

RECEIVED BUDGET, FINANCE & AUDIT COMMITTEE
DALLAS CITY COUNCIL COMMITTEE AGENDA

2016 SEP -2 PM 12: 21

CITY SECRETARY
DALLAS, TEXAS

TUESDAY, SEPTMEBER 6, 2016
CITY HALL
COUNCIL BRIEFING ROOM, 6ES
1500 MARILLA
DALLAS, TEXAS 75201
1:00 P.M. – 2:30 P.M.

Chair, Councilmember Jennifer S. Gates
Vice-Chair, Councilmember Philip T. Kingston
Deputy Mayor Pro Tem Erik Wilson
Councilmember Rickey D. Callahan
Councilmember Scott Griggs
Councilmember Lee M. Kleinman

Call to Order

1. Consideration of the minutes from the August 15, 2016 Budget, Finance and Audit Committee meeting

BRIEFINGS

2. FY 2016-2017 General Fund Proposed Reserves
Jack Ireland, Director
Office of Financial Services
3. Annual Investment Policy Review and Recommendations for Local Government Investment Pools
Corrine Steeger, Assistant Director
City Controller's Office

FYI:

4. June 30, 2016 Quarterly Investment Report

UPCOMING AGENDA ITEMS

September 14, 2016 City Council Meeting

- A. Draft Agenda Item: Authorize a four-year service contract for non-engineering environmental consulting, investigative and remediation services with twenty-nine vendors selected as most qualified respondent of thirty-seven (list attached) - Not to exceed \$17,156,124 - Financing: Current Funds (\$9,958,124), Aviation Current Funds (\$2,400,000), Stormwater Drainage Management Current Funds (\$1,900,000), Water Utilities Current Funds (\$1,290,000), Sanitation Current Funds (\$1,220,000) and Convention and Event Services Current Funds (\$388,000) (subject to annual appropriations)

A quorum of the City Council may attend this Council Committee meeting

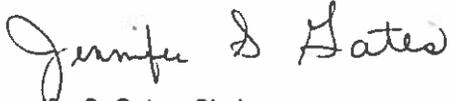
- B. Draft Agenda Item: Authorize a three-year service contract for the rental and maintenance of portable toilets - Pot-O-Gold Rentals, LLC, lowest responsible bidder of three - Not to exceed \$813,172 - Financing: Current Funds (\$773,077), Stormwater Drainage Management Current Funds (\$24,005), Water Utilities Current Funds (\$10,177), Sanitation Current Funds (\$4,020) and Aviation Current Funds (\$1,893) (subject to annual appropriations)
- C. Draft Agenda Item: Authorize a five-year service contract, with two two-year renewal options, to provide maintenance and support for the existing airport access control system at Dallas Love Field - Converjint Technologies, LLC, most advantageous proposer of three - Not to exceed \$5,502,820 - Financing: Aviation Current Funds (subject to annual appropriations)
- D. Draft Agenda Item: Authorize (1) a contract for the purchase and five-years of maintenance for meter test bench system and portable meter testers - Ow Investors, LLC in the amount of \$439,415, most advantageous proposer of two; and (2) a contract for the purchase of a sandblaster and five-years of maintenance for new and existing sandblasters - Clemtex II, Inc. in the amount of \$85,830, most advantageous proposer of two - Total not to exceed \$525,245 - Financing: Water Utilities Current Funds (subject to annual appropriations)
- E. Draft Agenda Item: Authorize (1) a three-year contract, with two one-year renewal options, for broker of record and the purchase of an insurance policy for commercial property/boiler and machinery insurance, from October 1, 2016 through September 30, 2019; and risk management consulting services from January 8, 2017 through January 7, 2020 - Wells Fargo Insurance Services USA, Inc., in the amount of \$4,315,290, most advantageous proposer of three; (2) a one-year contract, with two one-year renewal options, for the purchase of aviation, crime, fine arts, flood, media and professional liability, and general liability insurance policies from October 1, 2016 through September 30, 2017 - Wells Fargo Insurance Services USA, Inc. in the amount of \$411,711, most advantageous proposer of three; and (3) a one-year contract, with two one year renewal options for brokerage fees and the purchase of cyber liability and privacy insurance from October 1, 2016 through September 30, 2017 - McGriff, Seibels & Williams of Texas, Inc., in the amount of \$245,225, most advantageous proposer of three - Total not to exceed \$4,972,226 - Financing: Current Funds (subject to annual appropriations)
- F. Draft Agenda Item: Authorize a three-year master agreement for the purchase of recreation center and physical education supplies - S & S Worldwide, Inc. in the amount of \$269,630 and BSN Sports in the amount of \$60,500, lowest responsible bidders of three - Total not to exceed \$330,130 - Financing: Current Funds
- G. Draft Agenda Item: Authorize a three-year master agreement for water meter castings, risers, cast iron inlet frames and covers - Accucast LTD in the amount of \$2,064,389, Fortiline, Inc. in the amount of \$1,231,033, Bass & Hays Foundry, Inc. in the amount of \$1,108,293, Johnson Enterprises in the amount of \$826,080, U.S.F. Fabrication, Inc. in the amount of \$362,240, ACT Pipe & Supply, Inc. in the amount of \$27,537 and DFW Plastics, Inc. in the amount of \$568, lowest responsible bidders of nine - Total not to exceed \$5,620,140 - Financing: Current Funds (\$1,222,623), Water Utilities Current Funds (\$4,393,216), Stormwater Drainage Management Current Funds (\$3,305) and Aviation Current Funds (\$996)

- H. Draft Agenda Item: Authorize supplemental agreement no. 4 to increase and extend the service contract to provide for maintenance and support of the City's financial and accounting system, from October 1, 2016 through September 30, 2019 - CGI Technologies and Solutions, Inc. through the Texas Department of Information Resources - Not to exceed \$1,509,565, from \$1,373,756 to \$2,883,321 - Financing: Current Funds (subject to annual appropriations)

- I. Draft Agenda Item: Authorize (1) acceptance of the 2016-17 Substance Abuse and Mental Health Services Administration grant from the U.S. Department of Health and Human Services for expansion of the South Dallas Community Court to include the South Dallas Treatment Drug Court for the Adult Treatment Drug Court Expansion project for the period September 30, 2016 through September 29, 2017; (2) approval to create one new full-time position to execute the proposed project; and (3) execution of the grant agreement - Not to exceed \$305,074 - Financing: U.S. Department of Health and Human Services, Substance Abuse and Mental Health Services Administration Grant Funds

- J. Draft Addendum Item: Authorize the purchase of (1) one heavy duty snow blower with attachments for Aviation - M-B Companies, Inc. in the amount of \$1,241,368, through the National Joint Powers Alliance; and (2) four fleet vehicles for Fire-Rescue - Sam Pack's Five Star Ford in the amount of \$121,381 through Texas Smartbuy - Total not to exceed \$1,362,749 - Financing: Current Funds (\$121,381) and Aviation Current Funds (\$1,241,368)

Adjourn



Jennifer S. Gates, Chair
Budget, Finance & Audit Committee

A closed executive session may be held if the discussion of any of the above agenda items concerns one of the following:

1. Contemplated or pending litigation, or matters where legal advice is requested of the City Attorney. Section 551.071 of the Texas Open Meetings Act.
2. The purchase, exchange, lease or value of real property, if the deliberation in an open meeting would have a detrimental effect on the position of the City in negotiations with a third person. Section 551.072 of the Texas Open Meetings Act.
3. A contract for a prospective gift or donation to the City, if the deliberation in an open meeting would have a detrimental effect on the position of the City in negotiations with a third person. Section 551.073 of the Texas Open Meetings Act.
4. Personnel matters involving the appointment, employment, evaluation, reassignment, duties, discipline or dismissal of a public officer or employee or to hear a complaint against an officer or employee. Section 551.074 of the Texas Open Meetings Act.
5. The deployment, or specific occasions for implementation of security personnel or devices. Section 551.076 of the Texas Open Meetings Act.
6. Deliberations regarding economic development negotiations. Section 551.087 of the Texas Open Meetings Act.

"Pursuant to Section 30.06, Penal Code (trespass by license holder with a concealed handgun), a person licensed under Subchapter H, Chapter 411, Government Code (handgun licensing law), may not enter this property with a concealed handgun."

"De acuerdo con la sección 30.06 del código penal (ingreso sin autorización de un titular de una licencia con una pistola oculta), una persona con licencia según el subcapítulo h, capítulo 411, código del gobierno (ley sobre licencias para portar pistolas), no puede ingresar a esta propiedad con una pistola oculta."

"Pursuant to Section 30.07, Penal Code (trespass by license holder with an openly carried handgun), a person licensed under Subchapter H, Chapter 411, Government Code (handgun licensing law), may not enter this property with a handgun that is carried openly."

"De acuerdo con la sección 30.07 del código penal (ingreso sin autorización de un titular de una licencia con una pistola a la vista), una persona con licencia según el subcapítulo h, capítulo 411, código del gobierno (ley sobre licencias para portar pistolas), no puede ingresar a esta propiedad con una pistola a la vista."

Budget, Finance & Audit Committee

Meeting Record

Meeting Date: August 15, 2016

Convened: 1:05 pm

Adjourned: 2:45 pm

Committee Members Present:

Jennifer S. Gates, Chair
Philip T. Kingston, Vice-Chair

Rickey D. Callahan
Lee M. Kleinman

Eric Wilson

Committee Members Absent:

Scott Griggs

Other Council Members Present:

N/A

Staff Present:

Craig D. Kinton
Michael Frosch
Jack Ireland
Jeanne Chipperfield
Randall Hanks
Akilah McLaughlin

Renee Hayden
Wallace Waits
Sandra DuBose
Amy Messer
Thandee Kywe
Richard Sims

Carol Smith
Sheneice Hughes
Lynetta Kidd
Lee Chiang
Bisola Maefay
Donzell Gipson

Santos Cadena
Silvia Robinson
Errick Thompson
Willis Winters
Daniel Huerta
Leigh Ann

Juanita Ortiz
Sean McGrew
Raymond Lee
Tina Richardson

Others Present:

N/A

AGENDA:

Call to Order

1. Consideration of the August 1, 2016 Minutes

Presenter(s):

Information Only: _

Action Taken/Committee Recommendation(s):

A motion was made to approve the August 1, 2016 minutes. Motion passed unanimously.

Motion made by: Lee Kleinman

Motion seconded by: Rickey Callahan

2. CarbonLite Recycling LLC – Tax Equity and Fiscal Responsibility Act (TEFRA) Approval

Presenter(s): Lee A. McCormick, President

Information Only: _

Action Taken/Committee Recommendation(s):

A motion was made to forward to City Council on August 24, 2016. Motion passed unanimously.

Motion made by: Philip Kingston

Motion seconded by: Rickey Callahan

Budget, Finance & Audit Committee

Meeting Record

3. **Dallas Fort Worth International Airport FY 2017 Proposed Budget**

Presenter(s): Sean Donohue, Chief Executive Officer; Christopher Poinatte, Executive Vice President-Chief Financial Officer, *Dallas/Fort Worth International Airport*

Information Only: _

Action Taken/Committee Recommendation(s):

A motion was made to forward to City Council for approval of budget on August 24, 2016. Motion passed unanimously.

Motion made by: Lee Kleinman

Motion seconded by: Rickey Callahan

4. **Dallas Fort Worth International Airport 51st Supplemental Bond Ordinance**

Presenter(s): Christopher Poinatte, Executive Vice President-Chief Financial Officer, *Dallas/Fort Worth International Airport*

Information Only: _

Action Taken/Committee Recommendation(s):

A motion was made to forward to City Council on August 24, 2016. Motion passed unanimously.

Motion made by: Lee Kleinman

Motion seconded by: Erik Wilson

5. **Office of the City Auditor: Fiscal Year 2016 - Fourth Quarter Update**

Presenter(s): Craig Kinton, City Auditor

Information Only: X

Action Taken/Committee Recommendation(s):

Motion made by: N/A

Motion seconded by: N/A

6. **Office of the City Auditor: Fiscal Year 2017 Audit Plan**

Presenter(s): Craig Kinton, City Auditor

Information Only: _

Action Taken/Committee Recommendation(s):

A motion was made to forward to City Council on September 14, 2016. Motion passed unanimously.

Motion made by: Lee Kleinman

Motion seconded by: Philip Kingston

7. **FY 2015-16 Budget Appropriation Adjustments**

Presenter(s): Jack Ireland, Director, *Office of Financial Service*

Information Only: _

Action Taken/Committee Recommendation(s):

A motion was made to forward to City Council on August 24, 2016 with committee recommendation to deny. Motion passed by divided vote.

Motion made by: Lee Kleinman

Motion seconded by: Erik Wilson

Budget, Finance & Audit Committee

Meeting Record

UPCOMING AGENDA ITEMS:

August 24, 2016 City Council Meeting

- A. **Draft Agenda Item: Authorize the first two-year renewal option to the service contract with Rocket Red, Ltd. for business recruitment and retention services for Dallas Executive Airport - Not to exceed \$240,000 - Financing: Aviation Current Funds (subject to annual appropriations)**

A motion was made to forward to the City Council on Wednesday, August 24, 2016. Motion passed on unanimous vote.

Motion made by: Rickey Callahan

Motion seconded by: Philip Kingston

- B. **Draft Agenda Item: Authorize a three-year service contract for hydraulic cylinder, pump and valve repair - FLR Solutions, LLC, lowest responsible bidder of three - Not to exceed \$2,093,988 - Financing: Current Funds (\$2,020,053), Sanitation Current Funds (\$64,685), Stormwater Drainage Management Current Funds (\$5,800) and Water Utilities Current Funds (\$3,450) (subject to annual appropriations)**

A motion was made to forward to the City Council on Wednesday, August 24, 2016. Motion passed on unanimous vote.

Motion made by: Rickey Callahan

Motion seconded by: Philip Kingston

- C. **Draft Agenda Item: Authorize a five-year collection agency services contract, with two two-year renewal options, for the collection of delinquent utility and other miscellaneous accounts - Southwest Credit Systems, L.P., most responsible proposer of eight - Estimated Annual Net Revenue: \$659,719**

A motion was made to forward to the City Council on Wednesday, August 24, 2016. Motion passed on unanimous vote.

