann Bunselmeyer, Finance, Administration, Communications & Marketing Director - we have had times when we had to go in and do an adjustment because we did see those spikes. There was some faulty equipment, however this time that kind of brought everything to light and we realized that we had this massive amount of accounts because all those that were replaced in September October, those five hundred were still on the ground and they were still reporting and when they failed they were reporting a low consumption. So even though on those houses they were reporting 3000 gallons a month, 4000 gallons per

month, when it was swapped out in October, now it recorded that actual number off the registers so it would spike up and say okay you actually used 92,000 from the last time that you actually received that signal from that register. The amount of water consumption on the bills is accurate; however, the impact to the resident, is that now instead of being billed at those lower tiers in August and September, now in that October month, they are getting billed at the 1278 tier that is the 50,000 and up so that has almost tripled the water bills for them.

For us right now, with this round we have not made any adjustments yet. We are waiting until we get done with the field audits to make sure that we have every single thing confirmed and everything is accurate because we only want to adjust the accounts one time. So we do feel we have been in discovery phase for the last two weeks. We think we've got a good handle on it and we probably start making some of those corrections the first of November, into those billing cycles. The other thing that I also wanted to mention is that it was very difficult for utility billing to catch this because we were coming off of the spring months and so typically during those months your households use somewhere around 6000 to 8000 gallons consumption. So as we were going along in August and September we do high/low reports to see if there is any variances. When it finally hit our variance report is when it starts spiking up at 92,000 gallons and that is when we realized we have a problem.

Cody Collier, Director of Public Works – The other issue we ran into, we have two laptops that we're using in the field to go out and take reads to AMR or to basically interrogate a meter to get information for utility billing. We discovered one of our laptops was functioning great and was updating the second laptop, which was set up for us did not have an automatic update, it was retaining old data. In one instance we went out and interrogated a meter with this laptop and it showed it to be an improper address, so I thought it was an error that we made. I called the crew back out and brought this laptop and they put them side by side and interrogated the same meter. One showed it to be the right house, the right address, everything is correct and good. The other laptop said that it did not even belong there, it reported a reading for another one because of a foul code, I guess how the files are read in the software, it had additional lines in it. That has all been addressed and correct so now all of our laptops are functioning and updated. They all have the same software updates and downloads from Tesla so it will prevent that from happening again.

Lee Ann Bunselmeyer, Finance, Administration, Communications & Marketing Director - As far as building, when that occurred, all the months were billing correctly but that one month that they used the laptop, that house might have had a higher consumption of 40,000 so it inflated that bill so again that resident was at a higher tier, but then once they came back with the proper laptop, then it actually said okay well you use less water than actually. Overall, they billed the right amount, it's just within the wrong tier so we will be evaluating that and so for those months they came in on that laptop they will have to be going in and doing an adjustment to bill the correct volume not the right price.

Cody Collier, Director of Public Works – Another issue we ran into was due to a bad gasket, moisture can get in there and corrode the terminals and you can lose signal. This is another function that we are looking at while we are doing our audit and I would say we have had a lot of good progress this week. We actually got a lot better training from the company now and understanding how their product is supposed to work in the software they

want us to use. We believe we solved the issue and the last phase is to have RG3 come out and do a warranty recall on all these failing transponders and allow my staff to go back out and do an audit and make sure that all of our numbers and accounts match up for every single address and that should clear all the problems. That is where we are going, we are doing subdivisions first, we have to do the residential accounts, and then review all the accounts with any swaps that RG3 comes to do. We want to make sure all of our numbers still sync up and are correct.

Lee Ann Bunselmeyer, Finance, Administration, Communications & Marketing Director - As you know it is a lot of data that you have to review. We are going back a year and pulling all the consumption, all the bills and analyzing and we just have absolutely got lucky that the utility systems auditor from the City of Denton retired the week that we found this problem and so she was gracious enough to come in and help us on a temporary basis to try to work through it and she has made great progress in a week, she is really good and helped us out a lot.

Lee Ann Bunselmeyer, Finance, Administration, Communications & Marketing Director - One of the things now how to communicate with the residents. We happened to have a meeting two weeks ago with our ambassadors group. They had some great suggestions and came up with the idea to develop a web page that actually lists everything that we are doing and be very transparent on what we are finding and then advertise that so that at any time residents can go to that web page and be up to date on what neighborhood we are auditing what we are finding and so I am trying to get to Pumpkin Palooza this week and then next week we are going to start working on that website so that we can go ahead and get that advertised.

We are also going to link that to the my Corinth app that is getting a lot of downloads and so that again is just an easy mobile way for them to get their information. The other thing is on a monthly basis, we are going to start, not only advertising the web page that they can go to but if there is relevant information, making sure that we have a bill insert, because there are a lot of folks that don't get on the website or they are not mobile savvy so we want to make sure that we communicate to them as well so we are going to try to do that on a monthly basis and then also do some short updates in the monthly newsletter.

Scott Garber, Council Member – My concern is once this gets out there and we become transparent that call back into the city may increase, I would imagine more than it already has. If there was a way to search their address or to have a list of addresses, these are known issues and we are in process that may assist.

Lee Ann Bunselmeyer, Finance, Administration, Communications & Marketing Director - One of the things that I have our tech department doing is we are about to get this one system that kind of does some auto call so to speak because we had somewhere around 300 or 350 inquiries that came in within about a two to three day period. We were getting well over about 150 calls a day requesting information so we are going to create a message because we want to get back to them but it is impossible to call them all back within 24 hours. It is going to allow us to get all those numbers in and at least give them an automated call that says we received your call we are looking at your account and put some basic information just so

that we don't leave them hanging. Those that have sent us emails we will just go ahead and make sure that we respond and try to tell them we will get with them within a 30 day period due to the volumes. Our feelings are we are going through this exercise and we still have to maintain the day to day of turn-ons turn offs and so forth and so we are trying to balance that right now because it has been a little bit overwhelming.

Cody Collier, Director of Public Works – The newer product that we have in the ground that they have repaired, it is functioning and it is functioning good, it is a good product. They have bad circuit boards. You know I hate it, but that's the reality of what we're dealing with and we are getting them swapped out getting them fixed. The system when it's working, it does work great. The dashboard does what it is supposed to do. I apologize for the delay and I am sure your phones are ringing too. I am sorry for that.

Tina Henderson, Council Member – The company that we bought the transponders from, they are replacing all of them. Are our guys having to replace them? How much does this cost us as a city and in man hours and time?

Cody Collier, Director of Public Works – RG3 is sending staff out, they are having their employees do the swap out so our staff does not have to go back and replace them. Further they even had their staff come out and do meter reading for us for the last couple of months so that we can continue to take care of our business and our work orders and rereads. They have been really good about their warranty work and beyond just the product, they are really good about giving us labor giving us time, manpower.

Tina Henderson, Council Member – I appreciate what we are going to put out to our residents because I have had several phone calls and they just want to know what is going on. One lady said I keep coming up there and they keep telling me it is my problem and it wasn't. She is one of those that wants restitution. Overall, they just want to know what is going on so the more transparent we can be, the better off we are.

Lee Ann Bunselmeyer, Finance, Administration, Communications & Marketing Director - Council has to be aware that not every account had an issue so there are some people that received high water bills but it is because they used a lot of water. Once we go through and they don't get an adjustment because their usage was consistent and a lot of those who have come in, their usage is consistent. We have sent out folks to do a test, everything is fine on their accounts and they are saying that it is not and so that is some of the stuff that our staff is dealing with and once we say this is concluded and everything is done, then I am sure that you will get those angry calls.

Pumpkin Palooza, Saturday, it is supposed to be 85 degrees and sunny all day long. We have started our love my Corinth campaign and some of the swag that we are going to be giving away at our information booth. You have a packet that has a parking pass, same as the prior years, at the back by the command center so we will have a spot for you and then we also have a schedule of events in there. I'll be out there I'll have my cell phone if you need me, you can always call me.

Scott Garber, Council Member – When you say back by the command?

Lee Ann Bunselmeyer, Finance, Administration, Communications & Marketing Director – There should be a parking map.

Mayor Heidemann – Just out of curiosity when do you think you can give council another update on the progress that you are making with this?

Cody Collier, Director of Public Works – Every month or more.

Mayor Heidemann – I just want to make sure that they can answer questions if anybody calls.

Cody Collier, Director of Public Works – I think monthly is perfectly fine but I'm sure I'll work with Mr. Hart. Anytime there is a significant step, then, we will be happy to do an update too.

There was no Closed Session.

CLOSED SESSION

The City Council will convene in such executive or (closed session) to consider any matters regarding any of the above agenda items as well as the following matters pursuant to Chapter 551 of the Texas

Section 551.071. (1) Private consultation with its attorney to seek advice about pending or contemplated litigation; and/or settlement offer; and/or (2) a matter in which the duty of the attorney to the government body under the Texas Disciplinary Rules of Professional Conduct of the State Bar of Texas clearly conflicts with the Texas Open Meetings Act.

a. MCM Contract for Lake Sharon Roadway Extension.

Section 551.072. To deliberate the purchase, exchange, lease or value of real property if deliberation in an open meeting would have a detrimental effect on the position of the governmental body in negotiations with a third person.

Section 551.074. To deliberate the appointment, employment, evaluation, reassignment, duties, discipline, or dismissal of a public officer or employee; or to hear a complaint or charge against an officer or employee.

Section 551.087. To deliberate or discuss regarding commercial or financial information that the governmental body has received from a business prospect that the governmental body seeks to have locate, stay, or expand in or near the territory of the governmental body and with which the governmental body is conducting economic development negotiations; or to deliberate the offer of a financial or other incentive to a business prospect.

RECONVENE IN OPEN SESSION TO TAKE ACTION, IF NECESSARY, ON CLOSED SESSION ITEMS.

ADJOURN:

Mayor Heidemann adjourned the meeting at 7:10 p.m.

AYES: All

Meeting adjourned.

Approved by Council on the _____ day of _____, 2020.

Kimberly Pence, City Secretary
City of Corinth, Texas

CONSENT ITEM 2.

City Council Regular and Workshop Session

Meeting Date: 01/09/2020
Title: October 17, 2019 Regular Session
Submitted For: Bob Hart, City Manager
City Manager Review: Approval: Bob Hart, City Manager
Strategic Goals: Citizen Engagement & Proactive Government

Submitted By: Kim Pence, City Secretary

AGENDA ITEM

Consider and act on minutes from the October 17, 2019 Regular Session.

AGENDA ITEM SUMMARY/BACKGROUND

Attached are the minutes from the October 17, 2019 Regular Session. The minutes are in draft form and are not considered official until formally approved by the City Council.

RECOMMENDATION

Staff recommends approval of the October 17, 2019 Regular Session minutes.

Attachments

Minutes

**STATE OF TEXAS
COUNTY OF DENTON
CITY OF CORINTH**

On this the 17th day of October 2019 the City Council of the City of Corinth, Texas met in Regular Session at the Corinth City Hall at 7:00 P.M., located at 3300 Corinth Parkway, Corinth, Texas. The meeting date, time, place and purpose as required by Title 5, Subtitle A, Chapter 551, Subchapter C, Section 551.041, Government Code, with the following members to wit:

Members Present:

Bill Heidemann, Mayor
Sam Burke, Mayor Pro-Tem
Scott Garber, Council Member
Tina Henderson, Council Member

Members Absent:

Lowell Johnson, Council Member
Kelly Pickens, Council Member

Staff Members Present

Bob Hart, City Manager
Jimmie Gregg, Captain of Police
Brenton Copeland, Technology Services Asst. Manager
Helen-Eve Liebman, Planning and Development Director
George Marshall, City Engineer
Ben Rodriguez, Planning and Development Manager
Cody Collier, Public Works Director
Lee Ann Bunselmeyer, Director of Finance, Communication & Strategic Services
Jason Alexander, Economic Development Corporation Director
Patricia Adams, Messer, Rockefeller, & Fort
Kimberly Pence, City Secretary

CALL TO ORDER, INVOCATION, PLEDGE OF ALLEGIANCE & TEXAS PLEDGE:

"Honor the Texas Flag: I pledge allegiance to thee, Texas, one state under God, one and indivisible".

Mayor Heidemann called the meeting to order at 7:18 p.m., Councilmember Garber delivered the invocation and led in the Pledge of Allegiance.

CONSENT AGENDA:

All matters listed under the Consent Agenda are considered to be routine and will be enacted in one motion. Should the Mayor, a Councilmember, or any citizen desire discussion of any Item that Item will be removed from the Consent Agenda and will be considered separate

1. Consider and act on minutes from the August 22, 2019 Workshop Session.
2. Consider and act on minutes from the August 22, 2019 Regular Session.

MOTION made by Councilmember Garber to approve the Consent Agenda as presented. Seconded by Councilmember Henderson.

AYES: Burke, Garber, Henderson

NOES: None
ABSENT: Johnson, Pickens

MOTION CARRIED

CITIZEN'S COMMENTS:

In accordance with the Open Meetings Act, Council is prohibited from acting on or discussing (other than factual responses to specific questions) any items brought before them at this time. Citizen's comments will be limited to 3 minutes. Comments about any of the Council agenda items are appreciated by the Council and may be taken into consideration at this time or during that agenda item. Please complete a Public Input form if you desire to address the City Council. All remarks and questions addressed to the Council shall be addressed to the Council as a whole and not to any individual member thereof. Section 30.041B Code of Ordinance of the City of Corinth.

Danielle, Kaya, 3150 S. Garrison Street - adding to the noise in form of motorcycles starting and possible pollution to storm water by erroneous disposal of oil will interrupt the daily lives of Corinth residents at Kensington Park.

PUBLIC HEARING:

- 3. The Corinth City Council will hold a public hearing, consider testimony, and act upon a request for a zoning change from C-2, Commercial to Planned Development (PD) with a base zoning district of C-2, Commercial in order to operate a motorcycle dealership with light repairs on a 1.13 acre tract of land legally described as Kensington Park Addition, Block A, Lot 3 in the City of Corinth, Denton County, Texas, and is more commonly known as 7700 South I-35E. This property is located north of FM 2181, south of Riverview Drive, east of S. Garrison Rd. and west of IH35. (Twisted Cycles Planned Development)**

Ben Rodriquez, Planning and Development Manager - The applicant is requesting a planned development district to facilitate the use of a motorcycle dealership within the structure most recently occupied by Discount Tire.

The City's code of ordinances states that automobile sales are allowed via a Specific Use Permit, however the code is unclear as to whether or not motorcycles are included as an automobile use. Staff reviewed other motorcycle uses currently within the city such as the existing Harley Davidson dealership and discovered that these have historically been permitted via a planned development district to add motorcycle related sales and uses to the properties.

The applicant intends to display a select number of motorcycles in front of the building during operating hours which will be stored indoors after hours. The applicant also intends to provide repair services to customers, including items such as oil changes, tire changes, and accessory installation. The applicant would be allowed to perform major repairs for motorcycles in the future if desired.

Finally, the applicant is proposing the addition of shade structures within a portion of the parking area to provide covered parking spaces for customers during summer months and rainy days similar to the canopies installed by other motorcycle dealerships within the City. All outdoor display and shade structures shall not be permitted in the fire lane at any time.

We received one letter of protest from Kensington Estates Apartments. The planning and Zoning Commission recommended unanimous approval and staff also recommends approval of this item.

Tanner Comey, Owner of Twisted Cycles, 7700 IH-35E - to address the concerns of the Kensington Apartment manager, we are clearly going to follow the EPA regulations on disposal of fluids. I believe her comment was oil. We will not have a huge display, we eat, work and live in Denton County and it would not be any more noise than a motorcycle coming off the frontage road. If they start one up it will be inside the shop and you will not be able to hear that.

Councilmember Garber - how many locations do you have currently?

Tanner Comey, Owner of Twisted Cycles, 7700 IH-35E - right now we have a sister company in Lubbock, Texas and they do cars and bikes there.

Mayor Heidemann opened the Public Hearing at 7:30 p.m. No one spoke during the Public Hearing. Mayor Heidemann closed the Public Hearing at 7:31 p.m.

MOTION made by Councilmember Garber to approve the zoning change. Seconded by Councilmember Henderson

AYES: Burke, Garber, Henderson
NOES: None
ABSENT: Johnson, Pickens

MOTION CARRIED

- 4. Consider authorizing the City Manager to complete the second phase (Phase II) of a Transit Stop Study being conducted with the Denton County Transportation Authority (DCTA) for a transit stop concept plan and a cost estimate for the City of Corinth.**

Bob Hart, City Manager - if you recall, when we did the initial study (Phase I) we had looked at an estimated cost at approximately \$150,000 to do this study with Phase I being done in the last Fiscal Year. We have placed money in the budget but wanted to have formal approval from you to satisfy DCTA so that we can go ahead and proceed to Phase II. The estimated cost is about \$67,000 so it is within the range of the \$75,000 that we had budgeted for. What this allows us to do is communicate to DCTA of a green light to go ahead with Phase II.

MOTION made by Councilmember Burke to approve as presented. Seconded by Councilmember Garber.

AYES: Burke, Garber, Henderson
NOES: None
ABSENT: Johnson, Pickens

MOTION CARRIED

COUNCIL COMMENTS & FUTURE AGENDA ITEMS

The purpose of this section is to allow each councilmember the opportunity to provide general updates and/or comments to fellow councilmembers, the public, and/or staff on any issues or future events. Also, in accordance with Section 30.085 of the Code of Ordinances, at this time, any Councilmember may direct that an item be added as a business item to any future agenda.

Councilmember Henderson - there is a lot going on with the businesses in our City. Baird Dental is having a ribbon cutting next Wednesday and Chick-fil-a is celebrating 20 years on November 9th and has asked for the Mayor and Councilmember's to be at that. I believe it is at 11:00 am on Saturday, November 9th. The

ribbon cutting will begin at 11:30 but asked that everyone be there early. On October 26th the Fire Department will be having their open house.

Bob Hart, City Manager - I wanted to double check on the attendance for the Lake Dallas Educational Foundation GALA. This will be held on Thursday, November 7th at 6:00 p.m.

Mayor Heidemann - would like to thank the staff especially Lee Ann and Cody for the details on the water issue. Transparency is everything and the City of Corinth does not hide anything and I am really happy to see the staff take those steps to get that information out to the residents and make things happen.

There was no Closed Session during the Regular Schedule meeting.

CLOSED SESSION

The City Council will convene in such executive or (closed session) to consider any matters regarding any of the above agenda items as well as the following matters pursuant to Chapter 551 of the Texas Government Code. **Closed Session may happen at any time during the Workshop Session and before the start of a City Council Regular Session.**

Section 551.071. (1) Private consultation with its attorney to seek advice about pending or contemplated litigation; and/or settlement offer; and/or (2) a matter in which the duty of the attorney to the government body under the Texas Disciplinary Rules of Professional Conduct of the State of Texas clearly conflicts with Chapter 551.

a. MCM Contract for Lake Sharon Roadway Extension.

Section 551.072. To deliberate the purchase, exchange, lease or value of real property if deliberation in an open meeting would have a detrimental effect on the position of the government body in negotiations with a third person

Section 551.074. To deliberate the appointment, employment, evaluation, reassignment, duties, discipline, or dismissal of a public officer or employee; or to hear a complaint or charge against an officer or employee.

Section 551.087 To deliberate or discuss regarding commercial or financial information that the governmental body has received from a business prospect that the governmental body seeks to have locate, stay, or expand in or near the territory of the governmental body and with which the governmental body is conducting economic development negotiations; or to deliberate the offer of a financial or other incentive to a business prospect.

After discussion of any matters in closed session, any final action or vote taken will be in public by the City Council. City Council shall have the right at any time to seek legal advice in Closed Session from its Attorney on any agenda item, whether posted for Closed Session or not. Closed Session may happen at any time during the Workshop Session and before the start of a City Council Regular Session.

RECONVENE IN OPEN SESSION - In accordance with Texas Government Code, Chapter 551 the City Council will reconvene into Regular Session to consider action, if any, on matters discussed in Executive Session.

ADJOURN:

Mayor Heidemann adjourned the meeting at 7:36 P.M.

AYES: All

Meeting adjourned.

Approved by Council on the _____ day of _____, 2020.

Kimberly Pence, City Secretary
City of Corinth, Texas

City Council Regular and Workshop Session

Meeting Date: 01/09/2020
Title: Corinth Investment Policy
Submitted For: Lee Ann Bunselmeyer, Director
Submitted By: Lee Ann Bunselmeyer, Director
Finance Review:
City Manager Review: Bob Hart, City Manager

Legal Review:

AGENDA ITEM

Consider and act on a resolution reviewing and approving the Investment Policy for funds for the City of Corinth; and providing an effective date.

AGENDA ITEM SUMMARY/BACKGROUND

In accordance with Public Funds Investment Act, Chapter 2256 of the Texas Government Code, the city is required to annually adopt a formal written Investment Policy for the investment of public funds. The policy establishes investment parameters and guidelines for the investment program in order to achieve the goals of safety, liquidity, diversification, rate-of-return, and public trust, and designates the authorized investment officer responsible for the daily investment activity by the City.

As part of the annual process, staff reviews the policy and may recommend revisions to the existing policy, if needed.

There are no recommended revisions to the investment policies.

RECOMMENDATION

The Finance Audit Committee reviewed the Investment Policy on Tuesday, December 17, 2019 and recommends approval.

Attachments

Resolution
2020 Corinth Investment Policy

RESOLUTION NO. 20-01-09-_____

A RESOLUTION REVIEWING AND APPROVING INVESTMENT POLICY FOR FUNDS FOR THE CITY OF CORINTH; AND PROVIDING AN EFFECTIVE DATE.