Motion made by: Rickey Callahan

Motion seconded by: Philip Kingston

- D. **Draft Agenda Item: Authorize a three-year master agreement for fire hydrants, parts and accessories - Mueller Co., LLC in the amount of \$1,212,721, HD Supply Waterworks, LTD in the amount of \$801,856, US Pipe Valve & Hydrant, LLC in the amount of \$100,232 and ACT Pipe & Supply, Inc. in the amount of \$4,530, lowest responsible bidders of six - Total not to exceed \$2,119,339 - Financing: Water Utilities Current Funds**

A motion was made to forward to the City Council on Wednesday, August 24, 2016. Motion passed on unanimous vote.

Motion made by: Rickey Callahan

Motion seconded by: Philip Kingston

Budget, Finance & Audit Committee

Meeting Record

- E. Draft Agenda Item: Authorize a three-year master agreement for valves, valve parts and accessories - Mueller Co., LLC in the amount of \$1,573,538, Fortiline, Inc. in the amount of \$1,140,972, ACT Pipe & Supply, Inc. in the amount of \$468,331, Municipal Valve & Equipment Co., Inc. in the amount of \$263,765 and Powerseal Pipeline Products Corp. in the amount of \$24,144, lowest responsible bidders of six - Total not to exceed \$3,470,750 - Financing: Water Utilities Current Fund

A motion was made to forward to the City Council on Wednesday, August 24, 2016. Motion passed on unanimous vote.

Motion made by: Rickey Callahan

Motion seconded by: Philip Kingston

- F. Draft Agenda Item: Authorize supplemental agreement no.1 to exercise the first one-year renewal option of the service contract for commercial wireless communication services and equipment - Cellco Partnership dba Verizon Wireless and its Related Entities through the Department of Information Resources, State of Texas Cooperative - Not to exceed \$3,432,429, from \$9,953,000 to \$13,385,429 - Financing: Current Funds (subject to annual appropriations)

A motion was made to forward to the City Council on Wednesday, August 24, 2016. Motion passed on unanimous vote.

Motion made by: Rickey Callahan

Motion seconded by: Philip Kingston

Adjourn

Jennifer S. Gates, Chair
Budget, Finance & Audit Committee

Memorandum



CITY OF DALLAS

DATE September 2, 2016

TO Honorable Members of the Budget, Finance & Audit Committee: Jennifer S. Gates (Chair), Philip T. Kingston (Vice Chair), Erik Wilson, Rickey D. Callahan, Scott Griggs, Lee M. Kleinman

SUBJECT FY 2016-2017 General Fund Proposed Reserves

On Tuesday, September 6, 2016, the Budget, Finance & Audit Committee will be briefed on the FY 2016-2017 General Fund Proposed Reserves. The briefing is attached for your review.

Please let me know if you need additional information.


Jeanne Chipperfield
Chief Financial Officer

Attachment

cc: Honorable Mayor and Members of the City Council
AC Gonzalez, City Manager
Christopher D. Bowers, Interim City Attorney
Craig D. Kinton, City Auditor
Rosa A. Rios, City Secretary
Daniel F. Solis, Administrative Judge
Ryan S. Evans, First Assistant City Manager

Eric D. Campbell, Assistant City Manager
Jill A. Jordan, P.E., Assistant City Manager
Mark McDaniel, Assistant City Manager
Joey Zapata, Assistant City Manager
Sana Syed, Public Information Officer
Elsa Cantu, Assistant to the City Manager – Mayor & Council

FY 2016-2017 General Fund Proposed Reserves

BUDGET, FINANCE & AUDIT COMMITTEE

SEPTEMBER 6, 2016



Purpose

- Provide overview of City's Financial Management Performance Criteria (FMPC) for fund balance and reserve related policies
- Provide information on FY 2016-17 General Fund Proposed Reserves

Background – FMPC

- City's FMPC was initially adopted by City Council in 1978 to set financial policies and standards and to guide decision making
- FMPC contains 52 criteria in 6 categories
 1. Operating Programs
 2. Capital and Debt Management
 3. Accounting, Auditing and Financial Planning
 4. Budget
 5. Cash Management
 6. Grants and Trusts
- Dallas Water Utilities has its own set of 13 criteria

Background – FMPC

- FMPC is evaluated for compliance during budget preparation, at year-end, and for each debt issuance
- Council periodically reviews and updates criteria (Last FMPC update was approved by Council in September 2014)

Background – Fund Balance

- Fund Balance represents difference between fund's assets and liabilities and serves as measure of available resources in fund
 - Reported annually in City's Comprehensive Annual Financial Report (CAFR)
 - Adjusted each year by difference between revenues and expenditures
- Fund Balance has 5 categories
 1. Non-spendable – amounts that are not in a spendable form (inventories) or are required to be maintained intact (corpus of an endowment fund)
 2. Restricted – amounts subject to constraints which are externally imposed by creditors, grantors, contributors, laws or regulations (Debt Service funds)
 3. Committed – amounts subject to self-imposed constraints through formal action of City Council (Risk Reserve)
 4. Assigned – amounts constrained by City's intent to be used for specific purposes (encumbrances)
 5. Unassigned – remaining fund balance available for any use after other categories are deducted from total fund balance (includes Emergency and Contingency Reserves)

Purpose of Reserves

- Mitigate current and future risks such as revenue shortfalls and unanticipated expenditures
- Enable a governmental entity to respond to unanticipated events or an emergency during a fiscal year
- Avoid borrowing for cash flow due to timing of revenue and expenditures
- Component of credit rating – higher reserve levels associated with higher credit ratings and allows for lower cost of borrowing

FMPC Reserve Requirements

- Emergency Reserve (FMPC #7)
 - Funds may be used to provide for temporary financing of unanticipated or unforeseen extraordinary needs of an emergency nature
 - Use of Emergency Reserve requires authorization by Council resolution
 - Any use must be replenished in next fiscal year
 - FY 2016-17 proposed Emergency Reserve of \$17,563,082 is funded from the FY 2015-16 projected Emergency Reserve ending balance

FMPC Reserve Requirements

- Contingency Reserve (FMPC #8)
 - Required to be maintained at 0.5% to 1% of budgeted expenditures
 - FY 2016-17 proposed Contingency Reserve is \$7,279,145, or 0.6%, of proposed General Fund budget expenditures
 - FY 2015-16 projected Contingency Reserve balance is \$5,629,145
 - \$1,650,000 has been included in FY 2016-17 proposed General Fund expenditures to bring Contingency Reserve to proposed balance of \$7,279,145
 - September 7th Council agenda requests use of \$2,000,000 in Contingency Reserve funds to provide aerial spraying for mosquito control
 - Contingency Reserve funds may also be requested to fund an upcoming ERF election (\$600,000)
 - If both items are approved, FY 2016-17 Contingency Reserve projected ending balance would be \$4,679,145, or 0.4%, of proposed General Fund budget expenditures

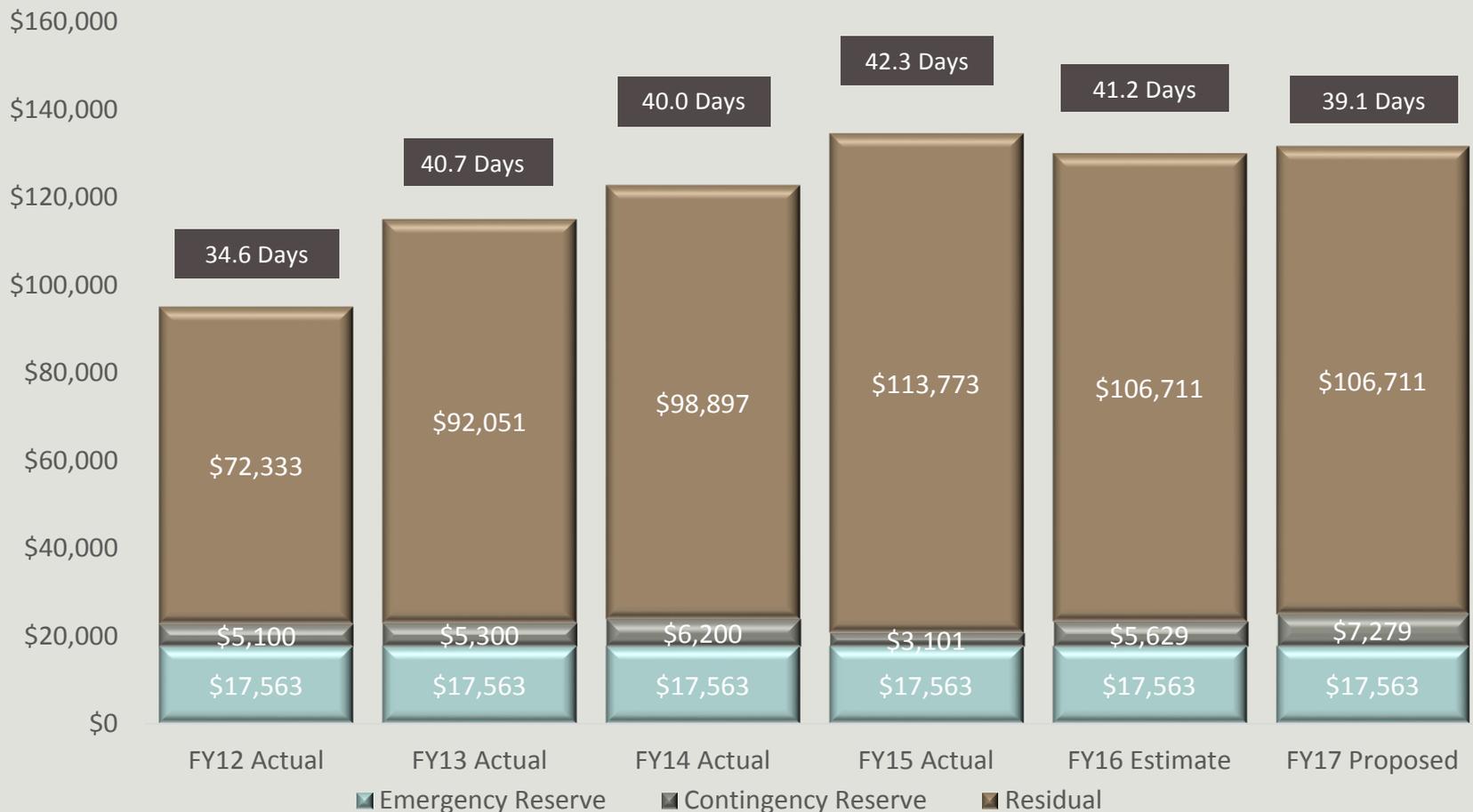
FMPC Reserve Requirements

➤ Combined Reserve Level (FMPC #9)

- Requires unassigned fund balance, which includes Emergency and Contingency Reserves, to be no less than 30 days of General Fund operating expenditures

	FY 2016-17 Proposed
Unassigned Fund Balance (9/30/17 projected)	\$131.5m
FY 2016-17 Proposed General Fund Expenditure	\$1,228.0m
30 days of GF Operating expenditures - minimum requirement	\$100.9m
Over/(Under) Minimum Requirement	\$30.6m
% of General Fund Expense	10.71%
Days of Reserve	39.1

FMPC Reserve Requirements



FMPC Reserve Requirements

- Risk Reserve (FMPC #10)
 - Required to be maintained at a level, which together with purchased insurance policies, adequately protects City's assets against loss
 - FY 2016-17 proposed reserve funded at \$1,250,000 using FY 2015-16 projected ending balance

FY 2016-2017 General Fund Proposed Reserves

Questions?

Memorandum



CITY OF DALLAS

DATE September 2, 2016

TO Members of the Budget, Finance & Audit Committee: Jennifer S. Gates (Chair), Philip T. Kingston (Vice Chair), Erik Wilson, Rickey D. Callahan, Scott Griggs, Lee M. Kleinman

SUBJECT Annual Investment Policy Review and Recommendations for Local Government Investment Pools

On September 6, 2016 the Budget, Finance and Audit Committee will be briefed on the Annual Investment Policy Review and Recommendations for Local Government Investment Pools. The briefing will be presented by Corrine Steeger, Assistant Director in the City Controller's Office. The briefing is attached for your review.

Please let me know if you need additional information.