WHEREAS, in accordance with Section 2256.005(e) of Chapter 2256 of the Texas Government Code, the City Council has reviewed and approved the Investment Policy attached hereto as Exhibit A, which contain proposed changes, for compliance with the Public Funds Investment Act, TEX. GOV'T CODE ch. 2256, ("Chapter 2256") and

NOW, THEREFORE, THE COUNCIL OF THE CITY OF CORINTH HEREBY RESOLVES:

SECTION 1. That the City Council has reviewed the attached Investment Policy, which contain the investment strategies and policies, and hereby approves the Investment Policy.

SECTION 2. That the Director of Finance is hereby designated as the City's primary investment officer and is hereby authorized to perform the functions required of the primary investment officer under the Investment Policy and Chapter 2256.

SECTION 3. That all resolutions or parts of resolutions in force when the provisions of this resolution became effective which are inconsistent or in conflict with the terms or provisions contained in this resolution are hereby repealed to the extent of any such conflict only.

SECTION 4. That this resolution shall take effect immediately upon its passage and approval.

PASSED AND APPROVED this the 9th day of January 2020.

Bill Heidemann, Mayor

ATTEST:

Kim Pence, City Secretary

APPROVED AS TO FORM AND LEGALITY:

Wm. Andrew Messer, City Attorney

EXHIBIT A- INVESTMENT POLICY
Pages 1 through 20

CITY OF CORINTH, TEXAS INVESTMENT POLICY

PREFACE

It is the policy of the City of Corinth (the "City") that after allowing for the anticipated cash flow requirements and giving due consideration to the safety and risks of investments, all available funds shall be invested in conformance with these legal and administrative guidelines to obtain a market rate-of-return.

Effective cash management is recognized as essential to good fiscal management. An active cash management and investment policy will be pursued to take advantage of investment interest as a viable and material source of revenue for City funds. The City's portfolio shall be designed and managed in a manner responsive to the public trust and shall be invested in conformance with State and Federal Regulations, applicable Bond Resolution requirements, and adopted investment policy. The City will invest public funds in a manner which will provide the maximum security and a market rate-of-return while meeting the daily cash flow demands of the City.

The City is required under the Public Funds Investment Act (Chapter 2256 of the Texas Government Code) to adopt a formal written investment policy for the investment of public funds. These policies serve to satisfy the statutory requirement (specifically the Public Funds Investment Act, Chapter 2256 of the Texas Government Code [the Act]) to define, adopt and review a formal investment strategy and policy.

I. PURPOSE

The purpose of this investment policy (the “policy”) is to set forth specific investment policy and strategy guidelines for the City in order to achieve the goals of safety, liquidity, rate-of-return, and public trust for all investment activities.

II. SCOPE

The investment policy shall govern the investment of all financial assets considered to be part of the City and includes the following separately invested funds or fund types: Operating, Reserve, Bond, Special and Capital Project Funds and any other funds which have been contractually delegated to the City for management purposes. The City may add or delete funds as may be required by law, or for proper accounting procedures. This policy does not include funds governed by approved trust agreements, or assets administered for the benefit of the City by outside agencies under retirement or deferred compensation programs. In addition to this policy, bond funds (including debt service and reserve funds) are governed by bond ordinances and are subject to the provisions of the Internal Revenue Code and applicable federal regulations governing the investment of bond proceeds. The City shall and will maintain responsibility for these funds to the extent required by: Federal and State law; the City Charter; and donor stipulations.

III. INVESTMENT OBJECTIVES

Funds of the City shall be invested in accordance with all applicable Texas statutes, this policy and any other approved, written administrative procedures. The five objectives of the City’s investment activities shall be as follows (in the order of priority):

- A. Safety - Preservation and safety of Principal. Safety of principal invested is the foremost objective in the investment decisions of the City. Each investment transaction shall seek to ensure the preservation of capital in the overall portfolio. The risk of loss shall be controlled by investing only in authorized securities as defined in this policy, by qualifying the financial institutions with which the City will transact, and by portfolio diversification. Safety is defined as the undiminished return of the principal on the City’s investments.
- B. Liquidity - The investment portfolio shall be managed to maintain liquidity to ensure that funds will be available to meet the City’s cash flow requirements and by investing in securities with active secondary markets. Investments shall be structured in such a manner as to provide liquidity necessary to pay obligations as they become due. A security may be liquidated prior to its stated maturity to meet unanticipated cash requirements or to otherwise favorably adjust the City’s portfolio.
- C. Diversification - Investment maturities shall be staggered throughout the budget cycle to provide cash flow based on the anticipated needs of the City. Diversifying the appropriate maturity structure will reduce market cycle risk.
- D. Market Rate-of-Return (Yield) - The City’s investment portfolio shall be designed to optimize a market rate-of-return on investments consistent with risk constraints and cash flow requirements of the portfolio. The investment portfolio shall be managed in a manner which seeks to attain a market rate-of-return throughout budgetary and economic cycles. The City will not attempt to consistently attain an unrealistic above

market rate-of-return, as this objective will subject the overall portfolio to greater risk. Therefore, the City's rate-of-return objective is secondary to those of safety and liquidity. Rate-of-return (yield) is defined as the annual income returned on an investment, expressed as a percentage.

- E. Public Trust - The Investment Officer(s) shall avoid any transactions that might impair public confidence in the City's ability to govern effectively. The governing body recognizes that in diversifying the portfolio, occasional measured losses due to market volatility are inevitable, and must be considered within the context of the overall portfolio's investment return, provided that adequate diversification has been implemented. The prudence of the investment decision shall be measured in accordance with the tests set forth in Section 2256.006(b) of the Act.

IV. INVESTMENT STRATEGY

The City maintains a comprehensive and proactive cash management program which is designed to monitor and control all City funds to ensure maximum utilization and yield a market rate-of-return. The basic and underlying strategy of this program is that all of the City's funds are earning interest. It is the responsibility and obligation of the City to maintain a flexible approach and be prepared to modify the investment strategy as market conditions dictate. The investment strategy described is predicated on conditions as they now exist and are subject to change. The investment strategy emphasizes low credit risk, diversification, and the management of maturities. The strategy also considers the expertise and time constraints of the Investment Officers. The allowable investments as defined in Section VII of this policy reflect the avoidance of credit risk. Diversification refers to dividing investments among a variety of securities offering independent returns. This strategy uses local government investment pools to achieve diversification. The active management of maturities refers to structuring the maturity dates of the direct investments so that, while funds are initially invested for a longer period of time, some investments mature as cash needs require. The strategies for the City's investment activities shall be as follows:

Strategy No. 1

Diversifying the City's investment opportunities through the use of local government investment pools and money market mutual funds as authorized by the City Council. An investment pool is a professionally managed portfolio of shared assets created to invest public funds jointly on behalf of the governmental entities that participate in the pool and whose investment objectives in order of priority match those objectives of the City. Fund withdrawals are usually available from investment pools on a same-day basis, meaning the pools have a high degree of liquidity. Because of the size and expertise of their staff, investment pools are able to prudently invest in a variety of the investment types allowed by state law. In this manner, investment pools achieve desired diversification. The strategy of the City calls for the use of investment pools as a primary source of diversification and a supplemental source of liquidity. Funds that may be needed on a short-term basis but are in excess of the amount maintained at the depository bank are available for deposit in investment pools.

Strategy No. 2

Building a ladder of authorized securities with staggered maturities for all or part of the longer-term investable funds. The benefits of this ladder approach include the following:

- A. It is straight-forward and easily understood;
- B. It will assure the City that it will capture a reasonable portion of the yield curve; and,
- C. It provides predictable cash flow with scheduled maturities and reinvestment opportunities.

Strategy No. 3

Utilizing the services of a Professional Investment Advisor in order to maximize investment earnings and realize market opportunities when they become available. Other responsibilities of the Investment Advisor include, but are not limited to broker compliance, security selection, competitive bidding, investment reporting, and security documentation. The Investment Advisor must be registered with the Securities and Exchange Commission (SEC) under the Investment Advisor's Act of 1940, as well as, with the Texas State Securities Board and shall adhere to the spirit and philosophy of this policy and avoid recommending or suggesting transactions outside the "Standard of Care" under this policy.

Strategy No. 4

The City will utilize five general investment strategies designed to address the unique characteristics of specific fund-types (detailed strategies are presented in Attachment A):

- A. Investment strategies for operating funds and pooled funds 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 which will experience minimal volatility during economic cycles.
- B. Investment strategies for debt service funds shall have as the primary objective the assurance of investment liquidity adequate to cover the debt service obligation on the required payment date(s).
- C. Investment strategies for debt service reserve funds shall have as the primary objective the ability to generate a dependable revenue stream to the appropriate debt service fund.
- D. Investment strategies for special projects and capital projects funds will have as their primary objective to assure that anticipated cash flows are matched with adequate investment liquidity.
- E. The investment maturity of bond proceeds (excluding reserve and debt service funds) shall generally be limited to the anticipated cash flow requirement or the "temporary period," as defined by Federal tax law. During the temporary period, bond proceeds may be invested at an unrestricted yield. After the expiration of the temporary period, bond proceeds subject to yield restriction shall be invested considering the anticipated cash flow requirements of the funds and market conditions to achieve compliance with the applicable regulations.

Strategy No. 5

The City generally intends to hold all of its securities until they mature and will accomplish this by maintaining sufficient liquidity in its portfolio so that it does not need to sell a security early. Should it become necessary to sell a security prior to maturity, where the sale proceeds are less than the current book value, the prior written consent of the City Manager must be obtained. Securities may be sold prior to maturity by the Director of Finance at or above their book value at any time, without the consent of the City Manager.

Strategy No. 6

All demand deposits of the City will be concentrated with one central depository. The City's depository procedure will maximize the City's ability to pool cash for investment purposes and provide more manageable banking relationships. In addition, depositories not holding demand deposits of the City may be eligible to bid on City investments.

Strategy No. 7

This policy shall further seek to maintain good depository bank relationships while minimizing the cost of banking services. The City will seek to maintain a depository contract which will be managed to a level that minimizes the cost of the banking relationship to the City, while allowing the City to earn an appropriate return on idle demand deposits.

Strategy No. 8

A single pooled fund group, as defined in this policy, may be utilized at the discretion of the Investment Officer(s). However, earnings from investments will be allocated on a pro-rata cash basis to the individual funds and used in a manner that will best service the interests of the City.

Strategy No. 9

Procedures shall be established and implemented in order to maximize investable cash by decreasing the time between the actual collection and the deposit of receipts, and by the controlling of disbursements.

V. FINANCE AUDIT COMMITTEE

- A. Members** - There is hereby created a Finance Audit Committee consisting of the Mayor, two members of the City Council and two citizens appointed by the City Council. The Mayor will be a permanent member of the Committee. The other four members of the Committee will be appointed by the City Council to serve a two-year term and shall not exceed two successive terms. The Mayor and the two members of the City Council shall be voting members of the Committee. The Community Representative members shall be non-voting members of the Committee.
- B. Scope** - The Finance Audit Committee shall meet at least once per calendar quarter to determine general strategies and to monitor results. Included in its deliberations will be such topics as: economic outlook, portfolio diversification, maturity structure, potential risk to the City's funds, authorized brokers and dealers, and the target rate-of-return on the investment portfolio.
- C. Procedures** - The Finance Audit Committee shall provide minutes of its meetings. Any two members of the Finance Audit Committee may request a special meeting, and a majority of the voting members shall constitute a quorum. The Finance Audit

Committee shall abide by the Rules of Procedure and Policies as set forth in Resolution 09-05-01-11, as amended, and the Charter of the City of Corinth.

VI. RESPONSIBILITY AND STANDARD OF CARE

- A.** The responsibility for the daily operation and management of the City's investments shall be outlined within this section.
1. Delegation of Authority - Management responsibility for the investment program is hereby delegated to the Director of Finance, who shall be authorized to deposit, withdraw, invest, transfer or manage the funds of the City and shall establish written procedures for the operation of the investment program, consistent with this policy. Such procedures shall include explicit delegation of authority to other persons responsible for investment transactions. All persons involved in investment activities will be referred to in this policy as "Investment Officers." No persons may engage in investment transactions, except as provided under the terms of this policy and the procedures established by the Director of Finance.
 2. The Director of Finance shall assume responsibility for all transactions undertaken and shall establish a system of controls to regulate the activities of subordinate Investment Officers. The system of controls shall be designed to provide reasonable assurance that ensures the assets of the City are protected from loss, theft or misuse. The concept of reasonable assurance recognizes that:
 - a. The cost of control should not exceed the benefits likely to be derived; and,
 - b. The valuation of costs and benefits requires estimates and judgments by management.
 3. The Director of Finance shall be designated as the primary Investment Officer for the City and shall be responsible for investment decisions and activities under the direction of the City Manager. The Director of Finance may delegate any phase of the investment program to a secondary Investment Officer. Both the Director of Finance and the designated secondary Investment Officer are responsible for daily investment decisions and activities. However, ultimate responsibility for investment decisions will rest with the Director of Finance.
- B.** 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 prevailing circumstances, that a person of prudence, discretion and intelligence would exercise in the management of the person's own affairs, not for speculation, but for investment, considering the probable safety of capital and the probable income to be derived." In determining whether the Investment Officer has exercised prudence with respect to an investment decision, the determination shall be made taking into consideration the following:
1. The investment of all funds over which the Investment Officer had responsibility rather than a consideration as to the prudence of a single investment; and
 2. The investment decision was consistent with the written investment policy and procedures of the City.

C. Due Diligence - The Director of Finance, designated secondary Investment Officer, Mayor, City Council, City Manager, other Finance employees and citizen committee members acting in accordance with written policies and procedures and exercising due diligence, shall not be held personally responsible for a specific security's credit risk or market price changes, provided that these deviations are reported in a timely manner and that appropriate action is taken to control adverse developments.

D. Ethical Standards and Conflicts of Interest

1. All City Investment Officials having a direct or indirect role in the investment of City funds shall act as custodians of the public trust avoiding any transaction which might involve a conflict of interest, the appearance of a conflict of interest, or any activity which might otherwise discourage public confidence. 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.
2. An Investment Officer who has a personal business relationship with the depository bank or with any entity seeking to sell an investment to the City shall file a statement disclosing that personal business interest.
3. An Investment Officer has a personal business relationship with a business organization if:
 - a. The Investment Officer or one related to the Investment Officer within the second degree of affinity or consanguinity owns 10% or more of the voting stock or shares of the business organization or owns \$5,000 or more of the fair market value of the business organization;
 - b. Funds received by the Investment Officer or one related to the Investment Officer within the second degree of affinity or consanguinity from the business organization exceed 10% of the Investment Officers gross income for the prior year; or
 - c. The Investment Officer or one related to the Investment Officer within the second degree of affinity or consanguinity has acquired from the business organization during the prior year investments with a book value of \$2,500 or more for the personal account of the Investment Officer.
 - d. An Investment Officer who is related within the second degree of affinity or consanguinity to an individual seeking to sell an investment to the City shall file a statement disclosing that relationship. A statement required under this subsection must be filed with the Texas Ethics Commission and the City Council.

E. Training - The City shall provide periodic training in investments for the investment personnel through courses and seminars offered by professional organizations and associations in order to ensure the quality and capability of the City's investment personnel making investment decisions in compliance with the Public Funds Investment Act (PFIA). The Investment Officers and the Finance Audit Committee members shall attend at least one training session containing at least 10 hours of

instruction relating to the officer's responsibility under the PFI within 12 months after assuming duties, and thereafter shall attend at least 8 hours of additional investment training in subsequent two-year periods which begin on the first day of the fiscal year and consist of the two consecutive fiscal years after that date. The Government Finance Officers Association of Texas, the Government Treasurers Organization of Texas, the Texas Municipal League, or the North Central Texas Council of Governments are approved as independent training sources by the City Council.

VII. AUTHORIZED INVESTMENTS

- A. Generally - Safety of principal is the primary objective in investing public funds and can be accomplished by limiting credit risk and interest rate risk. Credit risk is the risk associated with the failure of a security issuer or backer to pay back principal and interest on a timely basis. Interest rate risk is the risk that the value of a portfolio will decline due to an increase in the general level of interest rates. In order to provide for safety of principal as the City's primary objective, only certain investments are authorized as acceptable investments for the City. The following list of authorized investments for the City intentionally excludes some investments authorized by state law. These restrictions are intended to limit possible risk and provide the maximum measure of safety to City funds. In the event an authorized investment loses its required minimum credit rating, all prudent measures will be taken to liquidate said investment. Additionally, the City is not required to liquidate investments that were authorized at the time of purchase.
- B. Authorized and Acceptable Investments - The authorized list of investment instruments is as follows:
1. Obligations of the United States or its agencies and instrumentalities or any obligation fully guaranteed or insured by the Federal Deposit Insurance Corporation (FDIC), *excluding mortgage-backed securities*.
 2. Direct obligations of the State of Texas, or its agencies and instrumentalities, other obligations, the principal of and interest on which are unconditionally guaranteed or insured by, or backed by the full faith and credit of, the State of Texas or the United States or their respective agencies and instrumentalities, excluding mortgage-related securities.
- C. Certificates of Deposit - A certificate of deposit issued by a depository institution that has its main office or branch office in this state and is secured in accordance with the specific collateralization requirements contained in section XI.B of this policy. In addition, an investment in "bundled" or "shared" CDs made in accordance with the following conditions is permitted:
1. The funds are invested through a broker that has its main office or a branch office in this state selected from a list adopted by the City as required by Section 2256.025; or through a depository institution that has its main office or a branch office in this state and that is selected by the City;
 2. The selected broker or depository institution arranges for the deposit of the funds in certificates of deposit in one or more federally insured depository institutions, wherever located, for the account of the City.

3. The full amount of the principal and accrued interest of each of the CD is insured by the United States or an instrumentality of the United States; and
 4. The City appoints the depository institution, a clearing broker-dealer registered with the Securities and Exchange Commission and operating pursuant to SEC Rule 15c3-3, or an entity described in the Public Funds Collateral Act, Section 2257.041(d), as custodian for the City with respect to those CDs issued for the City's account.
- D. Eligible Local Government Investment Pools - AAA-rated public funds investment pools, with a weighted average maturity of 60 days or less, individually approved by formal Council resolution, which invest in instruments and follow practices allowed by the current law as defined in Section 2256.016 of the Texas Government Code. The pool must be continuously rated no lower than AAA or AAA-m or at an equivalent rating by at least one nationally recognized rating service. A public funds investment pool created to function as a money market mutual fund must mark to market daily and, stabilize at a \$1 net asset value.
- E. Repurchase Agreements - Fully collateralized repurchase agreements having a defined termination date, placed through a primary government securities dealer or a financial institution doing business in the State of Texas, and fully secured by cash and obligations of the United States or its agencies and instrumentalities. This collateral must be pledged to the City and held in safekeeping with a third-party custodian approved by the City of Corinth. All collateral must be maintained at a market value of no less than the principal amount of the outstanding funds disbursed. All transactions shall be governed by signed Security Industry and Financial Markets Association, (SIFMA) Master Repurchase Agreement. Repurchase agreements must also be collateralized in accordance with State law as described in Section XI of this policy. Authorization under this section includes flexible repurchase agreements which may be used for specific investment of bond proceeds *but shall not include reverse repurchase agreements*.
- F. Bankers' Acceptances, and Commercial Paper (LIMITED USE) - These investments are authorized for the City to the extent that they are contained in the portfolios of approved public funds investment pools or money market funds in which the City invests.
- G. AAA-rated SEC-Regulated 2a7 No-Load Money Market Mutual Funds - An SEC-registered, no load money market mutual fund which has a dollar weighted average stated maturity of 60 days or less whose assets consist exclusively of the assets described in section VII.A. and whose investment objectives includes the maintenance of a stable net asset value of \$1 for each share: furthermore, it provides the City with a prospectus and other information required by the SEC Act of 1934 or the Investment Advisor Act of 1940 and which provides the City with a prospectus and other information required by the Securities Exchange Act of 1934 (15 USC Section 78a et. Seq.) or the Investment Company Act of 1990 (15 USC Section 80a-1 et. Seq.).
- H. Unauthorized Securities - State law specifically prohibits investment in the following securities:
1. An obligation whose payment represents the coupon payments on the outstanding

principal balance of the underlying mortgage-backed security and pays no principal.

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

VIII. DIVERSIFICATION

- A. Generally - Diversification of investment instruments shall be utilized to avoid incurring unreasonable risks resulting from over-concentration of investments in a specific maturity, a specific issue, or a specific class of securities. With the exception of U.S. Government securities (debt obligations issued by the U. S. Government, its agencies, or instrumentalities) as authorized in this policy, and authorized local government investment pools, no more than forty percent (40%) of the total investment portfolio will be invested in any one security type or with a single financial institution. Diversification of the portfolio considers diversification by maturity dates and diversification by investment instrument.
- B. Diversification by Maturities - The longer the maturity of investments, the greater their price volatility. Therefore, it is the City's policy to concentrate its investment portfolio in shorter-term securities in order to limit principal risks caused by change in interest rates. The City will attempt to match its investments with anticipated cash flow requirements. Unless matched to a specific cash flow (including the anticipated cash flow requirements of bond proceeds within the temporary period), the City will not directly invest in securities maturing more than three (3) years from the date of purchase. However, the above described obligations, certificates, or agreements may be collateralized using longer date instruments. The City shall diversify the use of investment instruments to avoid incurring unreasonable risks inherent in over-investing in specific instruments, individual financial institutions or maturities. Maturity scheduling shall be managed by the Investment Officer so that maturities of investments shall be timed to coincide with projected cash flow needs.

The entire City portfolio, or single pooled fund group if utilized, shall maintain a maximum average dollar-weighted maturity, based on the stated maturity date, of less than three hundred sixty five (365) days. Investment maturities for debt service interest and sinking funds and/or other types of reserve funds, whose use is never anticipated, shall maintain a maximum average dollar-weighted maturity, based on the stated maturity date, of less than three hundred sixty-five (365) days.