Jeanne Chipperfield
Chief Financial Officer

Attachment

c: Honorable Mayor and Members of City Council
A.C. Gonzalez, City Manager
Christopher D. Bowers, Interim City Attorney
Craig D. Kinton, City Auditor
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Sana Syed, Public Information Officer
Elsa Cantu, Assistant to the City Manager – Mayor & Council



**ANNUAL INVESTMENT POLICY REVIEW
and
RECOMMENDATIONS FOR LOCAL
GOVERNMENT INVESTMENT POOLS**

BUDGET, FINANCE & AUDIT COMMITTEE

September 6, 2016



INVESTMENT POLICY OVERVIEW

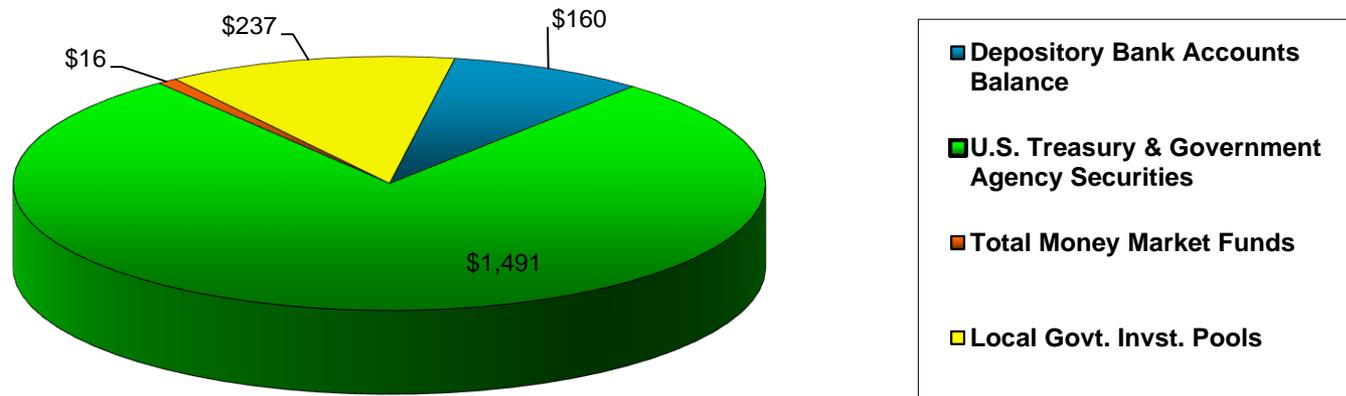
- Federal Regulations
- State Statutes
 - Public Funds Investment Act
 - Public Funds Collateral Act
 - Depositories for Municipal Funds
- City Charter and Code

PUBLIC FUNDS INVESTMENT ACT

- Requires a written investment policy annually reviewed by the City Council
 - “the governing body of the investing entity retains ultimate responsibility as fiduciaries of the assets of the entity.” (Public Funds Investment Act)
- Requires the policy to address:
 - Safety, liquidity, yield, and diversification
 - Investment strategy
 - Authorized investments

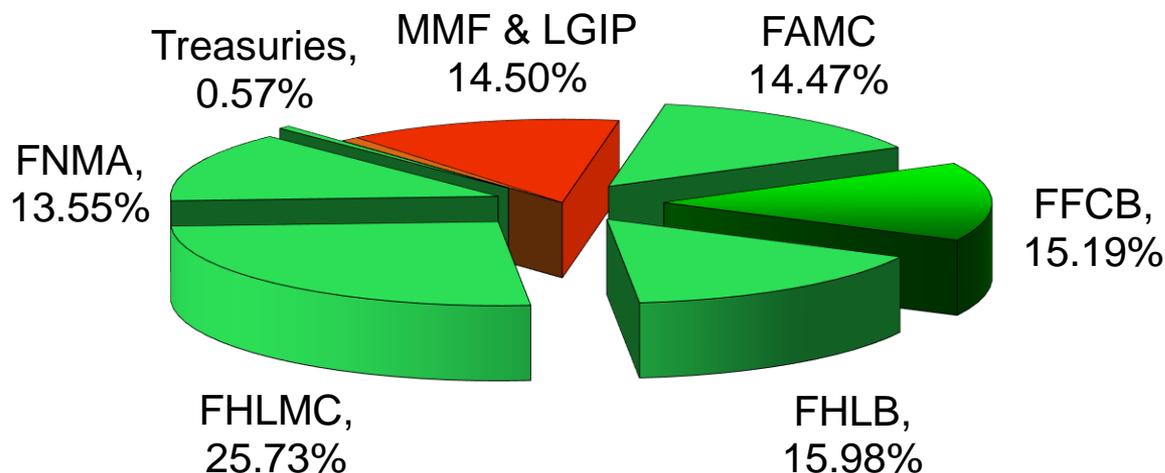
CITY OF DALLAS INVESTMENT POOL

(\$ in Millions)



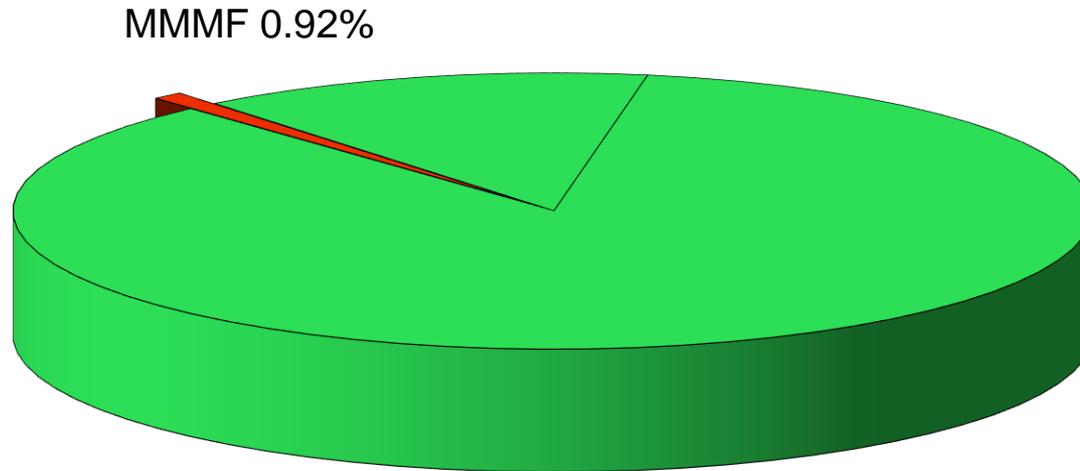
- The City's investment pool includes the following investment types:
 - U.S. Government Agency Securities
 - Money Market Funds
 - Local Government Investment Pools
- The total market value of the City's investment pool as of June 30, 2016 was \$1.9 billion. City's total bank depository account balance as of June 30, 2016 was \$160 million. All cash balances in the depository are secured by collateral in excess of FDIC insurance.

U.S. GOVERNMENT AGENCY SECURITIES



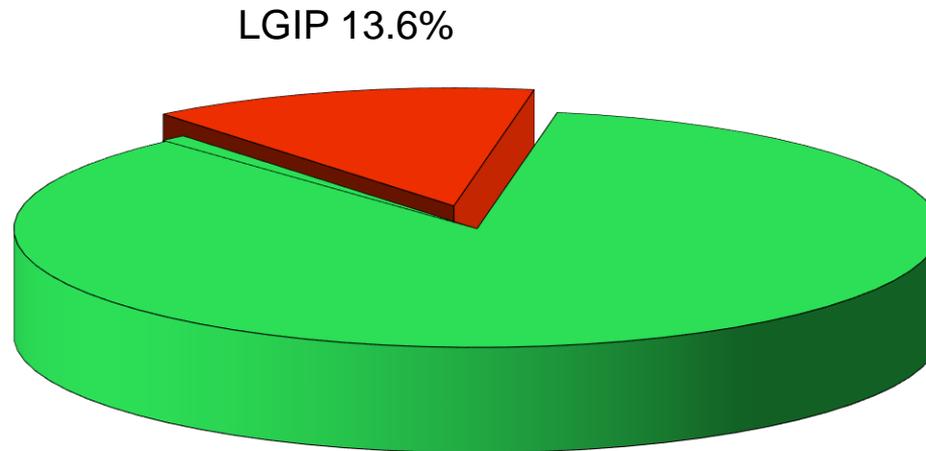
- Direct obligations of U.S. agencies
- Investment pool maximum percentage: 30% by agency (book value)
- Market value as of June 30, 2016 by agency:
 - Federal Agricultural Mortgage Corporation (FAMC or Farmer Mac): \$253,381,767
 - Federal Farm Credit Bank (FFCB): \$266,098,960
 - Federal Home Loan Bank (FHLB): \$279,592,798
 - Federal Home Loan Mortgage Corporation (FHLMC or Freddie Mac): \$450,231,524
 - Federal National Mortgage Association (FNMA or Fannie Mae): \$237,171,006

MONEY MARKET MUTUAL FUNDS



- No-load money market mutual funds
 - Registered with and regulated by the Securities and Exchange Commission
 - Rated not less than Aaa or an equivalent rating by at least one nationally recognized rating service
- Investment pool maximum percentage: 15%
 - Limited by fund to lesser of \$100 million or 5% of the fund's total assets
- Market value as of June 30, 2016: \$16 million

LOCAL GOVERNMENT INVESTMENT POOLS



- Local government investment pools
 - Rated not less than Aaa or an equivalent rating by at least one nationally recognized rating service
- Investment pool maximum percentage: 45%
 - Limited by pool to lesser of \$400 million or 10% of the pool's total assets
- Market value as of June 30, 2016: \$237 million

SEPARATELY MANAGED FUNDS

- The City's investment policy also governs funds that are invested separately from the investment pool
 - Bond reserve funds and endowment funds are invested in U.S. Government agency securities
 - DWU commercial paper and GO commercial paper proceeds are invested in money market mutual funds
 - Trinity Parkway Escrow Fund is invested in money market mutual fund

ANNUAL INVESTMENT POLICY REVIEW

- City Council adopted the original investment policy in 1987 and approved the current policy on September 22, 2015
- Changes in the investment policy are typically made:
 - To incorporate amendments to state law and/or federal regulatory changes
 - To improve management of the City's investments
 - To increase diversification and reduce risk
 - To reflect organizational changes within the City

ANNUAL INVESTMENT POLICY REVIEW

- Characteristics of the City's investment policy:
 - Guides the investment process
 - Emphasizes safety, liquidity and yield in that order
 - Complies with all state and federal laws governing management of public funds

INVESTMENT POLICY AMENDMENTS

The Investment Committee recommends the following amendments to the Investment Policy (see the attached policy for details)

INVESTMENT POLICY AMENDMENTS

- **Sec. 13.0 – Diversification and Maximum Maturities**
- **Sec. 17.0 – Investment Strategies**
 - **Sec. 17.1 – Investment Pool Strategy**

Proposed amendment moves the 1.5 years limit on maximum dollar-weighted average stated maturity of the Investment Pool from Sec.17.1 Investment Pool Strategy to Sec. 13.0, which consolidates all Policy limits in one section.

INVESTMENT POLICY AMENDMENTS

- **Sec. 17.0 – Investment Strategies**
- **Sec. 17.5 – Commercial Paper Funds Strategy**
- ✓ Proposed amendment recognizes the impact of regulatory changes on money market mutual funds approved by the Securities and Exchange Commission (SEC), which will become effective no later than October 14, 2016
 - Texas Public Funds Investment Act only authorizes money market mutual funds that include the objective of maintaining a daily \$1.00 per share net asset value
 - New regulations require tax-exempt money market mutual funds sold to institutional investors to calculate share values at market rather than maintaining the \$1.00 share value
 - As of the effective date of this change, these funds will no longer be authorized for investment under Texas law

INVESTMENT POLICY AMENDMENTS

- **Sec. 17.5 – Commercial Paper Funds Strategy (continued)**
 - Proposed amendment broadens the strategy of investing General Obligation or Dallas Water Utilities’ commercial paper note proceeds in tax-exempt money market mutual funds to by making, in part, the following changes:
 - “The City issues tax-exempt commercial paper notes as an interim financing tool for construction projects. The investment of the proceeds ~~Proceeds~~ from the issuance of the commercial paper debt ~~must~~ should be: ~~(1) available~~ have a high degree of liquidity in order to fund payments to contractors, ~~and (2) may be invested in tax-exempt securities in order to avoid costly and complex arbitrage rebate calculations. In order to meet these objectives, commercial paper proceeds may either be invested in tax-exempt securities or expended subject to a reimbursement program. .~~”

AUTHORIZE TexasTerm and Texas CLASS

Authorize by separate resolutions additional local government investment pools to increase diversification

- TexasTERM
- Texas CLASS

AUTHORIZE TexasTerm and Texas CLASS (continued)

- **TexasTERM (Two Portfolios)**
 - Established in 2000, TexasTERM has 320 participants and over \$3 billion in assets
 - Rated AAAm by Standard & Poor's
 - Its TexasTERM Portfolio Provides fixed-rate, fixed-term interest rates from 60 days to one year
 - Its TexasDaily Portfolio provides daily liquidity
 - Administered by PFM Asset Management LLC

AUTHORIZE TexasTerm and Texas CLASS (continued)

- Texas Cooperative Liquid Assets Securities System (Texas CLASS)
 - Established in 1996, Texas CLASS has 533 participants and over \$4 billion in assets
 - Rated AAAm by Standard & Poor's
 - Provides daily liquidity
 - Administered by Public Trust Advisors LLC

KEY DATES

- Investment Committee review and recommendation
 - August 25, 2016
- Budget, Finance & Audit Committee briefing
 - September 6, 2016
- Council consideration of the City's investment policy and authorization of the TexasTERM and Texas Class Local Government Investment Pools
 - September 28, 2016

RECOMMENDATION

Forward to City Council for approval of the following items on the September 28 ,2016 agenda

1. Attached amended investment policy
2. Proposed addition of TexasTERM Local Government Investment Pool
3. Proposed addition of Texas CLASS Local Government Investment Pool

Appendix

Attachment A

- Proposed 2016 City of Dallas Investment Policy
(redline and clean copy with all appendices included)

Attachment B

- Proposed addition of TexasTERM Local Government Investment Pool

Attachment C

- Proposed addition of Texas CLASS Local Government Investment Pool

KEY FOCUS AREA: E-Gov
AGENDA DATE: September 28, 2016
COUNCIL DISTRICT(S): N/A
DEPARTMENT: City Controller
CMO: Jeanne Chipperfield, 670-7804
MAPSCO: N/A

SUBJECT

Authorize the annual adoption of the City's Investment Policy regarding funds under the City's control and the investment strategies for each of the funds under the City's management - Financing: No cost consideration to the City

BACKGROUND

In 1987, the City Council adopted an Investment Policy in accordance with federal and state law and the City Charter.

A 1997 amendment to the Public Funds Investment Act required that City Council, not less than annually, adopt a written instrument stating that it has reviewed the Investment Policy and approved any changes thereto. Investment policies must address safety of principal, liquidity, yield, diversification and maturity, with primary emphasis on safety of principal.

Beginning in 1997, the City Council has reviewed the Investment Policy each year and, in most years, has also approved revisions to the Policy to incorporate amendments to the Public Funds Investment Act, improve management of the City's investments and reflect organizational changes.

PRIOR ACTION/REVIEW (COUNCIL, BOARDS, COMMISSIONS)

Authorized adoption of the City's revised Investment Policy on September 22, 2015, by Resolution No. 15-1746.

Information about this item was provided to the Budget, Finance & Audit Committee on September 6, 2016.

FISCAL INFORMATION

No cost consideration to the City

OWNER

City

September 28, 2016

WHEREAS, in 1987 the City Council adopted the City's Investment Policy which was in compliance with the federal and state law and the City Charter; and

WHEREAS, in 1995 and 1997 through 2015, the City Council amended the City's Investment Policy to incorporate amendments to the Public Funds Investment Act, improve management of the City's investments and reflect organizational changes; and

WHEREAS, the Public Funds Investment Act requires that the investment shall be made in accordance with written policies approved, at least annually, by the governing body; and

WHEREAS, investment policies must address safety of principal, liquidity, yield, diversification and maturity, with primary emphasis on safety of principal.