- C. Diversification by Investment Instrument - Diversification by investment instrument shall not exceed the following guidelines for each type of instrument:

	Maximum % of Portfolio
U.S. Treasury Obligations	100%
U.S. Government Agency Securities and Instrumentalities	100%
Authorized Local Government Investment Pool	50%
Local Government Obligations	10%
Fully Collateralized Certificates of Deposit	50%
Fully Collateralized Repurchase Agreements	25%
SEC-Regulated No-Load Money Market Mutual Fund	50%
U.S. Treasury & Agency Callables	30%

IX. SECURITY SWAPS

Security swaps may be considered as an investment option for the City. A swap out of one instrument into another is acceptable to increase yield, realign for disbursement dates, extend or shorten maturity dates and to improve market sector diversification. Swaps may be initiated by brokers/dealers who are on the City's approved list. A horizon analysis is required for each swap proving benefit to the City before the trade decision is made, which will accompany the investment file for record keeping.

X. AUTHORIZED FINANCIAL DEALERS AND INSTITUTIONS

- A. The Director of Finance will maintain a list of financial institutions authorized to provide investment services to the City. In addition, a list will also be maintained of approved broker/dealers authorized to provide investment services in the State of Texas. These will include financial institutions that qualify under Securities & Exchange Commission Rule 15-C3-1 (uniform net capital rule). No public deposit shall be made except in a qualified public depository as established by state laws.
- B. All financial institutions and broker/dealers who desire to become qualified bidders for investment transactions must supply the Director of Finance with the following, as appropriate: audited financial statements, proof of Financial Industry Regulatory Authority certification trading resolution, proof of State registration, completed broker/dealer questionnaire and certification of having read the City's investment policy.
- C. The Finance Audit Committee shall be responsible for adopting the list of brokers and dealers of government securities. Their selection shall be among only primary government securities dealers that report directly to the New York Federal Reserve Bank, unless a comprehensive credit and capitalization analysis reveals that other firms are adequately financed to conduct public business. The Finance Audit Committee shall base its evaluation of security dealers and financial institutions upon:
1. Financial conditions, strength and capability to fulfill commitments;
 2. Overall reputation with other dealers or investors;

3. Regulatory status of the dealer;
 4. Background and expertise of the individual representatives.
- D.** Investment Officers shall only conduct business with securities dealers approved by the Finance Audit Committee and will not purchase investments from any financial organization until the organization's registered principal has executed a written instrument stating that he or she has thoroughly reviewed the City's investment policy and acknowledges that reasonable procedures and controls have been implemented to preclude imprudent investment activities arising out of transactions between the organization and the City, except to the extent that this authorization is dependent on an analysis of the makeup of the City's entire portfolio or requires an interpretation of subjective investment standards.
- E.** To guard against default possibilities under these conditions, and to assure diversification of bidders, business with any one issuer, or investment broker, should be limited to forty percent (40%) of the total portfolio at any point in time. In this way, bankruptcy, receivership or legal action would not immobilize the City's ability to meet payroll or other expenses.
- F.** All investments (governments or bank C.D.'s) will be solicited on a competitive basis with at least three (3) institutions. The Finance Audit Committee can approve exceptions on a case by case basis or on a general basis in the form of guidelines. These guidelines shall take into consideration the investment type maturity date, amount, and potential disruptiveness to the City's investment strategy. The investment will be made with the broker/dealer offering the best yield/quality to the City. The quotes may be accepted orally, in writing, electronically, or any combination of these methods.
- G.** An annual review of the financial condition and registrations of qualified financial organizations will be conducted by the Director of Finance.
- H.** A current audited financial statement is required to be on file for each financial institution and broker/dealer in which the City invests.
- I.** If the City has contracted with a Registered Investment Advisor for the management of its funds, the advisor shall be responsible for performing due diligence on and maintaining a list of broker/dealers with which it shall transact business on behalf of the City. The advisor shall determine selection criteria and shall annually present a list of its authorized broker/dealers to the City for review and likewise shall execute the aforementioned written instrument stating that the advisor has reviewed the City's investment policy and has implemented reasonable procedures and controls in an effort to preclude imprudent investment activities with the City. The advisor shall obtain and document competitive bids and offers on all transactions and present these to the City as part of its standard trade documentation.

- J. It is the policy of the City that all security transactions entered into with the City shall be conducted on a “Delivery-versus-Payment” basis through the Federal Reserve System. By doing this, City funds are not released until the City has received, through the Federal Reserve wire, the securities purchased. The City shall authorize the release of funds only after receiving notification from the safekeeping bank that a purchased security has been received in the safekeeping account of the City. The notification may be oral but shall be confirmed in writing.

XI. SAFEKEEPING AND COLLATERALIZATION

- A. Safekeeping - All securities owned by the City shall be held by a third-party safekeeping agent selected by the City. The collateral for bank deposits will be held in the City's name in the bank's trust department, in a Federal Reserve Bank account in the City's name, or third-party financial institutions doing business in the state of Texas, in accordance with state law. Original safekeeping receipts shall be obtained and held by the City. The City shall contract with a bank or banks for the safekeeping of securities either owned by the City as part of its investment portfolio or held as collateral to secure time deposits.
- B. Collateralization - Consistent with the requirements of the Public Funds Collateral Act, it is the policy of the City to require full collateralization of all City funds on deposit with a depository bank. The market value of the investments securing the deposit of funds shall be at least equal to 102% of the amount of the deposits of funds reduced to the extent that the deposits are insured by the Federal Deposit Insurance Corporation (FDIC). Securities pledged as collateral shall be held by an independent third party with whom the City has a current custodial agreement. The agreement is to specify the acceptable investment securities as collateral, including provisions relating to possession of the collateral, the substitution or release of investment securities, ownership of securities, and the method of valuation of securities. The safekeeping agreement must clearly state that the safekeeping bank is instructed to release purchased and collateral securities to the City in the event the City has determined that the depository bank has failed to pay on any matured investments in certificates of deposit, or has determined that the funds of the City are in jeopardy for whatever reason, including involuntary closure or change of ownership. A clearly marked evidence of ownership, e.g., safekeeping receipt, must be supplied to the City and retained by the City.
1. The City may accept the following to insure or collateralize bank deposits:
 - a. Guaranteed or insured by the Federal Deposit Insurance Corporation or its successor or the National Credit Union Share Insurance Fund or its successor;
 - b. United States Treasuries & Agencies
 - c. Other securities as approved by the Finance Audit Committee
 2. For certificates of deposit and other evidences of deposit, collateral shall be at 102% of market value. The market value of collateral will always equal or exceed 102% of the principal plus accrued interest of deposits at financial institutions.
 3. Financial institutions with which the City invests or maintains other deposits shall provide monthly, and as requested by the Investment Officer, a listing of the

collateral pledged to the City, marked to current market prices. The listing shall include total pledged securities itemized by name, type, description, par value, current market value, maturity date, and Moody's or Standard & Poor's rating, if applicable. The City and the financial institution shall jointly assume the responsibility for ensuring that the collateral is sufficient.

C. Collateralized Deposits - Consistent with the requirements of State law, the City requires all bank deposits to be federally insured or collateralized with eligible securities. Financial institutions serving as City depositories will be required to sign a "Depository Agreement" with the City and the City's safekeeping agent. The collateralized deposit portion of the Agreement shall define the City's rights to the collateral in the event of default, bankruptcy, or closing and shall establish a perfected security interest in compliance with Federal and State regulations, including:

1. Agreement must be in writing;
2. Agreement has to be executed by the Depository and the City contemporaneously with the acquisition of the asset;
3. 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
4. Agreement must be part of the Depository's "official record" continuously since its execution.

XII. INTERNAL CONTROL

The Investment Officer shall establish a system of written internal controls, which shall be reviewed annually by independent auditors. The controls shall be designed to prevent loss of public funds due to fraud, error, misrepresentation, unanticipated market changes, or imprudent actions. The internal controls are to be reviewed annually in conjunction with an external independent audit. This review will provide assurance of compliance with policies and procedures as specified by this policy. The City, in conjunction with its annual financial audit, shall perform a compliance audit of management controls and adherence to the City's established investment policy.

XIII. PERFORMANCE

The City's investment portfolio shall be designed to obtain a market rate-of-return on investments consistent with risk constraints and cash flow requirements of the City. This investment policy establishes "weighted average yield to maturity" as the standard portfolio performance measurement.

XIV. REPORTING

A. Quarterly - The Director of Finance shall prepare and submit a signed quarterly investment report to the Finance Audit Committee that summarizes current market conditions, economic developments, and anticipated investment conditions. The report shall summarize investment strategies employed in the most recent quarter and describe the portfolio in terms of investment securities, maturities, risk characteristics,

and shall explain the total investment return for the quarter. The City shall also monitor the credit ratings on securities that require minimum ratings. This may be accomplished through staff research, or with the assistance of broker-dealers, investment advisors, banks or safekeeping agents.

- B. Annual Report** - Within 180 days of the end of the fiscal year, the Director of Finance shall present an annual report on the investment program and investment activity. This report may be presented as a component of the fourth quarter report to the City Manager and City Council. The quarterly reports prepared by the Director of Finance shall be formally reviewed at least annually by an independent auditor, and the result of the review shall be reported to the City Council by that auditor.
- C. Methods** - The quarterly and annual investment reports shall include a succinct management summary that provides a clear picture of the status of the current investment portfolio and transactions made over the past quarter. This management summary will be prepared in a manner which will allow the City to ascertain whether investment activities during the reporting period have conformed to the investment policy. The report will be prepared in compliance with generally accepted accounting principles. The report will be provided to the City Council. The report will include the following:
1. A listing of individual securities held at the end of the reporting period. This list will include the name of the fund or pooled group fund for which each individual investment was acquired;
 2. Unrealized gains or losses resulting from appreciation or depreciation by listing the beginning and ending book and market value of securities for the period. Market values shall be obtained from financial institutions or portfolio reporting services independent from the broker/dealer from which the security was purchased;
 3. Additions and changes to the market value during the period;
 4. Fully accrued interest for the reporting period;
 5. Average weighted yield to maturity of portfolio on entity investments as compared to applicable benchmarks;
 6. Listing of investments by maturity date;
 7. The percentage of the total portfolio which each type of investment represents; and
 8. Statement of compliance of the City's investment portfolio with State Law and the investment strategy and policy approved by the City Council.
 9. Market yield benchmark comparison of the average 90-day U. S. Treasury Bill auction yield during the reporting period.
 10. The guidelines of retaining records for seven years as recommended in the *Texas State Library Municipal Records Manual* should be followed. The Director of Finance shall oversee the filing and/or storing of investment records.

XV. INVESTMENT POLICY ADOPTION AND AMENDMENT

The City's investment policy shall be adopted and amended by resolution of the City Council only. The City's written policies and procedures for investments are subject to review not less than annually to stay current with changing laws, regulations and needs of the City. The City Council, not less than annually, shall adopt a written instrument stating that it has reviewed the investment policy and investment strategies and that the written instrument so adopted shall record any changes made to either the policy or strategies.

Attachment A

CITY OF CORINTH, TEXAS Investment Strategy Statement

Operating Funds

1. Suitability - Any investment eligible in the investment policy is suitable for Operating Funds.
2. Safety of Principal - All investments shall be of high quality securities with no perceived default risk. Market price fluctuations will occur. However, by managing the weighted average days to maturity for the Operating Fund's portfolio to less than 270 days and restricting the maximum allowable maturity to three years, the price volatility of the overall portfolio will be minimized.
3. 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.
4. Liquidity - The Operating Fund requires the greatest short-term liquidity of any of the Fund types. 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.
5. Diversification - Investment maturities should be staggered throughout the budget cycle to provide cash flow based on the anticipated operating needs of the City. Market cycle risk will be reduced by diversifying the appropriate maturity structure out through two years.
6. 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.

Reserve Funds

1. 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.
2. Safety of Principal - All investments shall be of high quality securities with no perceived default risk. Market price fluctuations will occur. However, managing Debt Service Reserve Fund maturities to not exceed the call provisions of the borrowing reduces the investment's market risk if the City's debt is redeemed and the Reserve Fund liquidated. The fund shall maintain a maximum average dollar-weighted maturity, based on the stated maturity date, of less than three hundred sixty-five (365) days. No stated final investment maturity shall exceed the shorter of the final maturity of the borrowing or three 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 reduce the opportunity for maturity extension.

3. Marketability - Securities with less active and efficient secondary markets are acceptable for Debt Service Reserve Funds.
4. 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 security 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 concurrent market conditions will determine the attractiveness of locking in maturities or investing shorter and anticipating future increased yields.
5. 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.
6. Yield - Achieving a positive spread to the applicable borrowing cost is the desired objective. Debt Service Reserve Fund portfolio management shall at all times operate within the limits of the investment policy's risk constraints.

Special Project and Capital Project Funds

1. Suitability - Any investment eligible in the investment policy is suitable for Special Project and Capital Project Funds.
2. Safety of Principal - All investments will be of high quality securities with no perceived default risk. Market fluctuations will however occur, by restricting the maximum maturity to three years, managing the weighted average days to less than 270 days, restricting the maximum allowable maturity to two years, and by managing Special Project and Capital Project Funds to balance the short term and long term anticipated cash flow requirements of the plant or equipment being depreciated, replaced or repaired, the market risk of the Fund portfolio will be minimized.
3. Marketability - The balancing of short-term and long-term cash flow needs requires the short-term portion of the Special Project and Capital Project Funds portfolio to have securities with active and efficient secondary markets. 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. Securities with less active and efficient secondary markets are acceptable for the long-term portion of the portfolio.
4. Liquidity - Special Project and Capital Project Funds used as part of a CIP plan or scheduled repair and replacement program are reasonably predictable. However unanticipated needs or emergencies may arise. Selecting investment maturities that provide greater cash flow than the anticipated needs will reduce the liquidity risk of unanticipated expenditures.

5. Diversification - Investment maturities should blend the short-term and long-term cash flow needs to provide adequate liquidity and yield enhancement and stability. A “barbell” maturity ladder may be appropriate.
6. Yield - Attaining a competitive market yield for comparable security-types and portfolio structures is the desired objective. The yield of an equally weighted, rolling six-month treasury-bill portfolio will be the minimum yield objective.

Bond Funds

1. Suitability - Any investment eligible in the investment policy is suitable for Bond Funds.
2. Safety of Principal - All investments will be of high quality securities with no perceived default risk. Market price fluctuations will occur. However, by managing Bond Funds to not exceed the shorter of three years or the anticipated expenditure schedule and maintaining a maximum average dollar-weighted maturity, based on the stated maturity date, of less than three hundred sixty-five (365) days the market risk of the overall portfolio will be minimized.
3. 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.
4. Liquidity - Bond Funds used for capital improvements programs have reasonably predictable draw down schedules. Therefore investment maturities should generally follow the anticipated cash flow requirements. 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.
5. Diversification - Market conditions and arbitrage regulations influence the attractiveness of staggering the maturity of fixed rate investments for construction, loan and bond proceeds. Generally, when 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 concurrent 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.
6. 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.

Attachment B

CITY OF CORINTH, TEXAS
Investment Policy

[SAMPLE]
TEXAS PUBLIC FUNDS INVESTMENT ACT
CERTIFICATION BY BUSINESS ORGANIZATION

This certification is executed on behalf of the City of Corinth, Texas (the "City") 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 the City 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 City; 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 City that are not authorized by the City's investment policy, except to the extent that this authorization is dependent on an analysis of the makeup of the City's entire portfolio or requires an interpretation of subjective investment standards.

Qualified Representative of Business Organization

Firm: _____

Signature _____

Name: _____

Title: _____

Date: _____

City Council Regular and Workshop Session

Meeting Date: 01/09/2020
Title: EDC Investment Policy
Submitted For: Lee Ann Bunselmeyer, Director
Submitted By: Lee Ann Bunselmeyer, Director
Finance Review:
City Manager Review: Bob Hart, City Manager

Legal Review:

AGENDA ITEM

Consider and act on a resolution reviewing and approving the Investment Policy for funds for the Economic Development Corporation; and providing an effective date.

AGENDA ITEM SUMMARY/BACKGROUND

In accordance with Public Funds Investment Act, Chapter 2256 of the Texas Government Code, the city is required to annually adopt a formal written Investment Policy for the investment of public funds. The policy establishes investment parameters and guidelines for the investment program in order to achieve the goals of safety, liquidity, diversification, rate-of-return, and public trust, and designates the authorized investment officer responsible for the daily investment activity by the City.

As part of the annual process, staff reviews the policy and may recommend revisions to the existing policy, if needed.

There are no recommended revisions to the investment policies.

RECOMMENDATION

The Finance Audit Committee reviewed the Investment Policy on Tuesday, December 17, 2019 and recommends approval.

Attachments

Resolution
2020 EDC Investment Policy

RESOLUTION NO. 20-01-09-_____

A RESOLUTION REVIEWING AND APPROVING THE INVESTMENT POLICY FOR FUNDS FOR THE CORINTH ECONOMIC DEVELOPMENT CORPORATION.

WHEREAS, in accordance with Section 2256.005(e) of Chapter 2256 of the Texas Government Code, the Board of Directors of the Corinth Economic Development Corporation has reviewed and approved the Investment Policy attached hereto as Exhibit A, which contain proposed changes, for compliance with the Public Funds Investment Act, TEX. GOV'T CODE Ch. 2256, ("chapter 2256"); and

WHEREAS, the City Council has reviewed the Investment Policy and proposed changes for compliance with the Public Funds Investment Act, TEX. GOV'T CODE Ch. 2256;

NOW, THEREFORE, THE COUNCIL OF THE CITY OF CORINTH HEREBY RESOLVES:

SECTION 1. That the City Council has reviewed the attached Corinth Economic Development Corporation Investment Policy, which contain the investment strategies and policies, and hereby approves the Investment Policy.

SECTION 2. That the Director of Finance is hereby designated as the City's and the Corinth Economic Development Corporation's primary investment officer and is hereby authorized to perform the functions required of the primary investment officer under the Investment Policy and Chapter 2256.

SECTION 3. That all resolutions or parts of resolutions in force when the provisions of this resolution became effective which are inconsistent or in conflict with the terms or provisions contained in this resolution are hereby repealed to the extent of any such conflict only.

SECTION 4. That this resolution shall take effect immediately upon its passage and approval.

PASSED AND APPROVED this the 9th day of January 2020.

Bill Heidemann, Mayor

ATTEST:

Kim Pence, City Secretary

APPROVED AS TO FORM AND LEGALITY:

Wm. Andrew Messer, City Attorney

EXHIBIT A- INVESTMENT POLICY
Pages 1 through 18

**CITY OF CORINTH, TEXAS
ECONOMIC DEVELOPMENT CORPORATION
INVESTMENT POLICY**

PREFACE

It is the policy of the City of Corinth the "City" and the Corinth Economic Development Corporation (the "EDC") that after allowing for the anticipated cash flow requirements and giving due consideration to the safety and risks of investments, all available funds shall be invested in conformance with these legal and administrative guidelines to obtain a market rate of return.

Effective cash management is recognized as essential to good fiscal management. An active cash management and investment policy will be pursued to take advantage of investment interest as a viable and material source of revenue for EDC funds. The EDC's portfolio shall be designed and managed in a manner responsive to the public trust and shall be invested in conformance with State and Federal Regulations, applicable Bond Resolution requirements, and adopted investment policy. The EDC will invest public funds in a manner which will provide the maximum security and a market rate of return while meeting the daily cash flow demands of the EDC.

The EDC is required under the Public Funds Investment Act (Chapter 2256 of the Texas Government Code) to adopt a formal written investment policy for the investment of public funds. These policies serve to satisfy the statutory requirement (specifically the Public Funds Investment Act, Chapter 2256 of the Texas Government Code [the Act]) to define, adopt and review a formal investment strategy and policy.

I. PURPOSE

The purpose of this investment policy (the “policy”) is to set forth specific investment policy and strategy guidelines for the EDC in order to achieve the goals of safety, liquidity, rate-of-return, and public trust for all investment activities.

II. SCOPE

The investment policy shall govern the investment of all financial assets considered to be part of the EDC and includes the following separately invested funds or fund types: Operating, Reserve, and Bond Funds, although the EDC has only operating funds. This policy does not include funds governed by approved trust agreements, or assets administered for the benefit of the EDC by outside agencies under retirement or deferred compensation programs. The City shall and will maintain responsibility for these funds to the extent required by: Federal and State law; the City Charter; and donor stipulations.

III. INVESTMENT OBJECTIVES

Funds of the EDC shall be invested in accordance with all applicable Texas statutes, this policy and any other approved, written administrative procedures. The five objectives of the EDC’s investment activities shall be as follows (in the order of priority):

- A. Safety – Preservation and safety of Principal. Safety of principal invested is the foremost objective in the investment decisions of the EDC. Each investment transaction shall seek to ensure the preservation of capital in the overall portfolio. The risk of loss shall be controlled by investing only in authorized securities as defined in this policy, by qualifying the financial institutions with which the EDC will transact, and by portfolio diversification. Safety is defined as the undiminished return of the principal on the EDC’s investments.
- B. Liquidity - The investment portfolio shall be managed to maintain liquidity to ensure that funds will be available to meet the EDC’s cash flow requirements and by investing in securities with active secondary markets. Investments shall be structured in such a manner as to provide liquidity necessary to pay obligations as they become due. A security may be liquidated prior to its stated maturity to meet unanticipated cash requirements or to otherwise favorably adjust the EDC’s portfolio.
- C. Diversification - Investment maturities shall be staggered throughout the budget cycle to provide cash flow based on the anticipated needs of the EDC. Diversifying the appropriate maturity structure will reduce market cycle risk.
- D. Market Rate-of-Return (Yield) - The EDC’s investment portfolio shall be designed to optimize a market rate-of-return on investments consistent with risk constraints and cash flow requirements of the portfolio. The investment portfolio shall be managed in a manner which seeks to attain a market rate-of-return throughout budgetary and economic cycles. The EDC will not attempt to consistently attain an unrealistic above market rate-of-return, as this objective will subject the overall portfolio to greater risk. Therefore, the EDC’s rate-of-return objective is secondary to those of safety and liquidity. Rate-of-return (yield) is defined as the annual income returned on an investment, expressed as a percentage.
- E. Public Trust - The Investment Officer(s) shall avoid any transactions that might impair public confidence in the EDC’s ability to govern effectively. The governing body recognizes that in diversifying the portfolio, occasional measured losses due to market

volatility are inevitable, and must be considered within the context of the overall portfolio's investment return, provided that adequate diversification has been implemented. The prudence of the investment decision shall be measured in accordance with the tests set forth in Section 2256.006(b) of the Act.