Now, Therefore,

BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF DALLAS:

Section 1. That the attached City of Dallas Investment Policy has been reviewed by the City Council and shall be adopted as the guiding policy in the ongoing management of the specified funds in accordance with federal and state law and the City Charter.

Section 2. That this resolution shall be take effect immediately from and after its passage in accordance with the provisions of the Charter of the City of Dallas and it is accordingly so resolved.

CITY OF DALLAS

INVESTMENT POLICY

As adopted by City Council
September 28, 2016

Deleted: 22, 2015

TABLE OF CONTENTS

	<u>Page</u>
1.0 Policy	3
2.0 Scope	3
3.0 Objective	4
4.0 Delegation of Authority	4
5.0 Prudence	5
6.0 Ethics and Conflicts of Interest	5
7.0 Training	5
8.0 Authorized and Suitable Investments	6
9.0 Authorized Broker/Dealers and Financial Institutions	7
10.0 Competitive Bidding	8
11.0 Collateralization of Deposits	8
12.0 Safekeeping and Custody	9
13.0 Diversification and Maximum Maturities	9
14.0 Sale of Securities	10
15.0 Investment Committee	10
16.0 Investment Advisor	10
17.0 Investment Strategies	10
18.0 Reporting	12
19.0 Annual Compliance Audit	12
20.0 Investment Policy Adoption	12
Glossary	13
Appendices	
A. Government Code – Chapter 2256 “Public Funds Investment Act”	
B. Council Resolution	

1.0 Policy

It is the policy of the City of Dallas to invest public funds in a manner which will provide security and optimize interest earnings to the maximum extent possible while meeting the daily cash flow demands of the City and conforming to all federal, state and local statutes, rules and regulations governing the investment of public funds. This Policy sets forth the investment program of the City of Dallas and the guidelines to be followed in achieving its objectives.

Not less than annually, City Council shall adopt a written instrument by resolution stating that it has reviewed the Investment Policy and investment strategies and that the written instrument so adopted shall record any changes made to the Investment Policy or investment strategies.

This Policy is intended to satisfy the requirements of the Public Funds Investment Act, Chapter 2256, Texas Government Code (the "PFIA" or the "Act") that an investing entity such as the City of Dallas adopt and review an investment policy governing the investment by the investing entity of its funds and funds under its control.

2.0 Scope

This Policy governs the investment of all funds of the City except those that are identified in Section 2.2 below. With respect to the funds of non-profit corporations that are established by City resolution and act on behalf of the City in accordance with State law, this Policy shall prevail in the absence of a specific investment policy adopted by the non-profit corporation. In addition to this Policy, the investment of bond proceeds and other bond funds (including debt service and reserve funds) of the City or of a non-profit corporation established by City resolution and acting on behalf of the City in accordance with State law shall be governed and controlled by their governing ordinance, resolution or trust indenture, including the authorization of eligible investments, and by the provisions of the Internal Revenue Code of 1986, as amended (the "Internal Revenue Code"), including all regulations and rulings promulgated thereunder applicable to the issuance of tax-exempt obligations.

- 2.1 All funds are managed as a pooled fund group, referenced in this Policy as the City's investment pool, with the exception of the following, which are managed as separately invested assets:
 - 2.1.1 Bond Funds - funds established with the proceeds from specific bond issues when it is determined that segregating these funds from the City's investment pool will result in maximum interest earnings retention under the provisions of the Internal Revenue Code.
 - 2.1.2 Bond Reserve Funds - funds set at prescribed levels by certain bond ordinances to pay principal and/or interest if required to prevent default.
 - 2.1.3 Endowment Funds - funds given to the City with the instructions that the principal is to remain intact, unless otherwise agreed to, and the income generated by the investments will be used for specified purposes.
 - 2.1.4 Commercial Paper Funds - unexpended proceeds from the issuance of commercial paper notes.
- 2.2 Funds not governed by this Policy include:
 - 2.2.1 Employees' Retirement Fund
 - 2.2.2 Dallas Police and Fire Pension System
 - 2.2.3 Deferred Compensation Funds
 - 2.2.4 Private Donations – investments donated to the City are excluded from this Policy if separately managed under terms of use specified by the donor.

3.0 Objective

Investment of the funds covered by this Policy shall be governed by the following investment objectives, in order of priority:

- 3.1 **Safety:** Safety of principal is the primary objective of the Investment Policy. Investment of the City's funds shall be undertaken in a manner that seeks to ensure the preservation of capital for the overall portfolio. The objective will be to mitigate credit risk and interest rate risk.

The City will mitigate credit risk, which is the risk of loss due to the failure of the issuer or backer, by:

- Limiting investments to the types listed in Section 8.0 ("Authorized and Suitable Investments") of this Policy
- Qualifying the broker/dealers and financial institutions with which the City may engage in an investment transaction in accordance with Section 9.0 ("Authorized Broker/Dealers and Financial Institutions")
- Diversifying the investment portfolio so that the impact of potential losses from any one type of investment or from any one individual issuer will be minimized (see Section 13.0 "Diversification and Maximum Maturities").

The City will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by:

- Structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities prior to maturity
- Investing operating funds primarily in shorter-term securities, money market mutual funds, or similar local government investment pools and limiting the weighted average maturity of the portfolio in accordance with this Policy (see Section 17.0 "Investment Strategies").

- 3.2 **Liquidity:** The City's investment portfolio will remain sufficiently liquid to enable the City to meet all operating requirements that might be reasonably anticipated. This is accomplished by structuring the portfolio so that investments mature concurrent with cash needs to meet anticipated demands. A portion of the portfolio will be placed in money market mutual funds or local government investment pools offering same-day liquidity to meet unanticipated demands.

- 3.3 **Yield:** The City's investment portfolio shall be designed with the objective of attaining a market rate of return, throughout budgetary and economic cycles, commensurate with the City's investment risk constraints and the cash flow characteristics of the portfolio.

4.0 Delegation of Authority

The Chief Financial Officer, under the direction and authority of the City Manager, shall direct the cash management program of the City as defined in Section 2-134, "Duties of the Chief Financial Officer", Chapter 2 "Administration" of the Dallas City Code, as amended. City Council shall designate the Chief Financial Officer, City Controller, and the Assistant Director/Treasury Manager as Investment Officers responsible for the investment of its funds, under the direction and authority of the City Manager.

The City's Investment Officers shall establish written procedures for the operation of the investment program consistent with this Investment Policy. Such procedures shall include explicit delegation of authority to persons responsible for investment transactions. No person may engage in an investment transaction except as provided under the terms of this Policy and the written procedures. Authority granted to a person to invest the City's funds is effective until rescinded or until termination of the person's employment by the City. The Investment Officers shall be responsible for all transactions undertaken and shall establish a system of controls, to be reviewed by the City Auditor, to regulate the activities of subordinate officials. In order to assure quality and capability of investment management, the Investment Officers shall possess sufficient working knowledge of economics and securities markets, as well as the supervisory experience and judgment necessary to carry out the responsibilities outlined in this Policy.

5.0 Prudence

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

- 5.1 The standard of prudence to be used by investment officials shall be the "prudent person" standard and shall be applied in the context of managing an overall portfolio. Investment Officers acting in accordance with written procedures and the Investment Policy and exercising due diligence shall be relieved of personal responsibility for an individual security's credit risk or market price changes, provided deviations from expectations are reported in a timely fashion and appropriate action is taken to control adverse developments.
- 5.2 In determining whether an investment official has exercised prudence with respect to an investment decision, the determination shall be made taking into consideration the investment of all funds over which the official had responsibility rather than consideration as to the prudence of a single investment and, whether the investment decision was consistent with the City's Investment Policy and written investment procedures.

6.0 Ethics and Conflicts of Interest

Investment Officers who have a personal business relationship with a business organization offering to engage in an investment transaction with the City shall refrain from activities that could conflict with proper execution of the investment program, or which could impair their ability to make impartial investment decisions.

- 6.1 Investment Officers shall sign annual statements agreeing to abide by this section of the Investment Policy and affirming no known conflicts of interest.
- 6.2 Investment Officers must file a disclosure statement with the Texas Ethics Commission and City Council if:
 - a) the Investment Officer has a personal business relationship with a business organization offering to engage in an investment transaction with the City; or
 - b) the Investment Officer is related within the second degree by affinity or consanguinity, as determined under Chapter 573 of the Texas Government Code, to an individual seeking to transact investment business with the City.
- 6.3 An Investment Officer has a personal business relationship with a business organization if:
 - a) the Investment Officer owns 10 percent or more of the voting stock or shares of the business organization or owns \$5,000 or more of the fair market value of the business organization;
 - b) funds received by the Investment Officer from the business organization exceed 10 percent of his/her gross income for the previous year; or
 - c) the Investment Officer has acquired from the business organization during the previous year investments with a book value of \$2,500 or more for his/her personal account.

7.0 Training

The Investment Officers and the persons authorized to execute investment transactions shall attend at least one 10 hour investment training session within 12 months after taking office or assuming duties and receive not less than 8 hours of instruction relating to investment responsibilities during a two-year period that begins on the first day of the City's fiscal year following the initial 10 hours of instruction and consists of the two consecutive fiscal years after that date. Training must be received from an independent source approved by the City's Investment Committee and must include education in investment controls, security risks, strategy risks, market risks, diversification of investment portfolio and compliance with the Act.

8.0 Authorized and Suitable Investments

City funds governed by this Policy may be invested in the instruments described below, all of which are authorized by Chapter 2256 of the Government Code (Public Funds Investment Act).

- 8.1 Direct obligations of the United States, its agencies or instrumentalities, and other obligations, the principal and interest of which are unconditionally guaranteed or insured by, or backed by the full faith and credit of the United States or its respective agencies and instrumentalities, including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation or by the explicit full faith and credit of the United States.
- The City will restrict investments in eligible securities described in this section to discount notes and callable or non-callable fixed-rate securities with a fixed principal repayment amount.
- 8.2 Direct obligations of states and local governments rated not less than Aa3 or its equivalent (long-term rating) or an equivalent short-term rating by at least one nationally recognized investment rating firm.
- 8.3 Fully collateralized Certificates of Deposit/Share Certificates that are issued by a bank or credit union that has its main office or branch office within the City and are:
- guaranteed or insured by the Federal Deposit Insurance Corporation or its successor or the National Credit Union Share Insurance Fund or its successor; or
 - secured by obligations in accordance with Section 11.0 herein.
- If the certificate of deposit is collateralized by pledged securities the City must have on file a signed Depository Agreement, approved as to form by the City Attorney, which details eligible collateral, collateralization ratios for pledged securities, standards for collateral custody and control of pledged securities, collateral valuation of pledged securities, and conditions for agreement termination.
- 8.4 Certificates of Deposit obtained through a depository institution or a broker approved by the City's Investment Committee under the provisions of Section 9.0 of this Policy that has its main office or branch office within the City and that contractually agrees to place the funds in federally insured depository institutions in accordance with the conditions prescribed in Section 2256.010(b) of the Act.
- 8.5 Fully collateralized repurchase agreements in accordance with the conditions prescribed in Section 2256.011 of the Act. Prior to investment in a repurchase agreement, the City must have on file a signed Master Repurchase Agreement, approved as to form by the City Attorney, which details eligible collateral, collateralization ratios, standards for collateral custody and control, collateral valuation, and conditions for agreement termination and provided the repurchase agreement:
- has a defined termination date;
 - is secured by a combination of cash and obligations of the United States or its agencies and instrumentalities described by Section 2256.009(a) (1) of the Act. Securities received for repurchase agreements must have a market value greater than or equal to 103% at the time the investment is made and throughout the terms of the repurchase agreement;
 - requires the securities being purchased by the City or cash held by the City to be assigned to the City, held in the City's name, and deposited at the time the investment is made with the City or with a third party selected and approved by the City; and
 - is placed through a primary government securities dealer, as defined by the Federal Reserve, or a financial institution doing business in this state, and which is rated no less than A or its equivalent by two nationally recognized rating services.
- 8.6 A securities lending program is an authorized investment if it meets the following conditions:
- A loan made under the program must allow for termination at any time;
 - A loan made under the program must be placed through a primary government securities dealer, as defined by the Federal Reserve, or a financial institution doing business in this state that is rated no less than A or its equivalent by two nationally recognized rating services. An agreement to lend securities must have a term of one year or less and shall comply with the provisions of section 1058 of the Internal Revenue Code;
 - A loan made under the program must be secured as prescribed in Section 2256.0115(b)(3) of the Act. Securities being held as collateral must be pledged to the City, held in the City's name, and deposited at the time the investment is made with a third party approved by the City;

d) The amount of collateral must not be less than 100% of the market value of securities loaned, including accrued income. The market value of securities loaned shall be determined daily. Cash received as collateral shall not be invested for a term later than the expiration date of the securities lending agreement and may only be invested in investments as authorized by this Policy.

- 8.7 No-load money market mutual funds that are registered with and regulated by the Securities and Exchange Commission that meet the requirements of the PFIA, and, in addition:
- a) are rated not less than Aaa or an equivalent rating by at least one nationally recognized rating service. A rating is not required for a sweep account investment, which is part of the city's depository contract; and,
 - b) have provided the City with a prospectus and other information as may be required by law.

Investments will be made in a money market mutual fund only after a thorough investigation of the fund and approval by the Investment Committee which shall, at least annually, review, revise and adopt a list of approved funds.

- 8.8 Local government investment pools which are organized in conformity with Chapter 791 (Interlocal Cooperation Contracts Act) and meet the requirements of the PFIA that:
- a) are rated not less than Aaa or an equivalent rating by at least one nationally recognized rating service; and
 - b) have provided the City with an offering circular and other information required by the Act.

To become eligible, investment pools must be approved by City Council action. Investments will be made in a local government investment pool only after a thorough investigation of the pool and approval by the Investment Committee which shall, at least annually, review, revise and adopt a list of approved pools.

The Investment Officers may at times restrict or prohibit the purchase of specific issues due to current market conditions. An investment that requires a minimum rating under this section does not qualify as an authorized investment during the period the investment does not have the minimum rating. Ratings shall be monitored using nationally recognized financial information sources, including actions published on rating agency websites. The City shall take all prudent measures consistent with the Act to liquidate an investment that does not have the minimum rating required by the Act.

9.0 Authorized Broker/Dealers and Financial Institutions

The Investment Committee shall, at least annually, review, revise, and adopt a list of qualified broker/dealers and financial institutions authorized to engage in the purchase and sale of obligations of the U.S. Government, its agencies or instrumentalities with the City. In order to be considered, those firms that desire to become qualified bidders for securities transactions will be required to provide information regarding creditworthiness, experience and reputation. Authorized firms may include primary dealers or regional dealers that qualify under Securities & Exchange Commission Rule 15C3-1 (uniform net capital rule).

A written copy of this Investment Policy shall be presented to any person offering to engage in an investment transaction with the City. Investments shall only be made with those business organizations (including money market mutual funds and local government investment pools) which have provided the City with a written instrument executed by a qualified representative of the firm, acknowledging that the business organization has:

- a) received and reviewed the City's Investment Policy; and
- b) implemented reasonable procedures and controls in an effort to preclude investment transactions conducted between the City and the organization 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.

10.0 Competitive Bidding

It is the policy of the City to require competitive bidding for all individual security purchases and sales except for:

- a) transactions with money market mutual funds and local government investment pools (which are deemed to be made at prevailing market rates)
- b) treasury and agency securities purchased at issue through an approved broker/dealer or financial institution
- c) automatic overnight "sweep" transactions with the City Depository
- d) fully insured certificates of deposit placed in accordance with the conditions prescribed in Section 2256.010(b) of the Act or placed with the City's Depository if so authorized by the City Depository Contract.

At least three bids or offers must be solicited for all other transactions involving individual securities. The City's investment advisor is also required to solicit at least three bids or offers when transacting trades on the City's behalf. In situations where the exact security being offered is not offered by other dealers, offers on the closest comparable investment may be used to establish a fair market price for the security. Bids for certificates of deposit may be solicited in any manner permitted by the Act.

11.0 Collateralization of Deposits

The City requires that all uninsured collected balances plus accrued interest, if any, in depository accounts be secured in accordance with the requirements of this Policy and Chapter 2257, Government Code ("Public Funds Collateral Act") and the Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (FIRREA). Financial institutions serving as City depositories will be required to sign a Depository Agreement with the City which details securities that can serve as eligible collateral, collateralization ratios, standards for collateral custody and control, collateral valuation, rights of substitution and conditions for agreement termination.

Pledged securities serving as collateral will always be held by an independent third party with which the City has a current custodial agreement and shall be reviewed at least monthly to ensure that the market value of the pledged securities is at least 102%. Eligible collateral are as follows:

Eligible Collateral

- 1) Direct obligations of the United States or other obligations of the United States or other obligations, the principal and interest of which are unconditionally guaranteed or insured by, or backed by the full faith and credit of the United States.
- 2) Direct debt obligations of an agency or instrumentality of the United States.
- 3) Mortgage-backed securities issued directly by an agency or instrumentality of the United States eligible under the Public Funds Collateral Act.
- 4) Direct debt obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than A or its equivalent.

The use of a letter of credit issued to the City by the Federal Home Loan Bank may be considered by the City to provide collateral for bank deposits and for certificates of deposit.

The City's Investment Officers reserve the right to accept or reject any form of collateral or enhancement at their sole discretion.

12.0 Safekeeping and Custody

Safekeeping and custody of investment securities shall be in accordance with applicable law and accounting standards. All securities transactions, except local government investment pool and money market mutual fund transactions, shall be conducted on a delivery versus payment (DVP) basis. Investment securities will be held by a third party custodian designated by the City, and be required to issue safekeeping receipts clearly detailing that the securities are owned by the City.

Safekeeping and custody of collateral shall be in accordance with applicable law and accounting standards. Pledged securities serving as collateral will be held by a third party custodian designated by the City, and pledged to the City as evidenced by safekeeping receipts of the institution with which the securities are deposited.

13.0 Diversification and Maximum Maturities

The City's Investment Pool will be diversified to limit market and credit risk by observing the limitations at the time of purchase as listed below. In order to ensure the ability of the City to meet obligations and to minimize potential liquidation losses, the dollar-weighted average stated maturity of the Investment Pool shall not exceed 1.5 years at the time investments are purchased for the Investment Pool. Funds managed as separately invested assets in Section 2.1 of the Policy are subject to all of the following with the exception of the Issuer Limitation on investment in U.S. Agencies and Instrumentalities. Funds managed as separately invested assets may be invested 100% in the obligations of any one U.S. Agency or Instrumentality.

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	Maximum Stated Maturity¹	Issuer Limitations
U.S. Treasuries	5 Years	100% of the City's investment pool may be invested in obligations of the U.S. Treasury.
U.S. Agencies/Instrumentalities	5 Years	No more than 30% of the book value of the City's investment pool may be invested in the obligations of any one issuer.
Municipal Notes and Bonds	5 Years	The City may not own more than the lesser of \$5 million or 20% of any single issue.
Repurchase Agreements	30 Days	No more than 15% of the City's investment pool may be invested with one counterparty, excluding flexible repurchase agreements for investment of bond proceeds.
Money Market Mutual Funds	N/A	The City may not own more than the lesser of \$100 million or 5% of the total assets of any one fund, excluding money market mutual funds for investment of commercial paper proceeds.
Local Government Investment Pools	N/A	The City may not own more than the lesser of \$400 million or 10% of the total assets of any one pool.
Certificates of Deposit	5 Years	The City may not own more than \$50 million of any single financial institution's certificates of deposit at any one time, excluding certificates of deposit placed with the City's

Deleted: tax-exempt

Depository if so authorized by the City
Depository Contract.

In addition to the above limitations, the City's investment pool shall be diversified by market sector as follows:

	Maximum Percentage of Investment Pool
U.S. Treasuries	100%
U.S. Agencies/Instrumentalities	100% (maximum 30% callable)
Municipal Notes and Bonds	15%
Repurchase Agreements	15%*
Money Market Mutual Funds	15%
Local Government Investment Pools	45%
Certificates of Deposit	20%**

* Excluding flexible repurchase agreements for bond proceeds.

**Excluding certificates of deposit placed with the City's Depository if so authorized by the City Depository Contract.

- (1) Purchases of securities with stated maturities greater than the maximum authorized under this section require prior City Council approval. With respect to bond proceeds and other bond funds, the City may, in the bond ordinance, specifically authorize investments in repurchase agreements with maturities in excess of 30 days subject to any required approvals from bond insurers.

14.0 Sale of Securities

The City's policy is to hold securities to maturity. However, securities may be sold:

- (a) in order to minimize the potential loss of principal on a security whose credit quality has declined;
- (b) in order to reposition the portfolio for the purpose of improving the quality, yield, or target duration of the portfolio; or
- (c) in order to meet unanticipated liquidity needs of the portfolio.

15.0 Investment Committee

An Investment Committee shall be established and meet quarterly to determine investment guidelines, general strategies, and monitor performance. Members of the Investment Committee will include the Investment Officers, the Cash and Investment Manager and the City's Investment Advisor if the City has contracted with an Advisor. The Investment Advisor is a non-voting member of the Investment Committee.

16.0 Investment Advisor

The City may retain the services of an Investment Advisor to assist in the review of cash flow requirements, the formulation of investment strategies, and the execution of security purchases, sales and deliveries.

17.0 Investment Strategies

The City of Dallas maintains separate portfolios for individual funds or groups of funds (as listed under Sec. 2.0 of this Policy) which are managed according to the terms of this Policy and the corresponding investment strategies listed below. The investment strategy for portfolios established after the annual Investment Policy adoption will be managed in accordance with the terms of this Policy and applicable agreements until the next annual review when a specific strategy will be adopted.

- 17.1 Investment Pool Strategy - The City's Investment Pool is an aggregation of the majority of City funds which includes tax receipts, enterprise fund revenues, fine and fee revenues, as well as some, but not all, bond proceeds, grants, gifts and endowments. This portfolio is maintained to meet anticipated daily cash needs for City of Dallas operations, capital projects and debt service. The objectives of this portfolio are to:

- a) ensure safety of principal by investing only in high-quality securities for which a strong secondary market exists;
- b) ensure that anticipated cash flows are matched with adequate investment liquidity;
- c) limit market and credit risk through diversification; and

Deleted: In order to ensure the ability of the City to meet obligations and to minimize potential liquidation losses, the dollar-weighted average stated maturity of the Investment Pool shall not exceed 1.5 years.

- d) attain a market rate of return commensurate with the objectives and restrictions set forth in this Policy by managing the portfolio to meet or exceed the 12 month moving average yield on treasury one-year constant maturities as reported by Federal Reserve Statistical Release H.15.
- 17.2 Bond Funds Strategy - Occasionally, separate non-pooled portfolios are established with the proceeds from bond sales in order to maximize earnings within the constraints of arbitrage regulations. The objectives of these portfolios are to:
- a) ensure safety of principal by investing only in high-quality securities for which a strong secondary market exists or by maintaining the security of the investment through collateralization according to the standards approved in Section 8.4 of this Policy;
 - b) ensure that anticipated cash flows are matched with adequate investment liquidity or that the terms of the secured investment agreement permit maximum flexibility for the City in making withdrawals;
 - c) manage market and credit risk through diversification and control of counterparty risk; and
 - d) attain a market rate of return commensurate with the objectives and restrictions set forth in this Policy and the bond ordinance by managing the portfolio to meet or exceed the bond yield
- 17.3 Bond Reserve Fund Strategy - Non-pooled reserve funds for outstanding revenue bonds are set at levels required by their respective bond ordinances. These funds will be used to pay the final principal and/or interest due on outstanding bonds that are similarly secured or to make up any shortfalls in debt service funds as required by the bond ordinance. The objectives of Bond Reserve Fund Portfolios are to:
- a) ensure safety of principal by investing only in high-quality securities for which a strong secondary market exists or by maintaining the security of the investment through collateralization according to the standards approved in Section 8.4 of this Policy;
 - b) ensure that anticipated cash flows are matched with adequate investment liquidity or that the terms of the secured investment agreement permit maximum flexibility for the City in making withdrawals;
 - c) manage market and credit risk through diversification and control of counterparty risk; and
 - d) attain a market rate of return commensurate with the objectives and the restrictions set forth in this Policy and the bond ordinance by managing the portfolio to meet or exceed the bond yield.
- 17.4 Endowment Funds Strategy - Funds received as gifts to the City with instructions that the income generated by the investment of said funds be used for specified purposes may be invested as separate non-pooled portfolios if required by the terms of the gift. The objectives of Endowment Portfolios are to:
- a) ensure safety of principal and sufficient liquidity by investing only in high-quality securities for which a strong secondary market exists;
 - b) manage market and credit risk through the use of a competitive process to place investments;
 - c) attain a market rate of return commensurate with the objectives and restrictions set forth in this Policy and the terms of the gift.
- 17.5 Commercial Paper Funds Strategy – The City issues tax-exempt commercial paper notes as an interim financing tool for construction projects. ~~The investment of the proceeds~~, from the issuance of commercial paper debt ~~should have a high degree of liquidity in order~~ to fund payments to contractors. ~~The~~ objectives of this portfolio are to:
- a) ensure safety of principal and sufficient liquidity by investing in ~~money market mutual funds or short-term high-quality~~ securities for which a strong secondary market exists;
 - b) manage market and credit risk through diversification of funds and/or securities. Funds must be rated AAA by at least one nationally recognized rating agency; and
 - c) attain a market rate of return commensurate with the objectives and restrictions set forth in this Policy and governing bond ordinances.
- 17.6 Trinity Parkway Escrow Strategy – This escrow was established pursuant to an Agreement dated as of January 1, 1999 with the North Texas Tollway Authority (“NTTA”) pertaining to development of the Trinity Parkway. These funds will be used to reimburse NTTA for specified payments related to project feasibility. Permitted investments for this portfolio are defined in the Escrow Agreement as those that are consistent with the Act. The objectives of this portfolio are to:

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Deleted: , and (2) may be invested in tax-exempt securities in order to avoid costly and complex arbitrage rebate computations. In order to meet these objectives, commercial paper proceeds may either be invested in tax-exempt securities or expended subject to a reimbursement program. If invested in tax-exempt securities, the

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- a) ensure safety of principal and sufficient liquidity by investing only in high-quality securities for which a strong secondary market exists;
- b) ensure that anticipated cash flows are matched with adequate investment liquidity;
- c) manage market and credit risk through diversification of funds and requirement of AAA rating; and
- d) attain a market rate of return commensurate with the objectives and restrictions set forth in this Policy and the Agreement.

18.0 Reporting

Investment performance is regularly monitored by investment staff and reported to the Investment Committee on a monthly basis. Month-end market prices on each security are obtained from nationally recognized securities databases including those provided by the City's depository bank through its safekeeping services and Bloomberg Professional Services. These prices are recorded in the City's portfolio database and included in all management reports as well as the City's Comprehensive Annual Financial Report.

Not less than quarterly the Investment Officers will submit to the city council finance committee described in Chapter III, Section 13 of the Dallas City Charter, the City Manager, and the Mayor and City Council a written report of the status of the current investment portfolio. The report must meet the requirements of the Act.

An independent auditor shall formally review the quarterly reports prepared under this section at least annually, and that auditor shall report the results of the review to City Council.

19.0 Annual Compliance Audit

In conjunction with the annual financial audit, a compliance audit shall be performed which includes an audit of management controls on investments and adherence to the City's established investment policy.

20.0 Investment Policy Adoption

The City's Investment Policy is hereby adopted by resolution of the City Council on September ~~28, 2016~~ in accordance with the PFIA.

Deleted: 22, 2015

GLOSSARY

ACCRETION OF DISCOUNT: Periodic straight-line increases in the book or carrying value of a security so the amount of the purchase price discount below face value is completely eliminated by the time the bond matures or by the call date, if applicable.

ACCRUED INTEREST: The interest accumulated on a security from its issue date or since the last payment of interest up to but not including the purchase date. The purchaser of the security pays to the seller the market price plus accrued interest.

AMORTIZATION OF PREMIUM: Periodic straight-line decreases in the book or carrying value of a security so the premium paid for a bond above its face value or call price is completely eliminated.

ASK: The price at which securities are offered by sellers.

BARBELL MATURITY STRATEGY: A maturity pattern within a portfolio in which maturities of the assets in the portfolio are concentrated in both the short and long ends of the maturity spectrum.