IV. INVESTMENT STRATEGY

The City maintains a comprehensive and proactive cash management program which is designed to monitor and control all EDC funds to ensure maximum utilization and yield a market rate of return. The basic and underlying strategy of this program is that all of the EDC's funds are earning interest. It is the responsibility and obligation of the City to maintain a flexible approach and be prepared to modify the investment strategy as market conditions dictate. The investment strategy described is predicated on conditions as they now exist and are subject to change. The investment strategy emphasizes low credit risk, diversification, and the management of maturities. The strategy also considers the expertise and time constraints of the Investment Officers. The allowable investments as defined in Section VII of this policy reflect the avoidance of credit risk. Diversification refers to dividing investments among a variety of securities offering independent returns. This strategy uses local government investment pools to achieve diversification. The active management of maturities refers to structuring the maturity dates of the direct investments so that, while funds are initially invested for a longer period of time, some investments mature as cash needs require. The strategies for the EDC's investment activities shall be as follows:

Strategy No. 1

Diversifying the EDC's investment opportunities through the use of local government investment pools and money market mutual funds as authorized by the EDC Board, and the City Council. An investment pool is a professionally managed portfolio of shared assets created to invest public funds jointly on behalf of the governmental entities that participate in the pool and whose investment objectives in order of priority match those objectives of the EDC. Fund withdrawals are usually available from investment pools on a same-day basis, meaning the pools have a high degree of liquidity. Because of the size and expertise of their staff, investment pools are able to prudently invest in a variety of the investment types allowed by state law. In this manner, investment pools achieve desired diversification. The strategy of the EDC calls for the use of investment pools as a primary source of diversification and a supplemental source of liquidity. Funds that may be needed on a short-term basis but are in excess of the amount maintained at the depository bank are available for deposit in investment pools.

Strategy No. 2

Building a ladder of authorized securities with staggered maturities for all or part of the longer-term investable funds. The benefits of this ladder approach include the following:

- A.** It is straight-forward and easily understood;
- B.** It will assure the EDC that it will capture a reasonable portion of the yield curve; and,
- C.** It provides predictable cash flow with scheduled maturities and reinvestment opportunities.

Strategy No. 3

Utilizing the services of a Professional Investment Advisor in order to maximize investment earnings and realize market opportunities when they become available. Other responsibilities of the Investment Advisor include, but are not limited to broker compliance,

security selection, competitive bidding, investment reporting, and security documentation. The Investment Advisor must be registered with the Securities and Exchange Commission (SEC) under the Investment Advisor's Act of 1940 as well as with the Texas State Securities Board and shall adhere to the spirit and philosophy of this policy and avoid recommending or suggesting transactions outside the "Standard of Care" under this policy.

Strategy No. 4

The EDC will utilize a general investment strategy designed to address the unique characteristics of specific fund-types (detailed strategies are presented in Attachment A):

- A. Investment strategies for operating funds and pooled funds 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 which will experience minimal volatility during economic cycles.
- B. Investment strategies for reserve funds shall have as the primary objective the ability to generate a dependable revenue stream to the appropriate reserve fund.
- C. Investment strategies for special projects and capital projects funds will have as their primary objective to assure that anticipated cash flows are matched with adequate investment liquidity.
- D. The investment maturity of bond proceeds (excluding reserve and debt service funds) shall generally be limited to the anticipated cash flow requirement or the "temporary period," as defined by Federal tax law. During the temporary period, bond proceeds may be invested at an unrestricted yield. After the expiration of the temporary period, bond proceeds subject to yield restriction shall be invested considering the anticipated cash flow requirements of the funds and market conditions to achieve compliance with the applicable regulations.

Strategy No. 5

The EDC generally intends to hold all of its securities until they mature and will accomplish this by maintaining sufficient liquidity in its portfolio so that it does not need to sell a security early. Should it become necessary to sell a security prior to maturity, where the sale proceeds are less than the current book value, the prior written consent of the EDC Executive Director, or the City Manager must be obtained. Securities may be sold prior to maturity by the Director of Finance at or above their book value at any time, without the consent of the City Manager.

Strategy No. 6

All demand deposits of the EDC will be concentrated with one central depository, so long as, the FDIC insurance limits are not exceeded. The City's depository procedure will maximize the EDC's ability to pool cash for investment purposes, and provide more manageable banking relationships. In addition, depositories not holding demand deposits of the EDC may be eligible to bid on EDC investments.

Strategy No. 7

This policy shall further seek to maintain good depository bank relationships while minimizing the cost of banking services. The City will seek to maintain a depository contract which will be managed to a level that minimizes the cost of the banking relationship to the EDC, while allowing the EDC to earn an appropriate return on idle demand deposits.

Strategy No. 8

A single pooled fund group of EDC funds, as defined in this policy, may be utilized at the discretion of the Investment Officer. However, earnings from investments will be allocated on a pro-rata cash basis to the individual funds and used in a manner that will best service the interests of the EDC.

Strategy No. 9

Procedures shall be established and implemented in order to maximize investable cash by decreasing the time between the actual collection and the deposit of receipts, and by the controlling of disbursements.

V. FINANCE AUDIT COMMITTEE

- A. Members** – There is hereby created a Finance Audit Committee consisting of the Mayor, two members of the City Council and two citizens appointed by the City Council. The Mayor will be a permanent member of the Committee. The other four members of the Committee will be appointed by the City Council to serve a two-year term and shall not exceed two successive terms. The Mayor and the two members of the City Council shall be voting members of the Committee. The Community Representative members shall be non-voting members of the Committee.
- B. Scope** – The Finance Audit Committee shall meet at least once per calendar quarter to determine general strategies and to monitor results. Included in its deliberations will be such topics as: economic outlook, portfolio diversification, maturity structure, potential risk to the EDC's funds, authorized brokers and dealers, and the target rate-of-return on the investment portfolio.
- C. Procedures** – The Finance Audit Committee shall provide minutes of its meetings. Any two members of the Finance Audit Committee may request a special meeting and a majority of the voting members shall constitute a quorum. The Finance Audit Committee shall abide by the Rules of Procedure and Policies as set forth in Resolution 09-05-01-11, as amended, and the Charter of the City of Corinth.

VI. RESPONSIBILITY AND STANDARD OF CARE

- A.** The responsibility for the daily operation and management of the EDC's investments shall be outlined within this section.
- 1. Delegation of Authority** - Management responsibility for the investment program is hereby delegated to the Director of Finance, who shall be authorized to deposit, withdraw, invest, transfer or manage the funds of the City and shall establish written procedures for the operation of the investment program, consistent with this policy. Such procedures shall include explicit delegation of authority to other persons responsible for investment transactions. All persons involved in investment activities will be referred to in this policy as "Investment Officers." No persons may engage in an investment transaction except as provided under the terms of this policy and the procedures established by the Director of Finance.
 - 2.** The Director of Finance shall assume responsibility for all transactions undertaken and shall establish a system of controls to regulate the activities of subordinate Investment Officials. The system of controls shall be designed to provide reasonable assurance that ensures the assets of the City are protected from loss, theft or misuse. The concept of reasonable assurance recognizes that:

- a. The cost of control should not exceed the benefits likely to be derived; and,
 - b. The valuation of costs and benefits requires estimates and judgments by management.
 3. The Director of Finance shall be designated as the primary Investment Officer for the City and shall be responsible for investment decisions and activities under the direction of the City Manager. The Director of Finance may delegate any phase of the investment program to a secondary Investment Officer. Both the Director of Finance and the designated secondary Investment Officer are responsible for daily investment decisions and activities. However, ultimate responsibility for investment decisions will rest with the Director of Finance.
- B. 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 prevailing circumstances, that a person of prudence, discretion and intelligence would exercise in the management of the person's own affairs, not for speculation, but for investment, considering the probable safety of capital and the probable income to be derived." In determining whether the Investment Officer has exercised prudence with respect to an investment decision, the determination shall be made taking into consideration the following:
1. The investment of all funds over which the Investment Officer had responsibility rather than a consideration as to the prudence of a single investment; and
 2. The investment decision was consistent with the written investment policy and procedures of the EDC.
- C. Due Diligence** - The Director of Finance, designated secondary Investment Officer, Mayor, City Council, City Manager, other Finance employees and the citizen committee members acting in accordance with written policies and procedures and exercising due diligence, shall not be held personally responsible for a specific security's credit risk or market price changes, provided that these deviations are reported in a timely manner and that appropriate action is taken to control adverse developments.
- D. Ethical Standards and Conflicts of Interest**
1. All EDC Investment Officers having a direct or indirect role in the investment of EDC funds shall act as custodians of the public trust avoiding any transaction which might involve a conflict of interest, the appearance of a conflict of interest, or any activity which might otherwise discourage public confidence. 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.
 2. An Investment Officer who has a personal business relationship with the depository bank or with any entity seeking to sell an investment to the EDC shall file a statement disclosing that personal business interest.
 3. An Investment Officer has a personal business relationship with a business organization if:

- a. The Investment Officer or person related to the Investment Officer by the second degree of affinity or consanguinity owns 10% or more of the voting stock or shares of the business organization or owns \$5,000 or more of the fair market value of the business organization;
 - b. Funds received by the Investment Officer or person related to the investment officer by the second degree of affinity or consanguinity from the business organization exceed 10% of the Investment Officer's gross income for the prior year; or
 - c. The Investment Officer or person related to the Investment Officer by the second degree of affinity or consanguinity has acquired from the business organization during the prior year investments with a book value of \$2,500 or more for the personal account of the Investment Officer.
 - d. An Investment Officer who is related within the second degree of affinity or consanguinity to an individual seeking to sell an investment to the EDC shall file a statement disclosing that relationship. A statement required under this subsection must be filed with the Texas Ethics Commission and the City Council.
- E. Training - The City shall provide periodic training in investments for the investment personnel through courses and seminars offered by professional organizations and associations in order to ensure the quality and capability of the EDC's investment personnel making investment decisions in compliance with Public Funds Investment Act (PFIA). The Investment Officers and Finance Audit Committee members shall attend at least one training session containing at least 10 hours of instruction relating to the officer's responsibility under the PFIA within 12 months after assuming duties, and thereafter shall attend at least 8 hours of additional investment training in subsequent two-year periods which begin on the first day of the fiscal year and consist of the two consecutive fiscal years after that date. The Government Finance Officers Association of Texas, the Government Treasurers Organization of Texas, the Texas Municipal League, or the North Central Texas Council of Governments are approved as independent training sources by the City Council.

VII. AUTHORIZED INVESTMENTS

- A. Generally - Safety of principal is the primary objective in investing public funds and can be accomplished by limiting credit risk and interest rate risk. Credit risk is the risk associated with the failure of a security issuer or backer to pay back principal and interest on a timely basis. Interest rate risk is the risk that the value of a portfolio will decline due to an increase in the general level of interest rates. In order to provide for safety of principal as the EDC's primary objective, only certain investments are authorized as acceptable investments for the EDC. The following list of authorized investments for the EDC intentionally excludes some investments authorized by state law. These restrictions are intended to limit possible risk and provide the maximum measure of safety to EDC funds. In the event an authorized investment loses its required minimum credit rating, all prudent measures will be taken to liquidate said investment. Additionally, the EDC is not required to liquidate investments that were authorized at the time of purchase.
- B. Authorized and Acceptable Investments - The authorized list of investment instruments is as follows:

1. Obligations of the United States or its agencies and instrumentalities, or any obligation fully guaranteed or insured by the Federal Deposit Insurance Corporation (FDIC), *excluding mortgage-backed securities*.
 2. Direct obligations of the State of Texas, or its agencies and instrumentalities, other obligations, the principal of and interest on which are unconditionally guaranteed or insured by, or backed by the full faith and credit of, the State of Texas or the United States or their respective agencies and instrumentalities, excluding mortgage-related securities.
- C. Certificates of Deposit – A certificate of deposit issued by a depository institution that has its main office or branch office in this state, and is secured in accordance with the specific collateralization requirements contained in section XI, B of this policy. –In addition, an investment in "bundled" or "shared" CDs made in accordance with the following conditions is permitted:
1. The funds are invested through a broker that has its main office or a branch office in this state selected from a list adopted by the City as required by Section 2256.025; or through a depository institution that has its main office or a branch office in this state and that is selected by the City;
 2. The selected broker or depository institution arranges for the deposit of the funds in certificates of deposit in one or more federally insured depository institutions, wherever located, for the account of the City.
 3. The full amount of the principal and accrued interest of each of the CD is insured by the United States or an instrumentality of the United States;
 4. The City appoints the depository institution, a clearing broker-dealer registered with the Securities and Exchange Commission and operating pursuant to SEC Rule 15c3-3, or an entity described in the Public Funds Collateral Act, Section 2257.041(d), as custodian for the City with respect to those CDs issued for the City's account.
- D. Eligible Local Government Investment Pools - AAA-rated public funds investment pools, with a weighted average maturity of 60 days or less, individually approved by formal Council resolution, which invest in instruments and follow practices allowed by the current law as defined in Section 2256.016 of the Texas Government Code. The pool must be continuously rated no lower than AAA or AAA-m or at an equivalent rating by at least one nationally recognized rating service. A public funds investment pool created to function as a money market mutual fund must mark to market daily and stabilize at a \$1 net asset value.
- E. Repurchase Agreements - Fully collateralized repurchase agreements having a defined termination date, placed through a primary government securities dealer or a financial institution doing business in the State of Texas, and fully secured by cash and obligations of the United States or its agencies and instrumentalities. This collateral must be pledged to the EDC and held in safekeeping with a third-party custodian approved by the City. All collateral must be maintained at a market value of no less than the principal amount of the outstanding funds disbursed. All transactions shall be governed by signed Security Industry and Financial Markets Association (SIFMA) Master Repurchase Agreement. Repurchase agreements must also be collateralized in accordance with State law as described in Section XI of this policy. Authorized under this section includes flexible repurchase agreements which may be

used for specific investment of bond proceeds but *shall not include reverse purchase agreements*.

- F. Bankers' Acceptances, and Commercial Paper (LIMITED USE) - These investments are authorized for the EDC to the extent that they are contained in the portfolios of approved public funds investment pools or money market funds in which the EDC invests.

- G. AAA-rated SEC-Regulated 2a7 No-Load Money Market Mutual Funds - An SEC-registered, no load money market mutual fund which has a dollar weighted average stated maturity of 60 days or less whose assets consist exclusively of the assets described in section VII.A and whose investment objectives includes the maintenance of a stable net asset value of \$1 for each share: furthermore, it provides the EDC with a prospectus and other information required by the SEC Act of 1934 or the Investment Advisor Act of 1940 and which provides the EDC with a prospectus and other information required by the Securities Exchange Act of 1934 (15 USC. Section 78a et. Seq.) & the Investment Company Act of 1990 (15 USC Section 80a-1 et. Seq.).

- H. Unauthorized Securities - State law specifically prohibits investment in the following securities:
 - 1. An obligation whose payment represents the coupon payments on the outstanding principal balance of the underlying mortgage-backed security and pays no principal.
 - 2. An obligation whose payment represents the principal stream of cash flow from the underlying mortgage-backed security and bears no interest.
 - 3. Collateralized mortgage obligations that have a stated final maturity date of greater than 10 years.
 - 4. Collateralized mortgage obligations, the interest rate of which is determined by an index that adjusts opposite to the changes in a market index.

VIII. DIVERSIFICATION

- A. Generally - Diversification of investment instruments shall be utilized to avoid incurring unreasonable risks resulting from over-concentration of investments in a specific maturity, a specific issue, or a specific class of securities. With the exception of U.S. Government securities (debt obligations issued by the U. S. Government, its agencies, or instrumentalities) as authorized in this policy, and authorized local government investment pools, no more than forty percent (40%) of the total investment portfolio will be invested in any one security type or with a single financial institution. Diversification of the portfolio considers diversification by maturity dates and diversification by investment instrument.

- B. Diversification by Maturities - The longer the maturity of investments, the greater their price volatility. Therefore, it is the EDC's policy to concentrate its investment portfolio in shorter-term securities in order to limit principal risks caused by change in interest rates. The EDC will attempt to match its investments with anticipated cash flow requirements. Unless matched to a specific cash flow (including the anticipated cash flow requirements of bond proceeds within the temporary period), the EDC will not directly invest in securities maturing more than two (2) years from the date of purchase. However, the above described obligations, certificates, or agreements may be

collateralized using longer date instruments. The EDC shall diversify the use of investment instruments to avoid incurring unreasonable risks inherent in over-investing in specific instruments, individual financial institutions or maturities. Maturity scheduling shall be managed by the Investment Officer so that maturities of investments shall be timed to coincide with projected cash flow needs.

The entire EDC portfolio, or single pooled fund group if utilized, shall maintain a maximum average dollar-weighted maturity, based on the stated maturity date, of less than two hundred seventy (270) days. Investment maturities for debt service interest and sinking funds and/or other types of reserve funds, whose use is never anticipated, shall maintain a maximum average dollar-weighted maturity, based on the stated maturity date, of less than three hundred sixty-five (365) days.

- C. Diversification by Investment Instrument** - Diversification by investment instrument shall not exceed the following guidelines for each type of instrument:

	Maximum % of Portfolio
U.S. Treasury Obligations	100%
U.S. Government Agency Securities and Instrumentalities	100%
Authorized Local Government Investment Pool	100%
Local Government Obligations	10%
Fully Insured Certificates of Deposit	50%
Fully Collateralized Repurchase Agreements	25%
SEC-Regulated No-Load Money Market Mutual Fund	100%
U.S. Treasury & Agency Callables	30%

IX. SECURITY SWAPS

Security swaps may be considered as an investment option for the EDC. A swap out of one instrument into another is acceptable to increase yield, realign for disbursement dates, extend or shorten maturity dates and improve market sector diversification. Swaps may be initiated by brokers/dealers who are on the City's approved list. A horizon analysis is required for each swap proving benefit to the EDC before the trade decision is made, which will accompany the investment file for record keeping.

X. AUTHORIZED FINANCIAL DEALERS AND INSTITUTIONS

- A.** The Director of Finance will maintain a list of financial institutions authorized to provide investment services to the City. In addition, a list will also be maintained of approved broker/dealers authorized to provide investment services in the State of Texas. These will include financial institutions that qualify under Securities & Exchange Commission Rule 15-C3-1 (uniform net capital rule). No public deposit shall be made except in a qualified public depository as established by state laws.
- B.** All financial institutions and broker/dealers who desire to become qualified bidders for investment transactions must supply the Director of Finance with the following, as appropriate: audited financial statements, proof of Financial Industry Regulatory Authority certification, trading resolution, proof of State registration, completed broker/dealer questionnaire and certification of having read the EDC's investment policy.
- C.** The Finance Audit Committee shall be responsible for adopting the list of brokers and dealers of government securities. Their selection shall be among only primary

government securities dealers that report directly to the New York Federal Reserve Bank, unless a comprehensive credit and capitalization analysis reveals that other firms are adequately financed to conduct public business. The Finance Audit Committee shall base its evaluation of security dealers and financial institutions upon:

1. Financial conditions, strength and capability to fulfill commitments;
 2. Overall reputation with other dealers or investors;
 3. Regulatory status of the dealer;
 4. Background and expertise of the individual representatives.
- D.** Investment Officers shall only conduct business with securities dealers approved by the Finance Audit Committee and will not purchase investments from any financial organization until the organization's registered principal has executed a written instrument stating that he or she has thoroughly reviewed the EDC's investment policy and acknowledges that reasonable procedures and controls have been implemented to preclude imprudent investment activities arising out of transactions between the organization and the EDC, except to the extent that this authorization is dependent on an analysis of the makeup of the EDC's entire portfolio or requires an interpretation of subjective investment standards.
- E.** To guard against default possibilities under these conditions, and to assure diversification of bidders, business with any one issuer, or investment broker, should be limited to forty percent (40%) of the total portfolio at any point in time. In this way, bankruptcy, receivership or legal action would not immobilize the EDC's ability to meet payroll or other expenses.
- F.** All investments (governments or bank C.D.'s) will be solicited on a competitive basis with at least three (3) institutions. The Finance Audit Committee can approve exceptions on a case by case basis or on a general basis in the form of guidelines. These guidelines shall take into consideration the investment type maturity date, amount, and potential disruptiveness to the EDC's investment strategy. The investment will be made with the broker/dealer offering the best yield/quality to the EDC. The quotes may be accepted orally, in writing, electronically, or any combination of these methods.
- G.** An annual review of the financial condition and registrations of qualified financial organizations will be conducted by the Director of Finance.
- H.** A current audited financial statement is required to be on file for each financial institution and broker/dealer in which the EDC invests.
- I.** If the City has contracted with a Registered Investment Advisor for the management of its funds, the advisor shall be responsible for performing due diligence on and maintaining a list of broker/dealers with which it shall transact business on behalf of the EDC. The advisor shall determine selection criteria and shall annually present a list of its authorized broker/dealers to the City for review and likewise shall execute the aforementioned written instrument stating that the advisor has reviewed the EDC's investment policy and has implemented reasonable procedures and controls in an effort to preclude imprudent investment activities with the EDC. The advisor shall obtain and document competitive bids and offers on all transactions and present these to the City as part of its standard trade documentation.