BASIS POINT: One one-hundredth (1/100) of one percent; 0.0001 in decimal form.

BENCHMARK: A comparative base for performance evaluation. A benchmark can be a broad-based bond index, a customized bond index, or a specific objective.

BID: The price offered for securities by purchasers. (When selling securities, one asks for a bid.)

BOND EQUIVALENT YIELD: Used to compare yields available from discounted securities that pay interest at maturity with yields available from securities that pay interest semi-annually.

BOOK ENTRY SECURITIES: Stocks, bonds, other securities, and some certificates of deposit that are purchased, sold, and held as electronic computer entries on the records of a central holder. These securities are not available for purchase in physical form; buyers get a receipt or confirmation as evidence of ownership.

BOOK VALUE: The original cost of the security as adjusted for amortization of any premium paid or accretion of discount since the date of purchase.

BROKER: A party who brings buyers and sellers together. Brokers do not take ownership of the property being traded. They are compensated by commissions. They are not the same as dealers; however, the same firms that act as brokers in some transactions may act as dealers in other transactions.

CALLABLE BOND: A bond that the issuer has the right to redeem prior to maturity at a specified price. Some callable bonds may be redeemed on one call date while others may have multiple call dates. Some callable bonds may be redeemed at par while others can be redeemed only at a premium. Some callable bonds are step-up bonds that pay an initial coupon rate for the first period, and then the coupon rate increases for the following periods if the bonds are not called by the issuer.

CERTIFICATE OF DEPOSIT (CD): A time deposit with a specific maturity evidenced by a certificate. Large-denomination (over \$100,000) CD's are typically negotiable.

CODE: The Internal Revenue Code of 1986, as amended.

COLLATERAL: Securities, evidence of deposit or other property which a borrower pledges to secure repayment of a loan. Also refers to securities pledged by a bank to secure deposits of public monies.

COLLATERALIZED MORTGAGE OBLIGATION (CMO): A type of mortgage-backed security created by dividing the rights to receive the principal and interest cash flows from an underlying pool of mortgages in separate classes or tiers.

COMMERCIAL PAPER: Short-term unsecured promissory notes issued by corporations for a maturity specified by the buyer. It is used primarily by corporations for short-term financing needs at a rate which is generally lower than the prime rate.

CONFIRMATION: The document used to state in writing the terms of the trade which had previously been agreed to verbally.

COUPON RATE: The stated annual rate of interest payable on a coupon bond expressed as a percentage of the bond's face value.

CREDIT RISK: The risk that (1) the issuer is downgraded to a lower quality category and/or (2) the issuer fails to make timely payments of interest or principal.

CUSIP NUMBER: A nine-digit number established by the Committee on Uniform Securities Identification Procedures that is used to identify publicly traded securities. Each publicly traded security receives a unique CUSIP number when the security is issued.

CUSTODY: The service of an organization, usually a financial institution, of holding (and reporting) a customer's securities for safekeeping. The financial institution is known as the custodian.

DEALER: A firm which buys and sells for its own account. Dealers have ownership, even if only for an instant, between a purchase from one party and a sale to another party. They are compensated by the spread between the price they pay and the price they receive. Dealers are not the same as brokers; however, the same firms which act as dealers in some transactions may act as brokers in other transactions.

DELIVERY VERSUS PAYMENT (DVP): The safest method of settling a trade involving a book entry security. In a DVP settlement, the funds are wired from the buyer's account and the security is delivered from the seller's account in simultaneous, interdependent wires.

DEPOSITORY TRUST COMPANY (DTC): An organization that holds physical certificates for stocks and bonds and issues receipts to owners. Securities held by DTC are immobilized so that they can be traded on a book entry basis.

DERIVATIVE: A security that derives its value from an underlying asset, group of assets, reference rate, or an index value. Some derivatives can be highly volatile and result in a loss of principal in changing interest rate environments.

DISCOUNT: The amount by which the price paid for a security is less than its face value.

DISCOUNT SECURITIES: Securities that do not pay periodic interest. Investors earn the difference between the discount issue price and the full face value paid at maturity.

DIVERSIFICATION: Dividing investment funds among a variety of securities offering independent returns, to reduce risk inherent in particular securities.

DURATION: A sophisticated measure of the weighted average maturity of a bond's cash flow stream, where the present values of the cash flows serve as the weights.

ECONOMIC CYCLE (BUSINESS CYCLE): As the economy moves through the business cycle, interest rates tend to follow the levels of production, output, and consumption - rising as the economy expands and moves out of recession and declining after the economy peaks, contracts, and heads once again into recession.

EFFECTIVE MATURITY: The average maturity of a bond, given the potential for early call. For a non-callable bond, the final maturity date serves as the effective maturity. For a callable bond, the effective maturity is bounded by the first call date and the final maturity date; the position within this continuum is a function of the call price, the current market price, and the reinvestment rate assumed.

FACE VALUE: The principal amount due and payable to a bondholder at maturity; par value. Also, the amount on which coupon interest is computed.

FAIL: The event of a securities purchase or sale transaction not settling as intended by the parties.

FAIR VALUE: The amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

FEDERAL DEPOSIT INSURANCE CORPORATION (FDIC): A federal agency that insures bank deposits.

FEDERAL FARM CREDIT BANKS (FFCB): A government-sponsored corporation that was created in 1916 and is a nationwide system of banks and associations providing mortgage loans, credit, and related services to farmers, rural homeowners, and agricultural and rural cooperatives. The banks and associations are cooperatively owned, directly or indirectly, by their respective borrowers. The Federal Farm Credit System is supervised by the Farm Credit Administration, an independent agency of the U.S. government. (See Government Sponsored Enterprise)

FEDERAL FUNDS: Monies within the Federal Reserve System representing a member bank's surplus reserve funds. Banks with excess funds may sell their surplus to other banks whose funds are below required reserve levels. Normally, Federal funds are employed in settling all government securities transactions. The Federal Funds Rate is the rate of interest at which Fed funds are traded. This rate is currently pegged by the Federal Reserve through open-market operations.

FEDERAL HOME LOAN BANKS (FHLB): Government-sponsored wholesale banks (currently twelve regional banks) which lend funds and provide correspondent banking services to member commercial bank, thrift institutions, credit unions and insurance companies. The mission of the FHLBs is to liquefy the housing related assets of its members who must purchase stock in their district Bank. (See Government Sponsored Enterprises)

FEDERAL HOME LOAN MORTGAGE CORPORATION (FHLMC or "Freddie Mac"): A government-sponsored corporation that was created in July 1970, by the enactment of Title III of the Emergency Home Finance Act of 1970. Freddie Mac was established to help maintain the availability of mortgage credit for residential housing, primarily through developing and maintaining an active, nationwide secondary market in conventional residential mortgages. (See Government Sponsored Enterprises)

FEDERAL NATIONAL MORTGAGE ASSOCIATION (FNMA or Fannie Mae): FNMA, like GNMA was chartered under the Federal National Mortgage Association Act in 1938. FNMA is a federal corporation working under the auspices of the Department of Housing and Urban Development (HUD). It is the largest single provider of residential mortgage funds in the United States. Fannie Mae is a private stockholder-owned corporation. FNMA securities are highly liquid and are widely accepted. FNMA assumes and guarantees that all security holders will receive timely payment of principal and interest. (See Government Sponsored Enterprises)

FEDERAL OPEN MARKET COMMITTEE (FOMC): Consists of seven members of the Federal Reserve Board and five of the twelve Federal Reserve Bank presidents. The president of the New York Federal Reserve Bank is a permanent member while the other presidents serve on a rotating basis. The Committee periodically meets to set Federal Reserve guidelines regarding purchases and sales of government securities in the open market as a means of influencing the volume of bank credit and money.

FEDERAL RESERVE SYSTEM: The central bank of the United States created by Congress and consisting of a seven member Board of Governors in Washington, D.C., twelve regional banks and about 5700 commercial banks that are members of the system.

FIXED-INCOME SECURITY: A financial instrument promising a fixed amount of periodic income over a specified future time span.

GOVERNMENT-SPONSORED ENTERPRISES (GSE's): Payment of principal and interest on securities issued by these corporations is not guaranteed explicitly by the U.S. government, however, most investors consider these securities to carry an implicit U.S. government guarantee. The debt is fully guaranteed by the issuing corporations. GSE's include: Farm Credit System, Federal Home Loan Bank System, Federal Home Loan Mortgage Corporation, and Federal National Mortgage Association.

INSTRUMENTALITIES: See Government-Sponsored Enterprises

INTEREST RATE RISK: The risk that the general level of interest rates will change, causing unexpected price appreciations or depreciations.

LADDERED MATURITY STRATEGY: A maturity pattern within a portfolio in which maturities of the assets in the portfolio are equally spaced. Over time, the shortening of the remaining lives of the assets provides a steady source of liquidity or cash flow. Given a normal yield curve with a positive slope this passive strategy provides the benefit of being able to take advantage of the higher, longer-term yields without sacrificing safety or liquidity.

LIQUIDITY: An entity's capacity to meet future monetary outflows (whether they are required or optional) from available resources. Liquidity is often obtained from reductions of cash or by converting assets into cash.

LIQUIDITY RISK: The risk that an investment will be difficult to sell at a fair market price in a timely fashion.

MARKET RISK: The risk that the value of a security will rise or decline as a result of changes in market conditions. It is that part of a security's risk that is common to all securities of the same general class (stocks and bonds) and thus cannot be eliminated by diversification; also known as systematic risk.

MARKET VALUE: The price at which a security is trading and could presumably be purchased or sold.

MARKING-TO-MARKET: The practice of valuing a security or portfolio according to its market value, rather than its cost or book value.

MASTER REPURCHASE AGREEMENT: A written contract covering all future transactions between the parties to repurchase agreements that establishes each party's rights in the transactions. A master agreement will often specify, among other things, the right of the buyer to liquidate the underlying securities in the event of default by the seller.

MATURITY DATE: The date on which the principal or face value of an investment becomes due and payable.

MONEY MARKET INSTRUMENT: Generally, a short-term debt instrument that is purchased from a broker, dealer, or bank. Sometimes the term "money market" with "short-term", defines an instrument with no more than 12 months remaining from the purchase date until the maturity date. Sometimes the term "money market" is used more restrictively to mean only those instruments that have active secondary markets.

MORTGAGE-BACKED SECURITIES (MBS): Securities composed of, or collateralized by, loans that are themselves collateralized by liens on real property.

OFFER: The price asked by a seller of securities. (When purchasing securities, one asks for an offer.)

OPEN MARKET OPERATIONS: Purchases and sales of government and certain other securities in the open market by the New York Federal Reserve Bank as directed by the FOMC in order to influence the volume of money and credit in the economy. Purchases inject reserves into the bank system and stimulate growth of money and credit; sales have the opposite effect. Open market operations are the Federal Reserve's most important and most flexible monetary policy tool.

OPPORTUNITY COST: The cost of pursuing one course of action measured in terms of the foregone return that could have been earned on an alternative course of action that was not undertaken.

PAR: See Face Value

PFIA OR ACT: The Public Funds Investment Act, Chapter 2256, Texas Government Code, as amended.

POOLED FUND GROUP: An internally created fund of an investing entity in which one or more institutional accounts of the investing entity are invested (as defined by the Public Funds Investment Act).

PREMIUM: The amount by which the price paid for a security exceeds its face value.

PRIMARY DEALER: A group of government securities dealers that submit daily reports of market activity and positions and monthly financial statements to the Federal Reserve Bank of New York and are subject to its informal oversight. Primary dealers include Securities and Exchange Commission (SEC)-registered securities broker-dealers, banks, and a few unregulated firms.

PRINCIPAL: The face or par value of an instrument, exclusive of accrued interest.

PRUDENT PERSON RULE: An investment standard. In some states the law requires that a fiduciary, such as a trustee, may invest money only in a list of securities selected by the state. In other states the trustee may invest in a security if it is one which would be bought by a prudent person of discretion and intelligence who is seeking a reasonable income and preservation of capital.

QUALIFIED REPRESENTATIVE: A person who holds a position with - and is authorized to act on behalf of - a business organization (as defined by the Public Funds Investment Act).

RATE OF RETURN: The amount of income received from an investment, expressed as a percentage. A market rate of return is the yield that an investor can expect to receive in the current interest-rate environment utilizing a buy-and-hold to maturity investment strategy.

REINVESTMENT RATE: The interest rate earned on the reinvestment of coupon payments.

REINVESTMENT RATE RISK: The risk that the actual reinvestment rate falls short of the expected or assumed reinvestment rate.

REPURCHASE AGREEMENT (RP or REPO): An agreement of one party to sell securities at a specified price to a second party and a simultaneous agreement of the first party to repurchase the securities at a specified price on demand or at a specified later date. The difference between the selling price and the repurchase price provides the interest income to the party that provided the funds. Every transaction where a security is sold under an agreement to be repurchased is a repo from the seller/borrower's point of view and a reverse repo from the buyer/lender's point of view.

REVERSE REPURCHASE AGREEMENT: (See Repurchase Agreement)

SAFEKEEPING: A procedure where securities are held by a third party acting as custodian for a fee.

SECONDARY MARKET: A market made for the purchase and sale of outstanding issues following the initial distribution.

SECURITIES AND EXCHANGE COMMISSION (SEC): Agency created by Congress to protect investors in securities transactions by administering securities legislation.

SECURITIES LENDING: The temporary transfer of securities by one party, the lender, to another, the borrower. The securities borrower is required to provide acceptable assets as collateral to the securities lender in the form of cash or other securities. If the borrower provides securities as collateral to the lender, it pays a fee to borrow the lent securities. If it provides cash as collateral, the lender pays interest to the borrower and reinvests the cash at a higher rate.

SEC RULE 15C3-1: See Uniform Net Capital Rule

STRUCTURED NOTES: Debt obligations whose principal or interest payments are determined by an index or formula.

SEPARATELY INVESTED ASSET: An account or fund of a state agency or local government that is not invested in a pooled fund group (as defined by the Public Funds Investment Act).

SPREAD: Most commonly used when referring to the difference between the bid and asked prices in a quote. Additionally, it may also refer to additional basis points that a non-Treasury security earns over and above a Treasury with a comparable maturity date.