- J. It is the policy of the City that all security transactions entered into with the EDC shall be conducted on a “Delivery-versus-Payment” basis through the Federal Reserve System. By doing this, EDC funds are not released until the City has received, through the Federal Reserve wire, the securities purchased. The City shall authorize the release of funds only after receiving notification from the safekeeping bank that a purchased security has been received in the safekeeping account of the EDC. The notification may be oral, but shall be confirmed in writing.

XI. SAFEKEEPING AND COLLATERALIZATION

- A. Safekeeping - All securities owned by the EDC shall be held by a third-party safekeeping agent selected by the EDC’s Investment Officer. Bank deposits will be held in the EDC’s name in the bank’s trust department, in a Federal Reserve Bank account in the EDC’s name, or third-party financial institutions doing business in the state of Texas, in accordance with state law. Original safekeeping receipts shall be obtained and held by the City and the EDC. The City and the EDC shall contract with a bank or banks for the safekeeping of securities either owned by the EDC as part of its investment portfolio or held as collateral to secure time deposits, if collateralized time deposits are specifically authorized by the board.
- B. Collateralized Deposits - Consistent with the requirements of State law, the EDC requires all bank deposits to be federally insured. If the board and the City do agree that collateralized accounts are acceptable in specific situations the provisions above may be amended for EDC accounts.

XII. INTERNAL CONTROL

The Investment Officer shall establish a system of written internal controls, which shall be reviewed annually by independent auditors. The controls shall be designed to prevent loss of public funds due to fraud, error, misrepresentation, unanticipated market changes, or imprudent actions. The internal controls are to be reviewed annually in conjunction with an external independent audit. This review will provide assurance of compliance with policies and procedures as specified by this policy. The City, in conjunction with its annual financial audit, shall perform a compliance audit of management controls and adherence to the EDC’s established investment policy.

XIII. PERFORMANCE

The EDC’s investment portfolio shall be designed to obtain a market rate-of-return on investments consistent with risk constraints and cash flow requirements of the EDC. This investment policy establishes “weighted average yield to maturity” as the standard portfolio performance measurement.

XIV. REPORTING

- A. Quarterly - The Director of Finance shall prepare and submit a signed quarterly investment report to the Economic Development Board and the Finance Audit Committee that summarizes current market conditions, economic developments, and anticipated investment conditions. The report shall summarize investment strategies employed in the most recent quarter and describe the portfolio in terms of investment securities, maturities, risk characteristics, and shall explain the total investment return for the quarter. The City shall also monitor the credit ratings on securities that require minimum ratings. This may be accomplished through staff research, or with the

assistance of broker-dealers, investment advisors, banks or safekeeping agents.

- B. Annual Report** - Within 180 days of the end of the fiscal year, the Director of Finance shall present an annual report on the investment program and investment activity. This report may be presented as a component of the fourth quarter report to the Economic Development Board, City Manager and the City Council. The quarterly reports prepared by the Director of Finance shall be formally reviewed at least annually by an independent auditor, and the result of the review shall be reported to the City Council by that auditor.
- C. Methods** - The quarterly and annual investment reports shall include a succinct management summary that provides a clear picture of the status of the current investment portfolio and transactions made over the past quarter. This management summary will be prepared in a manner which will allow the EDC to ascertain whether investment activities during the reporting period have conformed to the investment policy. The report will be prepared in compliance with generally accepted accounting principles. The report will include the following:
1. A listing of individual securities held at the end of the reporting period. This list will include the name of the fund or pooled group fund for which each individual investment was acquired;
 2. Unrealized gains or losses resulting from appreciation or depreciation by listing the beginning and ending book and market value of securities for the period. Market values shall be obtained from financial institutions or portfolio reporting services independent from the broker/dealer from which the security was purchased;
 3. Additions and changes to the market value during the period;
 4. Fully accrued interest for the reporting period;
 5. Average weighted yield to maturity of portfolio on entity investments as compared to applicable benchmarks;
 6. Listing of investments by maturity date;
 7. The percentage of the total portfolio which each type of investment represents; and
 8. Statement of compliance of the EDC's investment portfolio with State Law and the investment strategy and policy approved by the City Council.
 9. Market yield benchmark comparison of the average 90-day U. S. Treasury Bill auction yield during the reporting period.
 10. The guidelines of retaining records for seven years as recommended in the *Texas State Library Municipal Records Manual* should be followed. The Director of Finance shall oversee the filing and/or storing of investment records.

XV. INVESTMENT POLICY ADOPTION AND AMENDMENT

The EDC's investment policy shall be reviewed by the Economic Development Board and formally adopted and amended by resolution by the City Council. The City's written policies and procedures for investments are subject to review not less than annually to stay current with changing laws, regulations and needs of the City. The City Council, not less than annually, shall adopt a written instrument stating that it has reviewed the investment policy and investment strategies and that the written instrument so adopted shall record any changes made to either the policy or strategies.

Attachment A

CITY OF CORINTH, TEXAS Economic Development Corporation Investment Strategy Statement

Operating Funds

1. Suitability - Any investment eligible in the investment policy is suitable for Operating Funds.
2. Safety of Principal - All investments shall be of high quality securities with no perceived default risk. Market price fluctuations will occur. However, by managing the weighted average days to maturity for the Operating Fund's portfolio to less than 270 days and restricting the maximum allowable maturity to two years, the price volatility of the overall portfolio will be minimized.
3. 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.
4. Liquidity - The Operating Fund requires the greatest short-term liquidity of any of the Fund types. 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.
5. Diversification - Investment maturities should be staggered throughout the budget cycle to provide cash flow based on the anticipated operating needs of the EDC. Market cycle risk will be reduced by diversifying the appropriate maturity structure out through two years.
6. 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.

Reserve Funds

1. 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.
2. Safety of Principal - All investments shall be of high quality securities with no perceived default risk. Market price fluctuations will occur. However, managing Debt Service Reserve Fund maturities to not exceed the call provisions of the borrowing reduces the investment's market risk if the EDC's debt is redeemed and the Reserve Fund liquidated. The fund shall maintain a maximum average dollar-weighted maturity, based on the stated maturity date, of less than three hundred sixty-five (365) days. No stated final investment maturity shall exceed the shorter of the final maturity of the borrowing or two 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 reduce the opportunity for maturity extension.

3. Marketability - Securities with less active and efficient secondary markets are acceptable for Debt Service Reserve Funds.
4. 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 EDC at the final debt service payment. Market conditions and arbitrage regulation compliance determine the advantage of security diversification and liquidity. Generally, if investment rates exceed the cost of borrowing, the EDC is best served by locking in investment maturities and reducing liquidity. If the borrowing cost cannot be exceeded, then concurrent market conditions will determine the attractiveness of locking in maturities or investing shorter and anticipating future increased yields.
5. 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 a bond issue, if any, be exceeded in an attempt to bolster yield.
6. Yield - Achieving a positive spread to the applicable borrowing cost is the desired objective. Debt Service Reserve Fund portfolio management shall at all times operate within the limits of the investment policy's risk constraints.

Bond Funds

1. Suitability - Any investment eligible in the Investment Policy is suitable for Bond Funds.
2. Safety of Principal - All investments will be of high quality securities with no perceived default risk. Market price fluctuations will occur. However, by managing Bond Funds to not exceed the shorter of two years or the anticipated expenditure schedule and maintaining a maximum average dollar-weighted maturity, based on the stated maturity date, of less than three hundred sixty-five (365) days the market risk of the overall portfolio will be minimized.
3. 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.
4. Liquidity - Bond Funds used for capital improvements programs have reasonably predictable draw down schedules. Therefore investment maturities should generally follow the anticipated cash flow requirements. 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.
5. Diversification - Market conditions and arbitrage regulations influence the attractiveness of staggering the maturity of fixed rate investments for construction, loan and bond proceeds. Generally, when investment rates exceed the applicable cost of borrowing, the EDC is best served by locking in most investments. If the cost of borrowing cannot be exceeded, then concurrent 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.

6. 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.

Attachment B

CITY OF CORINTH, TEXAS
Investment Policy

[SAMPLE]
TEXAS PUBLIC FUNDS INVESTMENT ACT
CERTIFICATION BY BUSINESS ORGANIZATION

This certification is executed on behalf of the City of Corinth, Texas (the "City") 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 the City 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 City; 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 City that are not authorized by the City's investment policy, except to the extent that this authorization is dependent on an analysis of the makeup of the City's entire portfolio or requires an interpretation of subjective investment standards.

Qualified Representative of Business Organization

Firm: _____

Signature _____

Name: _____

Title: _____

Date: _____

City Council Regular and Workshop Session

Meeting Date: 01/09/2020
Title: CCD Investment Policy
Submitted For: Lee Ann Bunselmeyer, Director
Submitted By: Lee Ann Bunselmeyer, Director
Finance Review:
City Manager Review: Bob Hart, City Manager

Legal Review:

AGENDA ITEM

Consider and act on a resolution reviewing and approving the Investment Policy for funds for the Crime Control & Prevention District; and providing an effective date.

AGENDA ITEM SUMMARY/BACKGROUND

In accordance with Public Funds Investment Act, Chapter 2256 of the Texas Government Code, the city is required to annually adopt a formal written Investment Policy for the investment of public funds. The policy establishes investment parameters and guidelines for the investment program in order to achieve the goals of safety, liquidity, diversification, rate-of-return, and public trust, and designates the authorized investment officer responsible for the daily investment activity by the City.

As part of the annual process, staff reviews the policy and may recommend revisions to the existing policy, if needed.

There are no recommended revisions to the investment policies.

RECOMMENDATION

The Finance Audit Committee reviewed the Investment Policy on Tuesday, December 17, 2019 and recommends approval.

Attachments

Resolution
2020 CCD Investment Policy

**CORINTH, TEXAS
CORINTH CRIME CONTROL AND PREVENTION DISTRICT
INVESTMENT POLICY**

PREFACE

It is the policy of the City of Corinth (the "City") and the Corinth Crime Control and Prevention District (the "DISTRICT") that after allowing for the anticipated cash flow requirements and giving due consideration to the safety and risks of investments, all available funds shall be invested in conformance with these legal and administrative guidelines to obtain a market rate-of-return.

Effective cash management is recognized as essential to good fiscal management. An active cash management and investment policy will be pursued to take advantage of investment interest as a viable and material source of revenue for DISTRICT funds. The DISTRICT's portfolio shall be designed and managed in a manner responsive to the public trust and shall be invested in conformance with State and Federal Regulations, applicable Bond Resolution requirements, and adopted investment policy. The DISTRICT will invest public funds in a manner which will provide the maximum security and a market rate-of-return while meeting the daily cash flow demands of the DISTRICT.

Pursuant to Subchapter E of Chapter 363 of the Local Government Code, the DISTRICT designates the City of Corinth to invest its funds in accordance with the provisions and requirements of this policy and § 363.206(c) of the Texas Local Gov't Code.

I. PURPOSE

The purpose of this investment policy (the “policy”) is to set forth specific investment policy and strategy guidelines for the DISTRICT in order to achieve the goals of safety, liquidity, rate-of-return, and public trust for all investment activities.

II. SCOPE

The investment policy shall govern the investment of all financial assets considered to be part of the DISTRICT and includes the following separately invested funds or fund types: Operating, Reserve, and Bond Funds, although the DISTRICT has only operating funds. This policy does not include funds governed by approved trust agreements, or assets administered for the benefit of the DISTRICT by outside agencies under retirement or deferred compensation programs. The City shall and will maintain responsibility for these funds to the extent required by: Federal and State law; the City Charter; and donor stipulations.

III. INVESTMENT OBJECTIVES

Funds of the DISTRICT shall be invested in accordance with all applicable Texas statutes, this policy and any other approved, written administrative procedures. The five objectives of the DISTRICT’s investment activities shall be as follows (in the order of priority):

- A. Safety – Preservation and safety of Principal. Safety of principal invested is the foremost objective in the investment decisions of the DISTRICT. Each investment transaction shall seek to ensure the preservation of capital in the overall portfolio. The risk of loss shall be controlled by investing only in authorized securities as defined in this policy, by qualifying the financial institutions with which the DISTRICT will transact, and by portfolio diversification. Safety is defined as the undiminished return of the principal on the DISTRICT’s investments
- B. Liquidity -The investment portfolio shall be managed to maintain liquidity to ensure that funds will be available to meet the DISTRICT’s cash flow requirements and by investing in securities with active secondary markets. Investments shall be structured in such a manner as to provide liquidity necessary to pay obligations as they become due. A security may be liquidated prior to its stated maturity to meet unanticipated cash requirements or to otherwise favorably adjust the DISTRICT’s portfolio.
- C. Diversification - Investment maturities shall be staggered throughout the budget cycle to provide cash flow based on the anticipated needs of the DISTRICT. Diversifying the appropriate maturity structure will reduce market cycle risk.
- D. Market Rate-of-Return (Yield) - The DISTRICT’s investment portfolio shall be designed to optimize a market rate-of-return on investments consistent with risk constraints and cash flow requirements of the portfolio. The investment portfolio shall be managed in a manner which seeks to attain a market rate-of-return throughout budgetary and economic cycles. The DISTRICT will not attempt to consistently attain an unrealistic above market rate-of-return as this objective will subject the overall portfolio to greater risk. Therefore, the DISTRICT’s rate-of-return objective is secondary to those of safety and liquidity. Rate-of-return (yield) is defined as the annual income returned on an investment, expressed as a percentage.

- E. Public Trust - The Investment Officer(s) shall avoid any transactions that might impair public confidence in the DISTRICT's ability to govern effectively. The governing body recognizes that in diversifying the portfolio, occasional measured losses due to market volatility are inevitable, and must be considered within the context of the overall portfolio's investment return, provided that adequate diversification has been implemented. The prudence of the investment decision shall be measured in accordance with the tests set forth in Section 2256.006(b) of the Act.

IV. INVESTMENT STRATEGY

The City maintains a comprehensive and proactive cash management program which is designed to monitor and control all DISTRICT funds to ensure maximum utilization and yield a market rate-of-return. The basic and underlying strategy of this program is that all of the DISTRICT's funds are earning interest. It is the responsibility and obligation of the City to maintain a flexible approach and be prepared to modify the investment strategy as market conditions dictate. The investment strategy described is predicated on conditions as they now exist and are subject to change. The investment strategy emphasizes low credit risk, diversification, and the management of maturities. The strategy also considers the expertise and time constraints of the Investment Officers. The allowable investments as defined in Section VII of this policy reflect the avoidance of credit risk. Diversification refers to dividing investments among a variety of securities offering independent returns. This strategy uses local government investment pools to achieve diversification. The active management of maturities refers to structuring the maturity dates of the direct investments so that, while funds are initially invested for a longer period of time, some investments mature as cash needs require. The strategies for the DISTRICT's investment activities shall be as follows:

Strategy No. 1

Diversifying the DISTRICT's investment opportunities through the use of local government investment pools and money market mutual funds as authorized by the City Council. An investment pool is a professionally managed portfolio of shared assets created to invest public funds jointly on behalf of the governmental entities that participate in the pool and whose investment objectives in order of priority match those objectives of the DISTRICT. Fund withdrawals are usually available from investment pools on a same-day basis, meaning the pools have a high degree of liquidity. Because of the size and expertise of their staff, investment pools are able to prudently invest in a variety of the investment types allowed by state law. In this manner, investment pools achieve desired diversification. The strategy of the DISTRICT calls for the use of investment pools as a primary source of diversification and a supplemental source of liquidity. Funds that may be needed on a short-term basis but are in excess of the amount maintained at the depository bank are available for deposit in investment pools.

Strategy No. 2

Building a ladder of authorized securities with staggered maturities for all or part of the longer-term investable funds. The benefits of this ladder approach include the following:

- A. It is straight-forward and easily understood;
- B. It will assure the DISTRICT that it will capture a reasonable portion of the yield curve; and,
- C. It provides predictable cash flow with scheduled maturities and reinvestment opportunities.

Strategy No. 3

Utilizing the services of a Professional Investment Advisor in order to maximize investment earnings and realize market opportunities when they become available. Other responsibilities of the Investment Advisor include, but are not limited to broker compliance, security selection, competitive bidding, investment reporting, and security documentation. The Investment Advisor must be registered with the Securities and Exchange Commission (SEC) under the Investment Advisor's Act of 1940 as well as with the Texas State Securities Board and shall adhere to the spirit and philosophy of this policy and avoid recommending or suggesting transactions outside the "Standard of Care" under this policy.

Strategy No. 4

The DISTRICT will utilize a general investment strategy designed to address the unique characteristics of specific fund-types (detailed strategies are presented in Attachment A):

- A. Investment strategies for operating funds and pooled funds 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 which will experience minimal volatility during economic cycles.
- B. Investment strategies for reserve funds shall have as the primary objective the ability to generate a dependable revenue stream to the appropriate reserve fund.
- C. Investment strategies for special projects and capital projects funds will have as their primary objective to assure that anticipated cash flows are matched with adequate investment liquidity.
- D. The investment maturity of bond proceeds (excluding reserve and debt service funds) shall generally be limited to the anticipated cash flow requirement or the "temporary period," as defined by Federal tax law. During the temporary period, bond proceeds may be invested at an unrestricted yield. After the expiration of the temporary period, bond proceeds subject to yield restriction shall be invested considering the anticipated cash flow requirements of the funds and market conditions to achieve compliance with the applicable regulations.

Strategy No. 5

The DISTRICT generally intends to hold all of its securities until they mature and will accomplish this by maintaining sufficient liquidity in its portfolio so that it does not need to sell a security early. Should it become necessary to sell a security prior to maturity, where the sale proceeds are less than the current book value, the prior written consent of the City Manager must be obtained. Securities may be sold prior to maturity by the Director of Finance at or above their book value at any time, without the consent of the City Manager.

Strategy No. 6

All demand deposits of the DISTRICT will be concentrated with one central depository. The City's depository procedure will maximize the DISTRICT's ability to pool cash for investment purposes and provide more manageable banking relationships. In addition, depositories not holding demand deposits of the DISTRICT may be eligible to bid on DISTRICT investments.

Strategy No. 7

This policy shall further seek to maintain good depository bank relationships while minimizing the cost of banking services. The City will seek to maintain a depository contract which will be managed to a level that minimizes the cost of the banking relationship to the DISTRICT, while allowing the DISTRICT to earn an appropriate return on idle demand deposits.

Strategy No. 8

A single pooled fund group, as defined in this policy, may be utilized at the discretion of the Investment Officer. However, earnings from investments will be allocated on a pro-rata cash basis to the individual funds and used in a manner that will best service the interests of the DISTRICT.

Strategy No. 9

Procedures shall be established and implemented in order to maximize investable cash by decreasing the time between the actual collection and the deposit of receipts, and by the controlling of disbursements.

V. FINANCE AUDIT COMMITTEE

- A. Members - There is hereby created a Finance Audit Committee consisting of the Mayor, two members of the City Council and two citizens appointed by the City Council. The Mayor will be a permanent member of the Committee. The other four members of the Committee will be appointed by the City Council to serve a two-year term and shall not exceed two successive terms. The Mayor and the two members of the City Council shall be voting members of the committee. The Community Representative members shall be non-voting members of the Committee.
- B. Scope - The Finance Audit Committee shall meet at least once per calendar quarter to determine general strategies and to monitor results. Included in its deliberations will be such topics as: economic outlook, portfolio diversification, maturity structure, potential risk to the DISTRICT's funds, authorized brokers and dealers, and the target rate-of-return on the investment portfolio.
- C. Procedures - The Finance Audit Committee shall provide minutes of its meetings. Any two members of the Finance Audit Committee may request a special meeting, and a majority of the voting members shall constitute a quorum. The Finance Audit Committee shall abide by the Rules of Procedure and Policies as set forth in Resolution 09-05-01-11, as amended, and the Charter of the City of Corinth.

VI. RESPONSIBILITY AND STANDARD OF CARE

- A. The responsibility for the daily operation and management of the DISTRICT's

investments shall be outlined within this section.

1. Delegation of Authority - Management responsibility for the investment program is hereby delegated to the Director of Finance, who shall be authorized to deposit, withdraw, invest, transfer or manage the funds of the DISTRICT and shall establish written procedures for the operation of the investment program, consistent with this policy. Such procedures shall include explicit delegation of authority to other persons responsible for investment transactions. All persons involved in investment activities will be referred to in this policy as "Investment Officers." No persons may engage in investment transactions, except as provided under the terms of this policy and the procedures established by the Director of Finance.
 2. The Director of Finance shall assume responsibility for all transactions undertaken and shall establish a system of controls to regulate the activities of subordinate Investment Officers. The system of controls shall be designed to provide reasonable assurance that ensures the assets of the DISTRICT are protected from loss, theft or misuse. The concept of reasonable assurance recognizes that:
 - a. The cost of control should not exceed the benefits likely to be derived; and,
 - b. The valuation of costs and benefits requires estimates and judgments by management.
 3. The Director of Finance shall be designated as the primary Investment Officer for the DISTRICT and shall be responsible for investment decisions and activities under the direction of the City Manager. The Director of Finance may delegate any phase of the investment program to a secondary Investment Officer. Both the Director of Finance and the designated secondary Investment Officer are responsible for daily investment decisions and activities. However, ultimate responsibility for investment decisions will rest with the Director of Finance.
- B. Prudence** - The standard of prudence to be applied by the Investment Official shall be the "prudent investor" rule, which states, "investments shall be made with judgment and care, under prevailing circumstances, that a person of prudence, discretion and intelligence would exercise in the management of the person's own affairs, not for speculation, but for investment, considering the probable safety of capital and the probable income to be derived." In determining whether the Investment Officer has exercised prudence with respect to an investment decision, the determination shall be made taking into consideration the following:
1. The investment of all funds over which the Investment Officer had responsibility rather than a consideration as to the prudence of a single investment; and
 2. The investment decision was consistent with the written investment policy and procedures of the DISTRICT.
- C. Due Diligence** - The Director of Finance, designated secondary Investment Officer, Mayor, City Council, City Manager, other Finance employees and citizen committee members acting in accordance with written policies and procedures and exercising due diligence, shall not be held personally responsible for a specific security's credit risk or market price changes, provided that these deviations are reported in a timely

manner and that appropriate action is taken to control adverse developments.