STRIPS: Separation of the principal and interest cash flows due from any interest-bearing securities into different financial instruments. Each coupon payment is separated from the underlying investment to create a separate security. Each individual cash flow is sold at a discount. The amount of the discount and the time until the cash flow is paid determine the investor's return.

SWAP: The trading of one asset for another. Sometimes used in active portfolio management to increase investment returns by "swapping" one type of security for another.

TOTAL RETURN: Interest income plus capital gains (or minus losses) on an investment.

TREASURY BILLS: A non-interest bearing discount security issued by the U.S. Treasury, generally having initial maturities of 3 months, 6 months, or 1 year.

TREASURY BONDS: Long-term, coupon bearing U.S. Treasury securities having initial maturities of more than 10 years.

TREASURY NOTES: Intermediate-term, coupon bearing U.S. Treasury securities having initial maturities of 2 - 10 years.

UNIFORM NET CAPITAL RULE: Securities and Exchange Commission requirement that member firms as well as nonmember broker-dealers in securities maintain a maximum ratio of indebtedness to liquid capital of 15 to 1; also called *net capital rule* and *net capital ratio*. Indebtedness covers all money owed to a firm, including margin loans and commitments to purchase securities, one reason new public issues are spread among members of underwriting syndicates. Liquid capital includes cash and assets easily converted into cash.

YIELD TO MATURITY (YTM): The promised return assuming all interest and principal payments are made and reinvested at the same rate taking into account price appreciation (if priced below par) or depreciation (if priced above par).

APPENDIX A
PUBLIC FUNDS INVESTMENT ACT

GOVERNMENT CODE
TITLE 10. GENERAL GOVERNMENT
SUBTITLE F. STATE AND LOCAL CONTRACTS AND FUND MANAGEMENT
CHAPTER 2256. PUBLIC FUNDS INVESTMENT

SUBCHAPTER A. AUTHORIZED INVESTMENTS FOR GOVERNMENTAL ENTITIES

Sec. 2256.001. SHORT TITLE. This chapter may be cited as the Public Funds Investment Act.

Amended by Acts 1995, 74th Leg., ch. 402, Sec. 1, eff. Sept. 1, 1995.

Sec. 2256.002. DEFINITIONS. In this chapter:

(1) "Bond proceeds" means the proceeds from the sale of bonds, notes, and other obligations issued by an entity, and reserves and funds maintained by an entity for debt service purposes.

(2) "Book value" means the original acquisition cost of an investment plus or minus the accrued amortization or accretion.

(3) "Funds" means public funds in the custody of a state agency or local government that:

(A) are not required by law to be deposited in the state treasury; and

(B) the investing entity has authority to invest.

(4) "Institution of higher education" has the meaning assigned by Section 61.003, Education Code.

(5) "Investing entity" and "entity" mean an entity subject to this chapter and described by Section 2256.003.

(6) "Investment pool" means an entity created under this code to invest public funds jointly on behalf of the entities that participate in the pool and whose investment objectives in order of priority are:

(A) preservation and safety of principal;

(B) liquidity; and

(C) yield.

(7) "Local government" means a municipality, a county, a school district, a district or authority created under Section 52(b)(1) or (2), Article III, or Section 59, Article XVI, Texas Constitution, a fresh water supply

district, a hospital district, and any political subdivision, authority, public corporation, body politic, or instrumentality of the State of Texas, and any nonprofit corporation acting on behalf of any of those entities.

(8) "Market value" means the current face or par value of an investment multiplied by the net selling price of the security as quoted by a recognized market pricing source quoted on the valuation date.

(9) "Pooled fund group" means an internally created fund of an investing entity in which one or more institutional accounts of the investing entity are invested.

(10) "Qualified representative" means a person who holds a position with a business organization, who is authorized to act on behalf of the business organization, and who is one of the following:

(A) for a business organization doing business that is regulated by or registered with a securities commission, a person who is registered under the rules of the National Association of Securities Dealers;

(B) for a state or federal bank, a savings bank, or a state or federal credit union, a member of the loan committee for the bank or branch of the bank or a person authorized by corporate resolution to act on behalf of and bind the banking institution;

(C) for an investment pool, the person authorized by the elected official or board with authority to administer the activities of the investment pool to sign the written instrument on behalf of the investment pool; or

(D) for an investment management firm registered under the Investment Advisers Act of 1940 (15 U.S.C. Section 80b-1 et seq.) or, if not subject to registration under that Act, registered with the State Securities Board, a person who is an officer or principal of the investment management firm.

(11) "School district" means a public school district.

(12) "Separately invested asset" means an account or fund of a state agency or local government that is not invested in a pooled fund group.

(13) "State agency" means an office, department, commission, board, or other agency that is part of any branch of state government, an institution of higher education, and any nonprofit corporation acting on behalf of any of those entities.

Amended by Acts 1995, 74th Leg., ch. 402, Sec. 1, eff. Sept. 1, 1995; Acts 1997, 75th Leg., ch. 1421, Sec. 1, eff. Sept. 1, 1997; Acts 1999, 76th Leg., ch. 1454, Sec. 1, eff. Sept. 1, 1999.

Sec. 2256.003. AUTHORITY TO INVEST FUNDS; ENTITIES SUBJECT TO THIS CHAPTER. (a) Each governing body of the following entities may purchase, sell, and invest its funds and funds under its control in investments authorized under this subchapter in compliance with investment policies approved by the governing body and according to the standard of care prescribed by Section 2256.006:

- (1) a local government;
- (2) a state agency;
- (3) a nonprofit corporation acting on behalf of a local government or a state agency; or
- (4) an investment pool acting on behalf of two or more local governments, state agencies, or a combination of those entities.

(b) In the exercise of its powers under Subsection (a), the governing body of an investing entity may contract with an investment management firm registered under the Investment Advisers Act of 1940 (15 U.S.C. Section 80b-1 et seq.) or with the State Securities Board to provide for the investment and management of its public funds or other funds under its control. A contract made under authority of this subsection may not be for a term longer than two years. A renewal or extension of the contract must be made by the governing body of the investing entity by order, ordinance, or resolution.

(c) This chapter does not prohibit an investing entity or investment officer from using the entity's employees or the services of a contractor of the entity to aid the investment officer in the execution of the officer's duties under this chapter.

Amended by Acts 1995, 74th Leg., ch. 402, Sec. 1, eff. Sept. 1, 1995; Acts 1999, 76th Leg., ch. 1454, Sec. 2, eff. Sept. 1, 1999.

Sec. 2256.004. APPLICABILITY. (a) This subchapter does not apply to:

- (1) a public retirement system as defined by Section 802.001;
- (2) state funds invested as authorized by Section 404.024;
- (3) an institution of higher education having total endowments of at least \$95 million in book value on May 1, 1995;
- (4) funds invested by the Veterans' Land Board as authorized by Chapter 161, 162, or 164, Natural Resources Code;

(5) registry funds deposited with the county or district clerk under Chapter 117, Local Government Code; or

(6) a deferred compensation plan that qualifies under either Section 401(k) or 457 of the Internal Revenue Code of 1986 (26 U.S.C. Section 1 et seq.), as amended.

(b) This subchapter does not apply to an investment donated to an investing entity for a particular purpose or under terms of use specified by the donor.

Amended by Acts 1995, 74th Leg., ch. 402, Sec. 1, eff. Sept. 1, 1995; Acts 1997, 75th Leg., ch. 505, Sec. 24, eff. Sept. 1, 1997; Acts 1997, 75th Leg., ch. 1421, Sec. 2, eff. Sept. 1, 1997; Acts 1999, 76th Leg., ch. 62, Sec. 8.21, eff. Sept. 1, 1999; Acts 1999, 76th Leg., ch. 1454, Sec. 3, eff. Sept. 1, 1999.

Sec. 2256.005. INVESTMENT POLICIES; INVESTMENT STRATEGIES; INVESTMENT OFFICER. (a) The governing body of an investing entity shall adopt by rule, order, ordinance, or resolution, as appropriate, a written investment policy regarding the investment of its funds and funds under its control.

(b) The investment policies must:

(1) be written;

(2) primarily emphasize safety of principal and liquidity;

(3) address investment diversification, yield, and maturity and the quality and capability of investment management; and

(4) include:

(A) a list of the types of authorized investments in which the investing entity's funds may be invested;

(B) the maximum allowable stated maturity of any individual investment owned by the entity;

(C) for pooled fund groups, the maximum dollar-weighted average maturity allowed based on the stated maturity date for the portfolio;

(D) methods to monitor the market price of investments acquired with public funds;

(E) a requirement for settlement of all transactions, except investment pool funds and mutual funds, on a delivery versus payment basis; and

(F) procedures to monitor rating changes in investments acquired with public funds and the liquidation of such investments consistent with the provisions of Section 2256.021.

(c) The investment policies may provide that bids for certificates of deposit be solicited:

- (1) orally;
- (2) in writing;
- (3) electronically; or
- (4) in any combination of those methods.

(d) As an integral part of an investment policy, the governing body shall adopt a separate written investment strategy for each of the funds or group of funds under its control. Each investment strategy must describe the investment objectives for the particular fund using the following priorities in order of importance:

- (1) understanding of the suitability of the investment to the financial requirements of the entity;
- (2) preservation and safety of principal;
- (3) liquidity;
- (4) marketability of the investment if the need arises to liquidate the investment before maturity;
- (5) diversification of the investment portfolio; and
- (6) yield.

(e) The governing body of an investing entity shall review its investment policy and investment strategies not less than annually. The governing body shall adopt a written instrument by rule, order, ordinance, or resolution 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 investment policy or investment strategies.

(f) Each investing entity shall designate, by rule, order, ordinance, or resolution, as appropriate, one or more officers or employees of the state agency, local government, or investment pool as investment officer to be responsible for the investment of its funds consistent with the investment policy adopted by the entity. If the governing body of an investing entity has contracted with another investing entity to invest its funds, the investment officer of the other investing entity is considered to be the investment officer of the first investing entity for purposes of this chapter. Authority granted to a person to invest an entity's funds is effective until rescinded by the investing entity, until the expiration of the officer's term or the termination of the person's employment by the investing entity, or if an investment management firm, until the expiration of the contract with the investing entity. In the administration of the duties of an investment officer, the person designated as investment officer shall exercise the

judgment and care, under prevailing circumstances, that a prudent person would exercise in the management of the person's own affairs, but the governing body of the investing entity retains ultimate responsibility as fiduciaries of the assets of the entity. Unless authorized by law, a person may not deposit, withdraw, transfer, or manage in any other manner the funds of the investing entity.

(g) Subsection (f) does not apply to a state agency, local government, or investment pool for which an officer of the entity is assigned by law the function of investing its funds.

Text of subsec. (h) as amended by Acts 1997, 75th Leg., ch. 685, Sec. 1

(h) An officer or employee of a commission created under Chapter 391, Local Government Code, is ineligible to be an investment officer for the commission under Subsection (f) if the officer or employee is an investment officer designated under Subsection (f) for another local government.

Text of subsec. (h) as amended by Acts 1997, 75th Leg., ch. 1421, Sec. 3

(h) An officer or employee of a commission created under Chapter 391, Local Government Code, is ineligible to be designated as an investment officer under Subsection (f) for any investing entity other than for that commission.

(i) An investment officer of an entity who has a personal business relationship with a business organization offering to engage in an investment transaction with the entity shall file a statement disclosing that personal business interest. An investment officer who is related within the second degree by affinity or consanguinity, as determined under Chapter 573, to an individual seeking to sell an investment to the investment officer's entity shall file a statement disclosing that relationship. A statement required under this subsection must be filed with the Texas Ethics Commission and the governing body of the entity. For purposes of this subsection, an investment officer has a personal business relationship with a business organization if:

(1) the investment officer owns 10 percent or more of the voting stock or shares of the business organization or owns \$5,000 or more of the fair market value of the business organization;

(2) funds received by the investment officer from the business organization exceed 10 percent of the investment officer's gross income for the previous year; or

(3) the investment officer has acquired from the business organization during the previous year investments with a book value of \$2,500 or more for the personal account of the investment officer.

(j) The governing body of an investing entity may specify in its investment policy that any investment authorized by this chapter is not suitable.

(k) A written copy of the investment policy shall be presented to any person offering to engage in an investment transaction with an investing entity or to an investment management firm under contract with an investing entity to invest or manage the entity's investment portfolio. For purposes of this subsection, a business organization includes investment pools and an investment management firm under contract with an investing entity to invest or manage the entity's investment portfolio. Nothing in this subsection relieves the investing entity of the responsibility for monitoring the investments made by the investing entity to determine that they are in compliance with the investment policy. The qualified representative of the business organization offering to engage in an investment transaction with an investing entity shall execute a written instrument in a form acceptable to the investing entity and the business organization substantially to the effect that the business organization has:

(1) received and reviewed the investment policy of the entity; and

(2) acknowledged that the business organization has implemented reasonable procedures and controls in an effort to preclude investment transactions conducted between the entity and the organization that are not authorized by the entity's investment policy, except to the extent that this authorization is dependent on an analysis of the makeup of the entity's entire portfolio or requires an interpretation of subjective investment standards.

(l) The investment officer of an entity may not acquire or otherwise obtain any authorized investment described in the investment policy of the investing entity from a person who has not delivered to the entity the instrument required by Subsection (k).

(m) An investing entity other than a state agency, in conjunction with its annual financial audit, shall perform a compliance audit of management controls on investments and adherence to the entity's established investment policies.

(n) Except as provided by Subsection (o), at least once every two years a state agency shall arrange for a compliance audit of management controls on investments and adherence to the agency's established investment policies. The compliance audit shall be performed by the agency's internal auditor or by a private auditor employed in the manner provided by Section 321.020. Not later than January 1 of each even-numbered year a state agency

shall report the results of the most recent audit performed under this subsection to the state auditor. Subject to a risk assessment and to the legislative audit committee's approval of including a review by the state auditor in the audit plan under Section 321.013, the state auditor may review information provided under this section. If review by the state auditor is approved by the legislative audit committee, the state auditor may, based on its review, require a state agency to also report to the state auditor other information the state auditor determines necessary to assess compliance with laws and policies applicable to state agency investments. A report under this subsection shall be prepared in a manner the state auditor prescribes.