D. Ethical Standards and Conflicts of Interest

1. All DISTRICT Investment Officers having a direct or indirect role in the investment of DISTRICT funds shall act as custodians of the public trust avoiding any transaction which might involve a conflict of interest, the appearance of a conflict of interest, or any activity which might otherwise discourage public confidence. 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.
2. An Investment Officer who has a personal business relationship with the depository bank or with any entity seeking to sell an investment to the DISTRICT shall file a statement disclosing that personal business interest.
3. An Investment Officer has a personal business relationship with a business organization if:
 - a. The Investment Officer or one related to the Investment Officer within the second degree of affinity or consanguinity owns 10% or more of the voting stock or shares of the business organization or owns \$5,000 or more of the fair market value of the business organization;
 - b. Funds received by the Investment Officer or one related to the Investment Officer within the second degree of affinity or consanguinity from the business organization exceed 10% of the Investment Official's gross income for the prior year; or
 - c. The Investment Officer or one related to the Investment Officer within the second degree of affinity or consanguinity has acquired from the business organization during the prior year investments with a book value of \$2,500 or more for the personal account of the Investment Officer.
 - d. An Investment Officer who is related within the second degree of affinity or consanguinity to an individual seeking to sell an investment to the DISTRICT shall file a statement disclosing that relationship. A statement required under this subsection must be filed with the Texas Ethics Commission and the City Council.

- E. Training** - The City shall provide periodic training in investments for the investment personnel through courses and seminars offered by professional organizations and associations in order to ensure the quality and capability of the DISTRICT'S investment personnel making investment decisions in compliance with the Public Funds Investment Act (PFIA). The Investment Officials and the Finance Audit Committee members shall attend at least one training session containing at least 10 hours of instruction relating to the officer's responsibility under the PFIA within 12 months after assuming duties, and thereafter shall attend at least 8 hours of additional investment training in subsequent two-year periods which begin on the first day of the fiscal year and consist of the two consecutive fiscal years after that date. The

Government Finance Officers Association of Texas, the Government Treasurers Organization of Texas, the Texas Municipal League, or the North Central Texas Council of Governments are approved as independent training sources by the City Council.

VII. AUTHORIZED INVESTMENTS

- A. Generally - Safety of principal is the primary objective in investing public funds and can be accomplished by limiting credit risk and interest rate risk. Credit risk is the risk associated with the failure of a security issuer or backer to pay back principal and interest on a timely basis. Interest rate risk is the risk that the value of a portfolio will decline due to an increase in the general level of interest rates. In order to provide for safety of principal as the DISTRICT's primary objective, only certain investments are authorized as acceptable investments for the DISTRICT. The following list of authorized investments for the DISTRICT intentionally excludes some investments authorized by state law. These restrictions are intended to limit possible risk and provide the maximum measure of safety to DISTRICT funds. In the event an authorized investment loses its required minimum credit rating, all prudent measures will be taken to liquidate said investment. Additionally, the DISTRICT is not required to liquidate investments that were authorized at the time of purchase.
- B. Authorized and Acceptable Investments - The authorized list of investment instruments is as follows:
1. Obligations of the United States or its agencies and instrumentalities or any obligation fully guaranteed or insured by the Federal Deposit Insurance Corporation (FDIC), *excluding mortgage-backed securities*.
 2. Direct obligations of the State of Texas, or its agencies and instrumentalities Other obligations, the principal of and interest on which are unconditionally guaranteed or insured by, or backed by the full faith and credit of, the State of Texas or the United States or their respective agencies and instrumentalities, excluding mortgage-related securities.
- C. Certificates of Deposit – A certificate of deposit issued by a depository institution that has its main office or branch office in this state and is secured in accordance with the specific collateralization requirements contained in section XI.B of this policy. In addition, an investment in “bundled” or “shared” CDs made in accordance with the following conditions is permitted:
1. The funds are invested through a broker that has its main office or a branch office in this state selected from a list adopted by the City as required by Section 2256.025; or through a depository institution that has its main office or a branch office in this state and that is selected by the City;
 2. The selected broker or depository institution arranges for the deposit of the funds in certificates of deposit in one or more federally insured depository institutions, wherever located, for the account of the City.
 3. The full amount of the principal and accrued interest of each of the CD is insured by the United States or an instrumentality of the United States; and

4. The City appoints the depository institution, a clearing broker-dealer registered with the Securities and Exchange Commission and operating pursuant to SEC Rule 15c3-3, or an entity described in the Public Funds Collateral Act, Section 2257.041(d), as custodian for the City with respect to those CDs issued for the City's account.
- D. Eligible Local Government Investment Pools – AAA-rated public funds investment pools, with a weighted average maturity of 60 days or less, individually approved by formal Council resolution, which invest in instruments and follow practices allowed by the current law as defined by Section 2256.016 of the Texas Government Code. The pool must be continuously rated no lower than AAA or AAA-m or at an equivalent rating by at least one nationally recognized rating service. A public funds investment pool created to function as a money market mutual fund must mark to market daily and stabilize at a \$1 net asset value.
 - E. Repurchase Agreements – Fully collateralized repurchase agreements having a defined termination date, placed through a primary government securities dealer or a financial institution doing business in the State of Texas, and fully secured by cash and obligations of the United States or its agencies and instrumentalities. This collateral must be pledged to the DISTRICT and held in safekeeping with a third-party custodian approved by the City. All collateral must be maintained at a market value of no less than the principal amount of the outstanding funds disbursed. All transactions shall be governed by signed Security Industry and Financial Markets Association, (SIFMA) Master Repurchase Agreement. Repurchase agreements must also be collateralized in accordance with State law as described in Section XI of this policy. Authorization under this section includes flexible repurchase agreements which may be used for specific investment of bond proceeds *but shall not include reverse repurchase agreements*.
 - F. Bankers' Acceptances and Commercial Paper (LIMITED USE) – These investments are authorized for the DISTRICT to the extent that they are contained in the portfolios of approved public funds investment pools or money market funds in which the DISTRICT invests.
 - G. AAA-rated SEC-Regulated 2a7 No-Load Money Market Mutual Funds – An SEC-registered, no load money market mutual fund which has a dollar weighted average stated maturity of 60 days or less whose assets consist exclusively of the assets described in section VII.A and whose investment objectives includes the maintenance of a stable net asset value of \$1 for each share; furthermore, it provides the DISTRICT with a prospectus and other information required by the SEC act of 1934 or the Investment Advisor Act of 1940 and which provides the DISTRICT with a prospectus and other information required by the Securities Exchange Act of 1934 (15 USC Section 78a et. Seq.) of the Investment Company Act of 1990 (15 USC Section 80a-1 et. Seq.).
 - H. Unauthorized Securities – State law specifically prohibits investment in the following securities:
 1. An obligation whose payment represents the coupon payments on the outstanding principal balance of the underlying mortgage-backed security and pays no principal.

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

VIII. DIVERSIFICATION

- A. Generally** - Diversification of investment instruments shall be utilized to avoid incurring unreasonable risks resulting from over-concentration of investments in a specific maturity, a specific issue, or a specific class of securities. With the exception of U.S. Government securities (debt obligations issued by the U. S. Government, its agencies, or instrumentalities) as authorized in this policy, and authorized local government investment pools, no more than forty percent (40%) of the total investment portfolio will be invested in any one security type or with a single financial institution. Diversification of the portfolio considers diversification by maturity dates and diversification by investment instrument.
- B. Diversification by Maturities** - The longer the maturity of investments, the greater their price volatility. Therefore, it is the DISTRICT's policy to concentrate its investment portfolio in shorter-term securities in order to limit principal risks caused by change in interest rates. The DISTRICT will attempt to match its investments with anticipated cash flow requirements. Unless matched to a specific cash flow (including the anticipated cash flow requirements of bond proceeds within the temporary period), the DISTRICT will not directly invest in securities maturing more than two (2) years from the date of purchase. However, the above described obligations, certificates, or agreements may be collateralized using longer date instruments. The DISTRICT shall diversify the use of investment instruments to avoid incurring unreasonable risks inherent in over-investing in specific instruments, individual financial institutions or maturities. Maturity scheduling shall be managed by the Investment Officer so that maturities of investments shall be timed to coincide with projected cash flow needs.

The entire DISTRICT portfolio, or single pooled fund group if utilized, shall maintain a maximum average dollar-weighted maturity, based on the stated maturity date, of less than two hundred seventy (270) days. Investment maturities for debt service interest and sinking funds and/or other types of reserve funds, whose use is never anticipated, shall maintain a maximum average dollar-weighted maturity, based on the stated maturity date, of less than three hundred sixty-five (365) days.

- C. Diversification by Investment Instrument** - Diversification by investment instrument shall not exceed the following guidelines for each type of instrument:

	Maximum % of Portfolio
U.S. Treasury Obligations	100%
U.S. Government Agency Securities and Instrumentalities	100%
Authorized Local Government Investment Pool	100%

Local Government Obligations	10%
Fully Collateralized Certificates of Deposit	50%
Fully Collateralized Repurchase Agreements	25%
SEC-Regulated No-Load Money Market Mutual Fund	100%
U.S. Treasury & Agency Callables	30%

IX. SECURITY SWAPS

Security swaps may be considered as an investment option for the DISTRICT. A swap out of one instrument into another is acceptable to increase yield, realign for disbursement dates, extend or shorten maturity dates and improve market sector diversification. Swaps may be initiated by brokers/dealers who are on the City's approved list. A horizon analysis is required for each swap proving benefit to the DISTRICT before the trade decision is made, which will accompany the investment file for record keeping.

X. AUTHORIZED FINANCIAL DEALERS AND INSTITUTIONS.

- A.** The Director of Finance will maintain a list of financial institutions authorized to provide investment services to the City. In addition, a list will also be maintained of approved broker/dealers authorized to provide investment services in the State of Texas. These will include financial institutions that qualify under Securities & Exchange Commission Rule 15-C3-1 (uniform net capital rule). No public deposit shall be made except in a qualified public depository as established by state laws.
- B.** All financial institutions and broker/dealers who desire to become qualified bidders for investment transactions must supply the Director of Finance with the following, as appropriate: audited financial statements, proof of Financial Industry Regulatory Authority certification, trading resolution, proof of State registration, completed broker/dealer questionnaire and certification of having read the DISTRICT's investment policy.
- C.** The Finance Audit Committee shall be responsible for adopting the list of brokers and dealers of government securities. Their selection shall be among only primary government securities dealers that report directly to the New York Federal Reserve Bank, unless a comprehensive credit and capitalization analysis reveals that other firms are adequately financed to conduct public business. The Finance Audit Committee shall base its evaluation of security dealers and financial institutions upon:
 1. Financial conditions, strength and capability to fulfill commitments;
 2. Overall reputation with other dealers or investors;
 3. Regulatory status of the dealer;
 4. Background and expertise of the individual representatives.
- D.** Investment Officers shall only conduct business with securities dealers approved by the Finance Audit Committee and will not purchase investments from any financial organization until the organization's registered principal has executed a written instrument stating that he or she has thoroughly reviewed the DISTRICT's investment policy and acknowledges that reasonable procedures and controls have been

implemented to preclude imprudent investment activities arising out of transactions between the organization and the DISTRICT, except to the extent that this authorization is dependent on an analysis of the makeup of the DISTRICT's entire portfolio or requires an interpretation of subjective investment standards.

- E.** To guard against default possibilities under these conditions, and to assure diversification of bidders, business with any one issuer, or investment broker, should be limited to forty percent (40%) of the total portfolio at any point in time. In this way, bankruptcy, receivership or legal action would not immobilize the DISTRICT's ability to meet payroll or other expenses.
- F.** All investment (governments or bank C.D.'s) will be solicited on a competitive basis with at least three (3) institutions. The Finance Audit Committee can approve exceptions on a case by case basis or on a general basis in the form of guidelines. These guidelines shall take into consideration the investment type maturity date, amount, and potential disruptiveness to the DISTRICT's investment strategy. The investment will be made with the broker/dealer offering the best yield/quality to the DISTRICT. The quotes may be accepted orally, in writing, electronically, or any combination of these methods.
- G.** An annual review of the financial condition and registration of qualified financial organizations will be conducted by the Director of Finance.
- H.** A current audited financial statement is required to be on file for each financial institution and broker/dealer in which the DISTRICT invests.
- I.** If the City has contracted with a Registered Investment Advisor for the management of its funds, the advisor shall be responsible for performing due diligence on and maintaining a list of broker/dealers with which it shall transact business on behalf of the DISTRICT. The advisor shall determine selection criteria and shall annually present a list of its authorized broker/dealers to the CITY for review and likewise shall execute the aforementioned written instrument stating that the advisor has reviewed the DISTRICT's investment policy and has implemented reasonable procedures and controls in an effort to preclude imprudent investment activities with the DISTRICT. The advisor shall obtain and document competitive bids and offers on all transactions and present these to the City as part of its standard trade documentation.
- J.** It is the policy of the City that all security transactions entered into with the DISTRICT shall be conducted on a "Delivery-versus-Payment basis through the Federal Reserve System. By doing this, DISTRICT funds are not released until the City has received, through the Federal Reserve wire, the securities purchased. The City shall authorize the release of funds only after receiving notification from the safekeeping bank that a purchased security has been received in the safekeeping account of the DISTRICT. The notification may be oral, but shall be confirmed in writing.
 - 1. Financial conditions, strength and capability to fulfill commitments;
 - 2. Overall reputation with other dealers or investors;
 - 3. Regulatory status of the dealer;
 - 4. Background and expertise of the individual representatives.

XI. SAFEKEEPING AND COLLATERALIZATION

- A. Safekeeping** - All securities owned by the DISTRICT shall be held by a third-party safekeeping agent selected by the City. The collateral for bank deposits will be held in the City's name in the bank's trust department, in a Federal Reserve Bank account in the City's name, or third-party financial institutions doing business in the state of Texas, in accordance with state law. Original safekeeping receipts shall be obtained and held by the City. The City shall contract with a bank or banks for the safekeeping of securities either owned by the City as part of its investment portfolio or held as collateral to secure time deposits.
- B. Collateralization** - Consistent with the requirements of the Public Funds Collateral Act, it is the policy of the City to require full collateralization of all City funds on deposit with a depository bank. The market value of the investments securing the deposit of funds shall be at least equal to 102% of the amount of the deposits of funds reduced to the extent that the deposits are insured by the Federal Deposit Insurance Corporation (FDIC). Securities pledged as collateral shall be held by an independent third party with whom the City has a current custodial agreement. The agreement is to specify the acceptable investment securities as collateral, including provisions relating to possession of the collateral, the substitution or release of investment securities, ownership of securities, and the method of valuation of securities. The safekeeping agreement must clearly state that the safekeeping bank is instructed to release purchased and collateral securities to the City in the event the City has determined that the depository bank has failed to pay on any matured investments in certificates of deposit, or has determined that the funds of the City are in jeopardy for whatever reason, including involuntary closure or change of ownership. A clearly marked evidence of ownership, e.g., safekeeping receipt, must be supplied to the City and retained by the City.
1. The City may accept the following to insure or collateralize bank deposits:
 - a. Guaranteed or insured by the Federal Deposit Insurance Corporation or its successor or the National Credit Union Share Insurance Fund or its successor;
 - b. United States Treasuries & Agencies
 - c. Other securities as approved by the Finance Audit Committee
 2. For certificates of deposit and other evidences of deposit, collateral shall be at 102% of market value. The market value of collateral will always equal or exceed 102% of the principal plus accrued interest of deposits at financial institutions.
 3. Financial institutions with which the City invests or maintains other deposits shall provide monthly, and as requested by the Investment Officer, a listing of the collateral pledged to the City, marked to current market prices. The listing shall include total pledged securities itemized by name, type, description, par value, current market value, maturity date, and Moody's or Standard & Poor's rating, if applicable. The City and the financial institution shall jointly assume the responsibility for ensuring that the collateral is sufficient.

- C. Collateralized Deposits - Consistent with the requirements of State law, the City requires all bank deposits to be federally insured or collateralized with eligible securities. Financial institutions serving as City depositories will be required to sign a "Depository Agreement" with the City and the City's safekeeping agent. The collateralized deposit portion of the Agreement shall define the City's rights to the collateral in the event of default, bankruptcy, or closing and shall establish a perfected security interest in compliance with Federal and State regulations, including:
1. Agreement must be in writing;
 2. Agreement has to be executed by the Depository and the City contemporaneously with the acquisition of the asset;
 3. 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
 4. Agreement must be part of the Depository's "official record" continuously since its execution.

XII. INTERNAL CONTROL

The Investment Officer shall establish a system of written internal controls, which shall be reviewed annually by independent auditors. The controls shall be designed to prevent loss of public funds due to fraud, error, misrepresentation, unanticipated market changes, or imprudent actions. The internal controls are to be reviewed annually in conjunction with an external independent audit. This review will provide assurance of compliance with policies and procedures as specified by this policy. The City, in conjunction with its annual financial audit, shall perform a compliance audit of management controls and adherence to the DISTRICT's established investment policy.

XIII. PERFORMANCE

The DISTRICT's investment portfolio shall be designed to obtain a market rate-of-return on investments consistent with risk constraints and cash flow requirements of the DISTRICT. This investment policy establishes "weighted average yield to maturity" as the standard portfolio performance measurement.

XIV. REPORTING

- A. Quarterly - The Director of Finance shall prepare and submit a signed quarterly investment report to the Corinth Crime Control and Prevention District Board and the Finance Audit Committee that summarizes current market conditions, economic developments, and anticipated investment conditions. The report shall summarize investment strategies employed in the most recent quarter and describe the portfolio in terms of investment securities, maturities, risk characteristics, and shall explain the total investment return for the quarter. The City shall also monitor the credit ratings on securities that require minimum ratings. This may be accomplished through staff research, or with the assistance of broker-dealers, investment advisors, banks or safekeeping agents.

- B. Annual Report** - Within 180 days of the end of the fiscal year, the Director of Finance shall present an annual report on the investment program and investment activity. This report may be presented as a component of the fourth quarter report to the Corinth Crime Control and Prevention District Board, City Manager and the City Council. The quarterly reports prepared by the Director of Finance shall be formally reviewed at least annually by an independent auditor, and the result of the review shall be reported to the City Council by that auditor.
- C. Methods** - The quarterly and annual investment reports shall include a succinct management summary that provides a clear picture of the status of the current investment portfolio and transactions made over the past quarter. This management summary will be prepared in a manner which will allow the DISTRICT to ascertain whether investment activities during the reporting period have conformed to the investment policy. The report will be prepared in compliance with generally accepted accounting principles. The report will include the following:
1. A listing of individual securities held at the end of the reporting period. This list will include the name of the fund or pooled group fund for which each individual investment was acquired;
 2. Unrealized gains or losses resulting from appreciation or depreciation by listing the beginning and ending book and market value of securities for the period. Market values shall be obtained from financial institutions or portfolio reporting services independent from the broker/dealer from which the security was purchased;
 3. Additions and changes to the market value during the period;
 4. Fully accrued interest for the reporting period;
 5. Average weighted yield to maturity of portfolio on entity investments as compared to applicable benchmarks;
 6. Listing of investments by maturity date;
 7. The percentage of the total portfolio which each type of investment represents; and
 8. Statement of compliance of the DISTRICT's investment portfolio with State Law and the investment strategy and policy approved by the City Council.
 9. Market yield benchmark comparison of the average 90-day U. S. Treasury Bill auction yield during the reporting period.
 10. The guidelines of retaining records for seven years as recommended in the *Texas State Library Municipal Records Manual* should be followed. The Director of Finance shall oversee the filing and/or storing of investment records.

XV. INVESTMENT POLICY ADOPTION AND AMENDMENT

The DISTRICT's investment policy shall be reviewed by the Corinth Crime Control and

Prevention District and formally adopted and amended by resolution by the City Council. The CITY's written policies and procedures for investments are subject to review not less than annually to stay current with changing laws, regulations and needs of the CITY. The City Council, not less than annually, shall adopt a written instrument stating that it has reviewed the investment policy and investment strategies and that the written instrument so adopted shall record any changes made to either the policy or strategies.

Attachment A

CITY OF CORINTH, TEXAS Corinth Crime Control and Prevention District Investment Strategy Statement

Operating Funds

1. Suitability - Any investment eligible in the investment policy is suitable for Operating Funds.
2. Safety of Principal - All investments shall be of high quality securities with no perceived default risk. Market price fluctuations will occur. However, by managing the weighted average days to maturity for the Operating Fund's portfolio to less than 270 days and restricting the maximum allowable maturity to two years, the price volatility of the overall portfolio will be minimized.
3. 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.
4. Liquidity - The Operating Fund requires the greatest short-term liquidity of any of the Fund types. 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.
5. Diversification - Investment maturities should be staggered throughout the budget cycle to provide cash flow based on the anticipated operating needs of the DISTRICT. Market cycle risk will be reduced by diversifying the appropriate maturity structure out through two years.
6. 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.

Reserve Funds

1. 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.
2. Safety of Principal - All investments shall be of high quality securities with no perceived default risk. Market price fluctuations will occur. However, managing Debt Service Reserve Fund maturities to not exceed the call provisions of the borrowing reduces the investment's market risk if the DISTRICT debt is redeemed and the Reserve Fund liquidated. The fund shall maintain a maximum average dollar-weighted maturity, based on the stated maturity date, of less than three hundred sixty-five (365) days. No stated final investment maturity shall exceed the shorter of the final maturity of the

borrowing or two 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 reduce the opportunity for maturity extension.

3. Marketability - Securities with less active and efficient secondary markets are acceptable for Debt Service Reserve Funds.
4. Liquidity – Debt Service Reserve Funds have no anticipated expenditures. The Funds are deposited to provide annual debt service payment protection to the DISTRICT's debt holders. The funds are "returned" to the DISTRICT at the final debt service payment. Market conditions and arbitrage regulation compliance determine the advantage of security diversification and liquidity. Generally, if investment rates exceed the cost of borrowing, the DISTRICT is best served by locking in investment maturities and reducing liquidity. If the borrowing cost cannot be exceeded, then concurrent market conditions will determine the attractiveness of locking in maturities or investing shorter and anticipating future increased yields.
5. 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.
6. Yield - Achieving a positive spread to the applicable borrowing cost is the desired objective. Debt Service Reserve Fund portfolio management shall at all times operate within the limits of the investment policy's risk constraints.

Bond Funds

1. Suitability - Any investment eligible in the investment policy is suitable for Bond Funds.
2. Safety of Principal - All investments will be of high quality securities with no perceived default risk. Market price fluctuations will occur. However, by managing Bond Funds to not exceed the shorter of two years or the anticipated expenditure schedule and maintaining a maximum average dollar-weighted maturity, based on the stated maturity date, of less than three hundred sixty-five (365) days the market risk of the overall portfolio will be minimized.
3. 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.
4. Liquidity – Bond Funds used for capital improvements programs have reasonably predictable draw down schedules. Therefore investment maturities should generally follow the anticipated cash flow requirements. 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.

5. Diversification - Market conditions and arbitrage regulations influence the attractiveness of staggering the maturity of fixed rate investments for construction, loan and bond proceeds. Generally, when investment rates exceed the applicable cost of borrowing, the DISTRICT is best served by locking in most investments. If the cost of borrowing cannot be exceeded, then concurrent 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.

6. 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.

Attachment B

CITY OF CORINTH, TEXAS
Investment Policy

[SAMPLE]
TEXAS PUBLIC FUNDS INVESTMENT ACT
CERTIFICATION BY BUSINESS ORGANIZATION

This certification is executed on behalf of the CITY of Corinth, Texas (the "CITY") 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 the CITY 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 CITY; 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 CITY that are not authorized by the CITY's investment policy, except to the extent that this authorization is dependent on an analysis of the makeup of the CITY's entire portfolio or requires an interpretation of subjective investment standards.

Qualified Representative of Business Organization

Firm: _____

Signature _____

Name: _____

Title: _____

Date: _____

BUSINESS ITEM 6.

City Council Regular and Workshop Session

Meeting Date: 01/09/2020
Title: Boat and RV Parking Survey
Submitted For: Helen-Eve Liebman, Director
Finance Review: N/A
City Manager Review: Approval: Bob Hart, City Manager
Strategic Goals: Citizens Engagement & Proactive Government

Submitted By: Kim Pence, City Secretary
Legal Review: N/A

AGENDA ITEM

Receive a presentation and hold a discussion regarding boat and RV parking survey.

AGENDA ITEM SUMMARY/BACKGROUND

Staff will present the results from the boat and RV parking survey.

RECOMMENDATION

N/A

City Council Regular and Workshop Session

Meeting Date: 01/09/2020
Title: Planning and Zoning Commission
Submitted For: Bob Hart, City Manager **Submitted By:** Kim Pence, City Secretary
Finance Review: N/A **Legal Review:** N/A
City Manager Review: Bob Hart, City Manager

AGENDA ITEM

Consider and act on an appointment of Place 5 of the Planning and Zoning Commission.

AGENDA ITEM SUMMARY/BACKGROUND

Place 5 of the Planning and Zoning Commission was recently vacated due to the Commissioner relocating outside of Corinth. Rodney Thornton, Alternate 2, has demonstrated active participation on the Planning and Zoning Commission since being appointed in October. Both alternates are new members on the Commission as of October 2019. Mr. Thornton has registered for Focus North Texas, a DFW planning symposium for education would be a good choice, should the Council appoint him. A vacancy will occur with the Alternate 2 position should Mr. Thornton be appointed.

The purpose of the Planning and Zoning Commission (P&Z) is to act as an advisory board on all matters relating to zoning, city planning, and development applications. The Board's primary function is to prepare and keep updated the City's master plan to ensure orderly growth, and preserve the unique character of the community. .

Duties / Responsibilities

- Initiate and conduct planning sessions to proactively address needed changes within the community relating to the master plan including but not limited to: thoroughfare plan, property zoning/rezoning, and future development
- Recommend boundaries for initial zoning districts and appropriate zoning regulations.
- Take a proactive role in drafting, reviewing and making recommendations to the City Council relating to new zoning ordinances, amendments to existing zoning ordinances, and thoroughfare planning.
- Make preliminary reports and hold public hearings prior to submitting proposals to the City Council as they relate to zoning and environmental quality issues.
- Receive, review and take appropriate action on all platting and subdivision proposals.

Qualifications / Composition / Tenure

Must be qualified voters of the City and shall remain eligible to vote during their tenure on the Commission. Five regular members plus two alternates nominated by the Mayor and appointed by the City Council. One two-year term with no term limits
 The Chairman and Vice-chairman are appointed by the City Council and shall each serve a one-year term. Members serve at the pleasure of the City Council.

Planning and Zoning Commission

Place 1	Steve Holzwarth	September 30, 2021
Place 2	Wade May, Commissioner	September 30, 2020
Place 3	Brian Rush, Chairman	September 30, 2021
Place 4	Lindsey Baker, Commissioner	September 30, 2020
Place 5	VACANT, Commissioner	September 30, 2021

Place 6	Rodney Thornton, 2nd Alternate	September 30, 2020
Place 7	Cody Gober 1st Alternate	September 30, 2021

RECOMMENDATION

Recommend appointing Rodney Thornton for Place 5 of the Planning and Zoning Commission.

Appointment of Mr. Thornton will require consideration of a replacement commissioner for the Alternate 2 Place and it is recommended the place be appointed at a later date, following receipt of further applications.

City Council Regular and Workshop Session

Meeting Date: 01/09/2020
Title: Debt Policy
Submitted For: Lee Ann Bunselmeyer, Director
Submitted By: Lee Ann Bunselmeyer, Director
Finance Review: N/A
City Manager Review: Approval: Bob Hart, City Manager

Legal Review: N/A

AGENDA ITEM

Consider and act on a resolution adopting a Debt Management and Continuing Disclosure Policy for the City of Corinth.

AGENDA ITEM SUMMARY/BACKGROUND

The policy shall provide general guidelines by which the City of Corinth will issue debt. It is the objective of this policy that (1) the City obtain financing only when necessary, (2) the process for identifying the timing and amount of debt or other financing, proceed as efficiently as possible, and (3) the most favorable interest rate and other costs be obtained.

This debt management policy applies to the financing activities of the City. It also addresses the issues of process, use and limitations. Obligations will be timed for issuance and delivery of proceeds as close as possible to the time that contracts are expected to be awarded so that the proceeds are spent in the most efficient manner.

Recommendations from the Government Finance Officers Association are that a Debt Management Committee be created to review the debt program. Included in the committees responsibilities are to discuss and review such topics as: Capital Improvement Program, status of financed projects, timing of additional financing needs, the effect of proposed financing activity on the related rates supporting the debt (i.e. property tax rate, utility rates, user fees, etc.). The policy places this responsibility with the Finance Audit Committee.

RECOMMENDATION

The Finance Audit Committee reviewed the Debt Policy on Tuesday, December 17, 2019 and recommended the policy be forwarded to the City Council for approval.

Attachments

Resolution
Debt Policy

RESOLUTION NO. 20-01-09-_____

A RESOLUTION REVIEWING AND APPROVING THE DEBT MANAGEMENT AND CONTINUING DISCLOSURE POLICY FOR THE CITY OF CORINTH; AND PROVIDING AN EFFECTIVE DATE.

WHEREAS, This policy shall provide general guidelines by which the City of Corinth (the City) will issue debt. It is the objective of this policy that (1) the City obtain financing only when necessary, (2) the process for identifying the timing and amount of debt or other financing, proceed as efficiently as possible, and (3) the most favorable interest rate and other costs be obtained. The City Council has reviewed and approved the Debt Management Policy attached hereto as Exhibit A and

NOW, THEREFORE, THE COUNCIL OF THE CITY OF CORINTH HEREBY RESOLVES:

SECTION 1. That the City Council has reviewed the attached Debt Management and Continuing Disclosure Policy, which contain the strategies and policies for the issuance of debt, and hereby approves the Debt Management Policy.

SECTION 2. That the Finance Audit Committee shall meet as necessary to review the debt program. Included in its discussions will be such topics as: Capital Improvement Program, status of financed projects, timing of additional financing needs, the effect of proposed financing activity on the related rates supporting the debt (i.e. property tax rate, utility rates, user fees, etc.).

SECTION 3. That the Director of Finance is hereby designated as the primary individual who shall be involved in the development of financing recommendations and is hereby authorized to perform the functions required of the primary debt officer under the Debt Management Policy.

SECTION 4. That all resolutions or parts of resolutions in force when the provisions of this resolution became effective which are inconsistent or in conflict with the terms or provisions contained in this resolution are hereby repealed to the extent of any such conflict only.

SECTION 5. That this resolution shall take effect immediately upon its passage and approval.

PASSED AND APPROVED this the 9th day of January 2020.

Bill Heidemann, Mayor

ATTEST:

Kim Pence, City Secretary

APPROVED AS TO FORM AND LEGALITY:

EXHIBIT A- DEBT MANAGEMENT POLICY
Pages 1 through 15

POLICY/ADMINISTRATIVE PROCEDURE/ADMINISTRATIVE DIRECTIVE

SECTION: FINANCE	REFERENCE NUMBER:
SUBJECT: DEBT MANAGEMENT	INITIAL EFFECTIVE DATE: 01-09-2020
TITLE: DEBT SERVICE MANAGEMENT	LAST REVISION DATE:

POLICY STATEMENT

This policy shall provide general guidelines by which the City of Corinth (the City) will issue debt. It is the objective of this policy that (1) the City obtain financing only when necessary, (2) the process for identifying the timing and amount of debt or other financing, proceed as efficiently as possible, and (3) the most favorable interest rate and other costs be obtained.

This debt management policy applies to the financing activities of the City of Corinth, Texas. It also addresses the issues of process, use and limitations. Obligations will be timed for issuance and delivery of proceeds as close as possible to the time that contracts are expected to be awarded so that the proceeds are spent in the most efficient manner.

ADMINISTRATIVE PROCEDURES**I. FINANCE/AUDIT COMMITTEE**

- A. Members** - The Finance/Audit Committee (the Committee) consists of the Mayor, two City Council Members, and two citizens as ex-officio members.
- B. Scope** -The Committee shall meet as necessary to review the debt program. Included in its discussions will be such topics as: Capital Improvement Program, status of financed projects, timing of additional financing needs, the effect of proposed financing activity on the related rates supporting the debt (i.e. property tax rate, utility rates, user fees, etc.).

II. RESPONSIBILITY AND STANDARD OF CARE

The Finance Department will coordinate all activities required for the issuance of all debt.

- A. Delegation** - The primary individual who shall be involved in the development of financing recommendations will be the Director of Finance. The City Manager shall be responsible for all debt financing activities and shall establish a system of controls to regulate the activities of the Director of Finance.
- B. Conflicts of Interest** - All participants in the debt management process shall seek to act responsibly as custodians of public assets. Officers and employees involved in the debt management process shall refrain from personal business activity that could conflict with proper execution of the financing program, or which could impair their

ability to make impartial financing decisions.

- C. Reporting** - The Director of Finance shall prepare at least annually a report summarizing all debt outstanding by type (tax supported and revenue backed), remaining balance of bond proceeds, update of arbitrage liability, and update of pertinent legislative changes.
- D. Investor Relations** - The City shall endeavor to maintain a positive relationship with the investment community. The Director of Finance and the City's financial advisor shall, as necessary, prepare reports and other forms of communications regarding the City's indebtedness, as well as its future financing plans. This includes information presented to the press and other media. The information includes annual program of services, comprehensive annual financial report, financial plans, capital improvement plans, comprehensive development plans, etc.

All forms of media deemed appropriate immediately available to the City will be utilized to disseminate information to all investors. Examples include Texas Municipal Report, The Bond Buyer, Nationally Recognized Municipal Security Information Repository and State Information Depository. Bond counsel and the members of the financing team will advise on the use of electronic media in connection with the City's debt program.

- E. Financial Advisor** - The City shall retain a licensed financial advisor for advice on the structuring of new debt, financial analysis of various options, the rating review process, marketing debt issues, marketability of City obligations, sale and post-sale services, the review of the official statement and other services as necessary. The City will seek the advice of the financial advisor on an ongoing basis. The financial advisor will perform other services as defined by the agreement approved by the City Council.
- F. Bond Counsel** - The City shall retain bond counsel for legal and procedural advice on all debt issues. Bond counsel shall advise the City Council in all matters pertaining to its bond ordinance(s) and/or resolution(s). No action shall be taken with respect to new obligations until a written instrument has been prepared by the bond attorneys certifying the legality of the proposal. The bond attorneys shall prepare all ordinances and other legal instruments required for the execution and sale of any bonds issued which shall then be reviewed by the City Attorney and Director of Finance. The City will also seek the advice of bond counsel on all other types of debt and on any other questions involving federal tax or arbitrage law. Special counsel shall be retained to protect the City's interest in complex negotiations and comment review.

OFFICIAL STATEMENT

The preparation of the Official Statement is the responsibility of the financial advisor or other directed member of the financing team in concert with the Director of Finance under the supervision of the City Manager. Information for the Official Statement is gathered from departments/divisions throughout the City.

The City will take all appropriate steps to comply with the federal disclosure rules (i.e., Securities and Exchange Commission Rule 15C2-12). The City will provide annual and event disclosure to information repositories throughout the term of securities for the benefit of the primary and secondary municipal market.

III. DISCLOSURE

- A. With each bond offering, and at least annually, in the preparation of Financial Reports or Official Statements of any bond prospectus, the City will follow a policy of full and complete disclosure of financial and legal conditions of the City, in conformance with guidelines issued by the Government Finance Officers Association Disclosure Guideline, and as advised by disclosure counsel or financial advisor. Furthermore, all City finance and debt-related information which may appear in publicly distributed documents in anticipation of the issuance of bonds by the City Enterprise Funds, or Redevelopment Agency should be reviewed by the Finance Department prior to distribution to ensure that the information is presented on an accurate and consistent basis.
- B. Material Events - Securities and Exchange Commission (SEC) Rule 15c2-12 lists eleven events that, if material, must be reported in a timely fashion to each Nationally Recognized Municipal Security Information Repository (NRMSIR) or to the Municipal Security Rulemaking Board (MSRB) and to the appropriate State Information Depository (SID).

The events that must be reported, if material, are:

1. Principal and interest payment delinquencies;
2. Nonpayment related defaults;
3. Unscheduled draws on debt service reserves reflecting financial difficulties;
4. Unscheduled draws on credit enhancements reflecting financial difficulties;
5. Substitution of credit or liquidity providers, or their failure to perform;
6. Adverse tax opinions or events affecting the tax-exempt status of the security;
7. Modifications to rights of security holders;
8. Bond calls;
9. Defeasances;
10. Release, substitution, or sale of property securing repayment of the securities;
11. Rating changes
12. Bankruptcy, insolvency, receivership or similar event of the City
13. The consummation of a merger, consolidation, or acquisition involving the City or the sale of all or substantially all of the assets of the City, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material.
14. Appointment of a successor paying agent/registrars or change in the name of the paying agent/registrars, if material.
15. Incurrence of a Financial Obligation of the City, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the City, any of which affect security holders, if material.
16. Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the City, and of which

reflect financial difficulties.

The phrase “bankruptcy, insolvency, receivership or similar event” means the appointment of a receiver, fiscal agent or similar officer for the City in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets of the City, or if jurisdiction has been assumed by leaving the City Council and official or officers of the City in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the City. As used in clauses 15 and 16 above, the term “Financial Obligation” means: (i) a debt obligation; (ii) a derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) a guarantee of (i) or (ii), however, the term Financial Obligation shall not include Municipal Securities as to which a final official statement has been provided to the MSRB consistent with the Rule; and the term “Municipal Securities” means securities which are direct obligations of, or obligations guaranteed as to principal or interest by, a state or any political subdivision thereof, or any agency or instrumentality of a state or any political subdivision thereof, or any municipal corporate instrumentality of one or more states and any other Municipal Securities described by Section 3(a)(29) of the Securities Exchange Act of 1934, as the same may be amended from time to time.

In addition, the City shall notify the MSRB, in a timely manner, of any failure by the City to provide financial information or operating data in accordance with its annual reporting requirements.

Full disclosure of the operations will be made to the bond rating agencies. The City staff, with the assistance of the financial advisors and bond counsel, will prepare the necessary materials for and presentation to the rating agencies.

IV. RATING AGENCY COMMUNICATIONS & CREDIT OBJECTIVES

The City will seek to maintain and improve its current bond rating, so its borrowing costs are reduced to a minimum and its access to credit is preserved.

In conjunction with the financial advisor, the City shall maintain a line of communication with the selected rating agencies (Moody's, Standard & Poor's, Fitch, Kroll), informing them of major financial events in the City as they occur. The Comprehensive Annual Financial Report, Annual Program of Services and Capital Improvement Plan, shall be distributed to the rating agencies after they have been accepted/adopted by the City Council on an annual basis.

When necessary, a personal meeting with representatives of the rating agencies will be scheduled when a major capital improvement program is initiated, or to discuss economical and/or financial developments which might impact credit ratings. The following documents may be required for the rating agencies:

1. Most recent annual audit reports, including a description of accounting practices. Accounting changes in the past three years and the impact on financial

- results should be explained.
2. Current budget.
 3. Current capital improvement program/plan.
 4. Official statements for new financings.
 5. Description of projects being financed.
 6. Sources and uses statement for project being financed. If additional funds are required to complete project, the source of the funds and any conditional requirements will be discussed.
 7. Engineering and feasibility report (if applicable).
 8. Zoning or land-use map (if applicable).
 9. Cash flow statement, in the case of interim borrowing. Statement of long – and short-term debt with annual and monthly maturity dates as appropriate. Also, a report of any lease obligations, their nature and term.
 10. Indication of appropriate authority for debt issuance
 11. Investment policy (if applicable).
 12. Statement concerning remaining borrowing capacity plus tax rate and levy capacity or other revenue capacity.

V. LIMITATIONS OF INDEBTEDNESS

City staff, in conjunction with the financial advisor and bond counsel, will produce a comprehensive analysis of debt capacity prior to issuing bonds. This document from time to time may cover a broad range of factors, including but not limited to:

1. Legal debt limits, tax or expenditure ceilings.
2. Coverage requirements or additional bonds tests in accordance with bond covenants.
3. Measures of the tax and revenue base, such as projections of relevant economic variables (e.g., assessed property values, employment base, unemployment rates, income levels, and retail sales).
4. Population trends.
5. Utilization trends for services underlying revenues.
6. Factors affecting tax collections, including types of property, goods, or services taxed, assessment practices and collection rates, evaluation of trends relating to the City's financial performance, such as revenues and expenditures, net revenues available after meeting operating requirements.
7. Reliability of revenues expected to pay debt service.
8. Unreserved fund balance levels.
9. Debt service obligations, such as existing debt service requirements.
10. Debt service as a percentage of expenditures or tax or system revenues.
11. Measures of debt burden on the community, such as debt per capita, debt as a percentage of personal income, debt as a percentage of full or equalized assessed property value and overlapping or underlying debt.
12. Tax-exempt market factors affecting interest costs, such as interest rates, market receptivity, and credit rating.

The City can have both revenue bonds and other indebtedness of the Water, Wastewater, and Drainage Funds. The City will endeavor to maintain two coverage ratios as provided in the City's outstanding bond covenants (e.g. 1.25 and/or 1.50 times, or as required by individual bond covenants).

The Water, Wastewater, and Drainage Funds' total long-term debt outstanding shall not exceed the amount of combined fund equity.

VI. TYPES OF DEBT

The City's bond counsel and financial advisor will analyze the different types of debt best suited and legally permissible under state law for each debt issue. These types may include:

1. short-term vs. long-term debt,
 2. general obligation vs. revenue debt,
 3. fixed vs. variable rate debt,
 4. lease-backed debt,
 5. special obligation debt such as assessment district debt,
 6. conduit issues, and
 7. taxable debt;
- A. The City will seek all possible federal and state reimbursement for mandated projects and/or programs. The City will pursue a balanced relationship between issuing debt and pay-as-you-go financing.
 - B. The City will match the term of long-term debt issued up to the useful life of the projects financed. Current operations will not be financed with long-term debt. Debt incurred to finance capital improvements will be repaid within the useful life of the project.
 - C. High priority will be assigned to the replacement of capital improvements when they have deteriorated to the point where they are hazardous, incur high maintenance costs, negatively affect property values, or no longer serve their intended purposes.
 - D. An updated Capital Improvement Plan will be presented to the City Council for approval on an annual basis. This plan will be used as a basis for the long-range financial planning process.

VII. BOND STRUCTURE

Structural features that may be considered are:

1. maturity of the debt,
2. setting the maturities of the debt equal to or less than the useful life of the project,
3. use of zero-coupon bonds, capital appreciation bonds, deep discount bonds, or premium bonds,
4. debt service structure (level debt service payments, level principal payments or other repayment structure defined by state law),
5. redemption provisions (mandatory and optional call features),
6. use of credit enhancement,
7. use of senior lien and junior lien obligations, and
8. use of derivative products;

VIII. SHORT-TERM DEBT

- A. General** - Short-term obligations may be issued to finance projects or portions of projects for which the City ultimately intends to issue long-term debt; i.e., it will be used, when appropriate, to provide interim financing which will eventually be refunded with the proceeds of long-term obligations.

Short-term obligations may be backed with a tax and/or revenue pledge or a pledge of other available resources.

Interim financing may be appropriate when long-term interest rates are expected to decline in the future. In addition, some forms of short-term obligations can be obtained quicker than long-term obligations and thus can be used until long-term financing can be obtained.

- B. Commercial Paper** - Due to the issuance costs associated with the marketing and placement of commercial paper in amounts of less than approximately \$25 million, it is not considered feasible for the City of Corinth to issue this type of debt. Should the opportunity to participate in a commercial paper issuance pool present itself, the advantages and disadvantages shall be evaluated by the Director of Finance.
- C. Anticipation Notes** - Anticipation notes empower municipalities to issue debt without giving notice of intent. Anticipation notes may be secured and repaid by a singular pledge, but not a plural pledge, of revenue, taxes, or the proceeds of a future debt issue. Anticipation notes may be authorized by an ordinance adopted by the City Council. Anticipation notes may be used to finance projects or acquisitions that could also be financed with Certificates of Obligation.

Anticipation notes have several restrictions, which include:

1. Anticipation notes issued for general purposes must mature before the seventh anniversary of the date the attorney general approves the issue,
2. Anticipation notes may not be used to repay interfund borrowing or a borrowing that occurred up to/or more than 24-months prior to the date of issuance,
3. A governing body may not issue anticipation notes that are payable from bond proceeds unless the proposition authorizing the issuance of the bonds has already been approved by the voters.

IX. LONG-TERM DEBT

- A. General** - Proceeds from the sale of long-term obligations will not be used for operating purposes, and the life of the obligations will not exceed the estimated useful life of the projects financed.

A level debt service structure will be used unless operational matters, tax rate management, and marketing considerations dictate otherwise.

The cost of issuance of private activity bonds is usually higher than for governmental purpose bonds. Consequently, private activity bonds will be issued only when they will

economically benefit the City.

The cost of taxable debt is higher than for tax-exempt debt. However, the issuance of taxable debt may be more appropriate in some circumstances and may allow valuable flexibility in subsequent contracts with users or managers of the improvement constructed with the bond proceeds. Therefore, the City will usually issue tax-exempt obligations but may occasionally issue taxable obligations.

- B. Bonds** - Long-term general obligation or revenue bonds shall be issued to finance significant and desirable capital improvements. The general obligation bonds will be used for purposes set forth by voters in bond elections.

General obligation bonds will strive to have an average life of approximately twenty (20) years or less, and revenue bonds will strive to have an average life of approximately twenty (20) years or less.

A resolution of intent to issue bonds authorizing staff to proceed with preparations shall be presented for the consideration of the City Council when the capital budget is presented or as soon thereafter as reasonably possible.

Unless a compelling reason is identified by the Finance Committee, all bonds issued for the purpose of supplying new monies as needed for current, ongoing public improvements shall be sold at a public, competitive sale based upon sealed bids pursuant to terms and conditions specified in the City's Charter which requires "the publication of a proper notice of sale in a national publication which regularly includes municipal bond sale notices, stating pertinent facts relating to the proposed sale including, but not limited to, the time, the date, and the place (which shall be in the City of Corinth) that all sealed bids will be publicly opened, read, and tabulated before the City Council. The date advertised for opening of the bids shall be not less than 30 days from the date of publication."

- C. Certificates of Obligation** - Certificates of obligation may be issued to finance permanent improvements and land acquisition, the need for which arose between bond elections. In addition, they may also be used to finance costs associated with capital project overruns or to acquire equipment.

In accordance with state law, a resolution authorizing publication of notice of intent to issue certificates of obligation shall be presented for the consideration of the City Council. The notice of intent shall be published in a newspaper of general circulation in the City once a week for two consecutive weeks with the first publication to be at least forty-five (45) days prior to the sale date.

Certificates of obligation may be backed by a tax pledge under certain circumstances as defined by law. They may also be backed by a combination tax and revenue pledge eligible under state law. Some revenues are restricted as to the uses for which they may be pledged. Water, Wastewater, and Drainage revenues may be pledged without limit for Water, Wastewater, and Drainage purposes but may only be pledged up to \$10,000 for non-utility system purposes.

- D. Public Property Finance Contractual Obligation** - Public property finance contractual obligations may be issued to finance the acquisition of personal property.

E. Revenue Bonds - In addition to the policies set forth above, when cost-beneficial and when permitted under applicable ordinances, the City may consider the use of surety bonds, lines of credit, or similar instruments to satisfy mandated debt service fund requirements on outstanding and/or proposed revenue bonds.

X. REFUNDING AND RESTRUCTURING OPTIONS

The City shall consider refunding debt whenever an analysis indicates the potential for present value savings of approximately 3.5% of the debt service being refunded or if beneficial to the City in another way.

XI. METHOD OF SALE

The City reserves the right to consider the sale method of each transaction on a case by case basis in consultation with the member of the financing team. The sale methods to be considered include and are not limited to the following:

A. Competitive Sale - When feasible and economical, obligations shall be issued by competitive rather than negotiated sale. Favorable conditions for a competitive method of sale include the following:

1. The market is familiar with the issuer, and the issuer is a stable and regular borrower in the public market.
2. An active secondary market with a broad investor base for the issuer's bonds.
3. The issue is neither too large to be easily absorbed by the market nor too small to attract investors without a concerted sales effort.
4. The issue is not viewed by the market as carrying overly complex features or requiring explanation as to the bonds' soundness.
5. Interest rates are stable, market demand is strong, and the market is able to absorb a reasonable amount of buying or selling at reasonable price changes.

B. Negotiated Sale - Bonds issued for the purpose of refunding and/or restructuring outstanding debt may appropriately be sold on a negotiated basis when maximum flexibility is required in order for the City to respond to day-to-day nuances in the marketplace and other complications peculiar to the issuance of refunding debt. Whenever the option exists to sell an issue on a negotiated basis, an analysis of the options shall be performed to aid in the decision-making process.

The City will present the reasons and will actively participate in the selection of the underwriter or direct purchaser.

In a negotiated sale, the underwriter may be selected through a request for proposals (RFP) or because of a relationship established by previous debt transactions. The criteria used to select an underwriter in a negotiated sale should include the following:

1. Overall experience
2. Marketing philosophy
3. Capability
4. Previous experience as managing or co-managing partner
5. Financial statement
6. Public finance team and resources

7. Breakdown of underwriter's discount

- C. Private Placement** - When cost-beneficial, the City may privately place its debt. Since no underwriter participates in a private placement, it may result in lower cost of issuance. Private placement is sometimes an option for small issues. The opportunity may be identified by the financial advisor.
- D. Bidding Parameters** - The notice of sale will be carefully constructed so as to ensure the best possible bid for the City, in light of existing market conditions and other prevailing factors. Parameters to be examined include:
1. Limits between lowest and highest coupons
 2. Coupon requirements relative to the yield curve
 3. Method of underwriter compensation, discount, or premium coupons
 4. Use of true interest cost (TIC) versus net interest cost (NIC)
 5. Use of bond insurance
 6. Deep discount bonds
 7. Variable rate bonds
 8. Call provisions

XII. INVESTMENT OF BOND PROCEEDS

- A. Strategy** - The City should actively monitor its investment practices to ensure maximum returns on its invested bond funds while complying with Federal arbitrage guidelines. Specific investment strategies for the investment of bond proceeds are provided in the City's investment policy.
- B. Arbitrage Compliance** - The City will follow a policy of full compliance with all arbitrage rebate requirements of the federal tax code and Internal Revenue Service regulations and will perform (internally or by contract consultants) arbitrage rebate calculations for each issue subject to rebate on an annual basis. All necessary rebates will be filed and paid when due.
- C. Arbitrage Liability Management** - The Director of Finance will maintain a system for tracking arbitrage rebate liability and ensuring that required calculations are performed on a timely basis. These calculations will be performed annually. Funds should be set aside in anticipation of potential rebate liabilities. Due to the complexity of the arbitrage calculations and regulations, and to the severity of the penalties for noncompliance, the advice of Bond Counsel and qualified experts will be pursued on an ongoing basis.
- D.** All bond proceeds will be separately accounted for in the financial accounting system to facilitate arbitrage tracking and reporting. Arbitrage rebate liability reports shall be generated semi-annually and submitted to the Finance/Audit Committee and to the Debt Management Committee for review.

GLOSSARY

Amortization – The planned reduction of a debt obligation according to a stated maturity or redemption schedule.

Arbitrage – The gain which may be obtained by borrowing funds at a lower (often tax-exempt) rate and investing the proceeds at higher (often taxable) rates. The ability to earn arbitrage by issuing tax-exempt securities has been severely curtailed by the Tax Reform Act of 1986, as amended.

Average Life – The average length of time debt is expected to be outstanding.

Basis Point – One one-hundredth of one percent (0.0001).

BBI – Bond Buyer Index. Comparison of current rates for various maturities.

Bid Form – The document used by an underwriter to submit his bid at a competitive sale.

Bond – A security that represents an obligation to pay a specified amount of money on a specific date in the future, typically with periodic interest payments.

Bond Counsel – An attorney (or firm of attorneys) retained by the issuer to give a legal opinion concerning the validity of the securities. The bond counsel's opinion usually addresses the subject of tax exemption. Bond counsel may prepare, or review and advise the issuer regarding authorizing resolutions or ordinances, trust indentures, official statements, validation proceedings and litigation.

Bond Insurance – Bond insurance is a type of credit enhancement whereby a monoline insurance company indemnifies an investor against a default by the issuer to pay principal and interest in-full and on-time. Once assigned, the municipal bond insurance policy generally is irrevocable. The insurance company receives an up-front fee, or premium, when the policy is issued.

Book-Entry-Only – Bonds that are issued in fully-registered form but without certificates of ownership. The ownership interest of each actual purchaser is recorded on computer.

Bond Years - \$1,000 of debt outstanding for one year used to compute average life and net interest cost.

Call Option – The right to redeem a bond prior to its stated maturity, either on a given date or continuously. The call option is also referred to as the optional redemption provision.

Capital Appreciation Bond – A bond without current interest coupons that is sold at a substantial discount from par. Investors are provided with a return based upon the accretion of value in the bond through maturity.

Capital Lease – The acquisition of a capital asset over time rather than merely paying a rental fee for temporary use. A lease-purchase agreement, in which provision is made for transfer of ownership of the property for a nominal price at the scheduled termination of the lease, is referred to as a capital lease.

Closing – When bonds are exchanged for money (a/k/a delivery or settlement).

Commercial Paper (Tax-Exempt) – By convention, short-term, unsecured promissory notes issued in either registered or bearer form with a stated maturity of 270 days or less.

Competitive Sale – A sale of securities in which the securities are awarded to the bidder who offers to purchase the issue at the best price or lowest cost.

Coupon Rate – The interest rate on specific maturities of a bond issue. While the term “coupon” derives from the days when virtually all municipal bonds were in bearer form with coupons attached, the term is still frequently used to refer to the interest rate on different maturities of bonds in registered form.

Cover Bid – The runner-up in a competitive bond sale.

Credit Enhancements – Credit enhancements are mechanisms which guarantee principal and interest payments. They include bond insurance and a line or letter of credit. A credit enhancement, while costly, will usually bring a lower interest rate on debt and a higher rating from the rating agencies, thus lowering overall costs. Cost effectiveness of credit enhancement will be evaluated for each debt issue.

CUSIP Number – The term CUSIP is an acronym for the Committee on Uniform Securities Identification Procedures. An identification number is assigned to each maturity of an issue and is usually printed on the face of each individual certificate of the issue. The CUSIP numbers are intended to help facilitate the identification and clearance of municipal securities. As the municipal market has evolved, and the new derivative products are devised, the importance of the CUSIP system for identification purposes has increased.

Dated Date – A defined date at which interest begins to accrue from.

Debt Burden – The ratio of outstanding tax-supported debt to the market value of property within a jurisdiction. The overall debt burden includes a jurisdiction’s proportionate share of overlapping debt as well as the municipality’s direct net debt.

Debt Limitation – The maximum amount of debt that is legally permitted by a jurisdiction’s charter, constitution, or statutory requirements.

Debt Service – The amount necessary to pay principal and interest requirements on outstanding bonds for a given year or series of years.

Debt Service Reserve Fund – The fund into which moneys are placed which may be used to pay debt service if pledged revenues are insufficient to satisfy the debt service requirements. The debt service reserve fund may be entirely funded with bond proceeds, or it may only be partly funded at the time of the issuance and allowed to reach its full funding requirement over time, due to the accumulation of pledged revenues. If the debt service reserve fund is used in whole or part to pay debt service, the issuer usually is required to replenish the funds from the first available funds or revenues. A typical reserve requirement might be the maximum aggregate annual debt service requirement for any year remaining until the bonds reach maturity. The size of the reserve fund, and the manner in which it is invested, may be subject to arbitrage regulations.

Default – The failure to pay principal or interest in full or on time. An actual default should be distinguished from technical default. The latter refers to a failure by an issuer to abide by certain covenants but does not necessarily result in a failure to pay principle or interest when due.

Defeasance – Providing for payment of principal of premium, if any, and interest on debt through the first call date or scheduled principal maturity in accordance with the terms and requirements of the instrument pursuant to which the debt was issued. A legal defeasance usually involves establishing an irrevocable escrow funded with only cash and U.S. government obligations.

Depository Trust Company (DTC) – A limited purpose trust company organized under the New York Banking Law. DTC facilitates the settlement of transactions in municipal securities.

Downgrade – A reduction in credit rating.

Enterprise Activity – A revenue-generating project or business. The project often provides funds necessary to pay debt service on securities issued to finance the facility. The debts of such projects are self-liquidating when the projects earn sufficient monies to cover all debt service and other requirements imposed under the bond contract. Common examples include water and sewer treatment facilities and utility facilities.

Final Official Statement (FOS) – A document published by the issuer which generally discloses material information on a new issue of municipal securities including the purposes of the issue, how the securities will be repaid, and the financial, economic and social characteristics of the issuing government. Investors may use this information to evaluate the credit quality of the securities.

Flow of Funds – The order in which pledged revenues must be disbursed, as set forth in the trust indenture or bond resolution. In most instances, the pledged revenues are deposited into a general collection account or revenue fund as they are received and subsequently transferred into the other accounts established by the bond resolution or trust indenture. The other accounts provide for payment of the costs of debt service, debt service reserve deposits, operation and maintenance costs, renewal and replacement, and other requirements.

General Obligation Debt- Debt that is secured by a pledge of the ad valorem taxing power of the issuer. Also known as a full faith and credit obligation.

Good Faith Deposit – A sum of money given by the Underwriter to assure his bid.

Institutional Buyer – Banks, financial institutions, insurance companies, and bond funds.

Issuance Costs – The costs incurred by the bond issuer during the planning and sale of securities. These costs include but are not limited to financial advisory and bond counsel fees, printing and advertising costs, rating agencies fees, and other expenses incurred in the marketing of an issue.

Junior Lien Bonds – Bonds which have a subordinate claim against pledged revenues.

Letter of Credit – Bank credit facility whereby a bank will honor the payment of an issuer's debt,

in the event that an issuer is unable to do so, thereby providing an additional source of security for bondholders for a predetermined period of time. A letter of credit often is referred to as an L/C or an LOC. Letter of Credit can be issued on a “stand-by” or “direct pay” basis.

Level Debt Service – When annual payments are substantially the same each year.

Line of Credit – Bank credit facility wherein the bank agrees to lend up to a maximum amount of funds at some date in the future in return for a commitment fee.

Manager – The member (or members) of an underwriting syndicate charged with the primary responsibility for conducting the affairs of the syndicate. The managers take the largest underwriting commitment.

Lead Manager or Senior Manager

The underwriter serving as head of the syndicate. The lead manager generally handles negotiations in a negotiated underwriting of a new issue of municipal securities or directs the process by which a bid is determined for a competitive underwriting. The lead manager also is charged with allocating securities among the members of the syndicate in accordance with the terms of the syndicate agreement or agreement among underwriters.

Joint Manager or Co-Manager

Any member of the management group.

Municipal Securities Rulemaking Board (MSRB) – A self-regulating organization established on September 5, 1975 upon the appointment of a 15-member Board by the Securities and Exchange Agreement. The MSRB, comprised of representatives from investment banking firms, dealer bank representatives, and public representatives, is entrusted with the responsibility of writing rules of conduct for the municipal securities market. New Board members are selected by the MSRB pursuant to the method set forth in Board rules.

Negotiated Sale – A sale of securities in which the terms of sale are determined through negotiation between the issuer and the purchaser, typically an underwriter, without competitive bidding.

Net Interest Cost – The average interest cost of a bond issue calculated on the basis of simple interest.

Paying Agent – An agent of the issuer with responsibility for timely payment of principal and interest to bond holders.

Preliminary Official Statement (POS) – The POS is a preliminary version of the official statement which is used by an issuer or underwriters to describe the proposed issue of municipal securities prior to the determination of the interest rate(s) and offering prices(s). The preliminary official statement, also called a “red herring”, often is examined upon by potential purchasers prior to making an investment decision.

Present Value – The value of a future amount or stream of revenues or expenditures in current dollars.

Refunding – An advance refunding is a refunding that occurs more than 90 days before the call date of the refunded bonds. A current refunding is a process of selling a new issue of securities to obtain funds needed to retire existing securities. Debt refunding is done to extend maturity and/or to reduce debt service cost.

Retail Buyer – Individual investors.

Revenue Bond – A bond which is payable from a specific source of revenue and to which the full faith and credit of an issuer with taxing power is not pledged. Revenue bonds are payable from identified sources of revenue, and do not permit the bondholders to compel a jurisdiction to pay debt service from any other source. Pledged revenues often are derived from the operation of an enterprise activity. Generally, no voter approval is required prior to issuance of such obligations.

Secondary Market – The market in which bonds are sold after their initial sale in the new issue market.

Senior Lien Bonds – Bonds having a prior, or first claim on pledged revenues.

Serial Bonds – A bond issue in which the principal is repaid in periodic installments over the issue's life.

Split ratings – Different rating levels from different rating agencies.

Surety Bond – A bond guaranteeing performance of a contract or obligation.

Term Bonds – Term bonds usually refer to a particularly large maturity of a bond issue that is created by aggregating a series of maturities. A provision is often made for the mandatory redemption of specified amounts of principal during several years prior to the stated maturity, which effectively simulates serial bonds.

True Interest Cost (TIC) – An expression of the average interest cost in present value terms. The true interest cost is a more accurate measurement of the bond issue's effective interest cost and should be used to ascertain the best bid in a competitive sale.

Variable Rate Bond – A bond on which the interest rate is reset periodically, usually no less often than semi-annually. The interest rate is reset either by means of an auction or through an index.

Upgrade – An increase in credit rating.

City Council Regular and Workshop Session

Meeting Date: 01/09/2020
Title: Climate Change Policy
Submitted For: Bob Hart, City Manager
Submitted By: Lee Ann Bunselmeyer, Director
Finance Review: N/A
Legal Review: N/A
City Manager Review: Approval: Bob Hart, City Manager
Strategic Goals: Infrastructure Development
Economic Development
Citizen Engagement & Proactive Government

AGENDA ITEM

Consider and act on a resolution approving the Climate Resiliency and Financial Stability Policy for the City of Corinth and providing an effective date.

AGENDA ITEM SUMMARY/BACKGROUND

Credit risks resulting from climate change has become a major component in how rating agencies, such as Moody's and S&P, analyze the key credit factors for municipal debt issuance. Rating Agencies analysis of economic strength and diversity, which signals the speed with which an economy may recover, captures climate-driven credit risks such as economic disruption, physical damage, health and public safety, and population displacement. Fiscal strength, access to liquidity and levers to raise additional revenue are also key to the assessment of climate risks as is evaluating asset management and governance.

Rating Agencies view of climate change and evaluating the credit risk to local government issuers has shifted within the past twelve months. The move by Rating Agencies, such as Moody's and S&P, signifies a notable step toward financial institutions committing to the idea that climate change should be a routine consideration when evaluating the financial strength of any government or company and their ability to pay their debts.

This policy addresses the City of Corinth's ability to manage climate-driven credit risks such as economic disruption, physical damage, health and public safety, and population displacement and its ability recover financially.

RECOMMENDATION

Staff recommends approval of the climate resiliency and financial stability policy.

Attachments

Resolution

RESOLUTION NO. 20-01-09-_____

A RESOLUTION REVIEWING AND APPROVING THE CLIMATE RESILIENCY AND FINANCIAL STABILITY POLICY FOR THE CITY OF CORINTH; AND PROVIDING AN EFFECTIVE DATE.

WHEREAS, This policy shall provide general guidelines by which the City of Corinth mitigates climate-driven credit risks such as economic disruption, physical damage, health and public safety, and population displacement. The City Council has reviewed and approved the Climate Resiliency and Financial Stability Policy attached hereto as Exhibit A and

NOW, THEREFORE, THE COUNCIL OF THE CITY OF CORINTH HEREBY RESOLVES:

SECTION 1. That the City Council has reviewed the attached Climate Resiliency and Financial Stability Policy, which contain the strategies and policies for mitigating the impacts of climate change, and hereby approves the Climate Resiliency and Financial Stability Policy.

SECTION 2. That the City Manager is hereby designated as the primary individual who shall be responsible for analyzing and mitigating the effects of climate change and is hereby authorized to perform the functions required under the Climate Resiliency and Financial Stability Policy.

SECTION 3. That all resolutions or parts of resolutions in force when the provisions of this resolution became effective which are inconsistent or in conflict with the terms or provisions contained in this resolution are hereby repealed to the extent of any such conflict only.

SECTION 4. That this resolution shall take effect immediately upon its passage and approval.

PASSED AND APPROVED this the 9th day of January 2020.

Bill Heidemann, Mayor

ATTEST:

Kim Pence, City Secretary

APPROVED AS TO FORM AND LEGALITY:

Wm. Andrew Messer, City Attorney

**EXHIBIT A- DEBT MANAGEMENT POLICY
Pages 1 through 15**