(o) The audit requirements of Subsection (n) do not apply to assets of a state agency that are invested by the comptroller under Section 404.024.

Amended by Acts 1995, 74th Leg., ch. 402, Sec. 1, eff. Sept. 1, 1995; Acts 1997, 75th Leg., ch. 685, Sec. 1, eff. Sept. 1, 1997; Acts 1997, 75th Leg., ch. 1421, Sec. 3, eff. Sept. 1, 1997; Acts 1999, 76th Leg., ch. 1454, Sec. 4, eff. Sept. 1, 1999; Acts 2003, 78th Leg., ch. 785, Sec. 41, eff. Sept. 1, 2003.

Amended by:

Acts 2011, 82nd Leg., R.S., Ch. [1004](#), Sec. 1, eff. June 17, 2011.

Sec. 2256.006. STANDARD OF CARE. (a) 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. Investment of funds shall be governed by the following investment objectives, in order of priority:

- (1) preservation and safety of principal;
- (2) liquidity; and
- (3) yield.

(b) In determining whether an investment officer has exercised prudence with respect to an investment decision, the determination shall be made taking into consideration:

- (1) the investment of all funds, or funds under the entity's control, over which the officer had responsibility rather than a consideration as to the prudence of a single investment; and
- (2) whether the investment decision was consistent with the written investment policy of the entity.

Amended by Acts 1995, 74th Leg., ch. 402, Sec. 1, eff. Sept. 1, 1995.

Sec. 2256.007. INVESTMENT TRAINING; STATE AGENCY BOARD MEMBERS AND OFFICERS. (a)

Each member of the governing board of a state agency and its investment officer shall attend at least one training session relating to the person's responsibilities under this chapter within six months after taking office or assuming duties.

(b) The Texas Higher Education Coordinating Board shall provide the training under this section.

(c) Training under this section must include education in investment controls, security risks, strategy risks, market risks, diversification of investment portfolio, and compliance with this chapter.

(d) An investment officer shall attend a training session not less than once each state fiscal biennium and may receive training from any independent source approved by the governing body of the state agency. The investment officer shall prepare a report on this subchapter and deliver the report to the governing body of the state agency not later than the 180th day after the last day of each regular session of the legislature.

Amended by Acts 1995, 74th Leg., ch. 402, Sec. 1, eff. Sept. 1, 1995; Acts 1997, 75th Leg., ch. 73, Sec. 1, eff. May 9, 1997; Acts 1997, 75th Leg., ch. 1421, Sec. 4, eff. Sept. 1, 1997; Acts 1999, 76th Leg., ch. 1454, Sec. 5, eff. Sept. 1, 1999.

Amended by:

Acts 2011, 82nd Leg., R.S., Ch. [1004](#), Sec. 2, eff. June 17, 2011.

Sec. 2256.008. INVESTMENT TRAINING; LOCAL GOVERNMENTS. (a) Except as provided by

Subsections (b) and (e), the treasurer, the chief financial officer if the treasurer is not the chief financial officer, and the investment officer of a local government shall:

(1) attend at least one training session from an independent source approved by the governing body of the local government or a designated investment committee advising the investment officer as provided for in the investment policy of the local government and containing at least 10 hours of instruction relating to the treasurer's or officer's responsibilities under this subchapter within 12 months after taking office or assuming duties; and

(2) except as provided by Subsections (b) and (e), attend an investment training session not less than once in a two-year period that begins on the first day of that local government's fiscal year and consists of the two consecutive fiscal years after that date, and receive not less than 10 hours of instruction relating to investment

responsibilities under this subchapter from an independent source approved by the governing body of the local government or a designated investment committee advising the investment officer as provided for in the investment policy of the local government.

(b) An investing entity created under authority of Section 52(b), Article III, or Section 59, Article XVI, Texas Constitution, that has contracted with an investment management firm under Section 2256.003(b) and has fewer than five full-time employees or an investing entity that has contracted with another investing entity to invest the entity's funds may satisfy the training requirement provided by Subsection (a)(2) by having an officer of the governing body attend four hours of appropriate instruction in a two-year period that begins on the first day of that local government's fiscal year and consists of the two consecutive fiscal years after that date. The treasurer or chief financial officer of an investing entity created under authority of Section 52(b), Article III, or Section 59, Article XVI, Texas Constitution, and that has fewer than five full-time employees is not required to attend training required by this section unless the person is also the investment officer of the entity.

(c) Training under this section must include education in investment controls, security risks, strategy risks, market risks, diversification of investment portfolio, and compliance with this chapter.

(d) Not later than December 31 each year, each individual, association, business, organization, governmental entity, or other person that provides training under this section shall report to the comptroller a list of the governmental entities for which the person provided required training under this section during that calendar year. An individual's reporting requirements under this subsection are satisfied by a report of the individual's employer or the sponsoring or organizing entity of a training program or seminar.

(e) This section does not apply to a district governed by Chapter 36 or 49, Water Code.

Amended by Acts 1995, 74th Leg., ch. 402, Sec. 1, eff. Sept. 1, 1995; Acts 1997, 75th Leg., ch. 1421, Sec. 5, eff. Sept. 1, 1997; Acts 1999, 76th Leg., ch. 1454, Sec. 6, eff. Sept. 1, 1999; Acts 2001, 77th Leg., ch. 69, Sec. 4, eff. May 14, 2001.

Amended by:

Acts 2011, 82nd Leg., R.S., Ch. [1004](#), Sec. 3, eff. June 17, 2011.

Sec. 2256.009. AUTHORIZED INVESTMENTS: OBLIGATIONS OF, OR GUARANTEED BY GOVERNMENTAL ENTITIES. (a) Except as provided by Subsection (b), the following are authorized investments under this subchapter:

(1) obligations, including letters of credit, of the United States or its agencies and instrumentalities;

(2) direct obligations of this state or its agencies and instrumentalities;

(3) collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States;

(4) other obligations, the principal and interest of which are unconditionally guaranteed or insured by, or backed by the full faith and credit of, this state or the United States or their respective agencies and instrumentalities, including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation or by the explicit full faith and credit of the United States;

(5) obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than A or its equivalent; and

(6) bonds issued, assumed, or guaranteed by the State of Israel.

(b) The following are not authorized investments under this section:

(1) obligations whose payment represents the coupon payments on the outstanding principal balance of the underlying mortgage-backed security collateral and pays no principal;

(2) obligations whose payment represents the principal stream of cash flow from the underlying mortgage-backed security collateral and bears no interest;

(3) collateralized mortgage obligations that have a stated final maturity date of greater than 10 years; and

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

Amended by Acts 1995, 74th Leg., ch. 402, Sec. 1, eff. Sept. 1, 1995; Acts 1999, 76th Leg., ch. 1454, Sec. 7, eff. Sept. 1, 1999; Acts 2001, 77th Leg., ch. 558, Sec. 1, eff. Sept. 1, 2001.

Amended by:

Acts 2011, 82nd Leg., R.S., Ch. [1004](#), Sec. 4, eff. June 17, 2011.

Sec. 2256.010. AUTHORIZED INVESTMENTS: CERTIFICATES OF DEPOSIT AND SHARE CERTIFICATES. (a) A certificate of deposit or share certificate is an authorized investment under this subchapter if the certificate is issued by a depository institution that has its main office or a branch office in this state and is:

(1) guaranteed or insured by the Federal Deposit Insurance Corporation or its successor or the National Credit Union Share Insurance Fund or its successor;

(2) secured by obligations that are described by Section 2256.009(a), including mortgage backed securities directly issued by a federal agency or instrumentality that have a market value of not less than the principal amount of the certificates, but excluding those mortgage backed securities of the nature described by Section 2256.009(b); or

(3) secured in any other manner and amount provided by law for deposits of the investing entity.

(b) In addition to the authority to invest funds in certificates of deposit under Subsection (a), an investment in certificates of deposit made in accordance with the following conditions is an authorized investment under this subchapter:

(1) the funds are invested by an investing entity through:

(A) a broker that has its main office or a branch office in this state and is selected from a list adopted by the investing entity as required by Section 2256.025; or

(B) a depository institution that has its main office or a branch office in this state and that is selected by the investing entity;

(2) the broker or the depository institution selected by the investing entity under Subdivision (1) 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 investing entity;

(3) the full amount of the principal and accrued interest of each of the certificates of deposit is insured by the United States or an instrumentality of the United States; and

(4) the investing entity appoints the depository institution selected by the investing entity under Subdivision (1), an entity described by Section 2257.041(d), or a clearing broker-dealer registered with the Securities and Exchange Commission and operating pursuant to Securities and Exchange Commission Rule 15c3-3 (17 C.F.R. Section 240.15c3-3) as custodian for the investing entity with respect to the certificates of deposit issued for the account of the investing entity.

Amended by Acts 1995, 74th Leg., ch. 32, Sec. 1, eff. April 28, 1995; Acts 1995, 74th Leg., ch. 402, Sec. 1, eff. Sept. 1, 1995; Acts 1997, 75th Leg., ch. 1421, Sec. 6, eff. Sept. 1, 1997.

Amended by:

Acts 2005, 79th Leg., Ch. [128](#), Sec. 1, eff. September 1, 2005.

Acts 2011, 82nd Leg., R.S., Ch. [1004](#), Sec. 5, eff. June 17, 2011.

Sec. 2256.011. AUTHORIZED INVESTMENTS: REPURCHASE AGREEMENTS. (a) A fully collateralized repurchase agreement is an authorized investment under this subchapter if the repurchase agreement:

- (1) has a defined termination date;
- (2) is secured by a combination of cash and obligations described by Section 2256.009(a)(1); and
- (3) requires the securities being purchased by the entity or cash held by the entity to be pledged to the entity, held in the entity's name, and deposited at the time the investment is made with the entity or with a third party selected and approved by the entity; and
- (4) is placed through a primary government securities dealer, as defined by the Federal Reserve, or a financial institution doing business in this state.

(b) In this section, "repurchase agreement" means a simultaneous agreement to buy, hold for a specified time, and sell back at a future date obligations described by Section 2256.009(a)(1), at a market value at the time the funds are disbursed of not less than the principal amount of the funds disbursed. The term includes a direct security repurchase agreement and a reverse security repurchase agreement.

(c) Notwithstanding any other law, the term of any reverse security repurchase agreement may not exceed 90 days after the date the reverse security repurchase agreement is delivered.

(d) Money received by an entity under the terms of a reverse security repurchase agreement shall be used to acquire additional authorized investments, but the term of the authorized investments acquired must mature not later than the expiration date stated in the reverse security repurchase agreement.

Amended by Acts 1995, 74th Leg., ch. 402, Sec. 1, eff. Sept. 1, 1995.

Amended by:

Acts 2011, 82nd Leg., R.S., Ch. [1004](#), Sec. 6, eff. June 17, 2011.

Sec. 2256.0115. AUTHORIZED INVESTMENTS: SECURITIES LENDING PROGRAM. (a) A securities lending program is an authorized investment under this subchapter if it meets the conditions provided by this section.

(b) To qualify as an authorized investment under this subchapter:

(1) the value of securities loaned under the program must be not less than 100 percent collateralized, including accrued income;

(2) a loan made under the program must allow for termination at any time;

(3) a loan made under the program must be secured by:

(A) pledged securities described by Section 2256.009;

(B) pledged irrevocable letters of credit issued by a bank that is:

(i) organized and existing under the laws of the United States or any other state;

and

(ii) continuously rated by at least one nationally recognized investment rating firm

at not less than A or its equivalent; or

(C) cash invested in accordance with Section:

(i) 2256.009;

(ii) 2256.013;

(iii) 2256.014; or

(iv) 2256.016;

(4) the terms of a loan made under the program must require that the securities being held as collateral be:

(A) pledged to the investing entity;

(B) held in the investing entity's name; and

(C) deposited at the time the investment is made with the entity or with a third party selected by or approved by the investing entity;

(5) a loan made under the program must be placed through:

(A) a primary government securities dealer, as defined by 5 C.F.R. Section 6801.102(f), as that regulation existed on September 1, 2003; or

(B) a financial institution doing business in this state; and

(6) an agreement to lend securities that is executed under this section must have a term of one year or less.

Added by Acts 2003, 78th Leg., ch. 1227, Sec. 1, eff. Sept. 1, 2003.

Sec. 2256.012. AUTHORIZED INVESTMENTS: BANKER'S ACCEPTANCES. A bankers' acceptance is an authorized investment under this subchapter if the bankers' acceptance:

- (1) has a stated maturity of 270 days or fewer from the date of its issuance;
- (2) will be, in accordance with its terms, liquidated in full at maturity;
- (3) is eligible for collateral for borrowing from a Federal Reserve Bank; and
- (4) is accepted by a bank organized and existing under the laws of the United States or any state,

if the short-term obligations of the bank, or of a bank holding company of which the bank is the largest subsidiary, are rated not less than A-1 or P-1 or an equivalent rating by at least one nationally recognized credit rating agency.

Amended by Acts 1995, 74th Leg., ch. 402, Sec. 1, eff. Sept. 1, 1995.

Sec. 2256.013. AUTHORIZED INVESTMENTS: COMMERCIAL PAPER. Commercial paper is an authorized investment under this subchapter if the commercial paper:

- (1) has a stated maturity of 270 days or fewer from the date of its issuance; and
- (2) is rated not less than A-1 or P-1 or an equivalent rating by at least:
 - (A) two nationally recognized credit rating agencies; or
 - (B) one nationally recognized credit rating agency and is fully secured by an irrevocable

letter of credit issued by a bank organized and existing under the laws of the United States or any state.

Amended by Acts 1995, 74th Leg., ch. 402, Sec. 1, eff. Sept. 1, 1995.

Sec. 2256.014. AUTHORIZED INVESTMENTS: MUTUAL FUNDS. (a) A no-load money market mutual fund is an authorized investment under this subchapter if the mutual fund:

- (1) is registered with and regulated by the Securities and Exchange Commission;
- (2) provides the investing entity with a prospectus and other information required by the Securities Exchange Act of 1934 (15 U.S.C. Section 78a et seq.) or the Investment Company Act of 1940 (15 U.S.C. Section 80a-1 et seq.);
- (3) has a dollar-weighted average stated maturity of 90 days or fewer; and
- (4) includes in its investment objectives the maintenance of a stable net asset value of \$1 for each

share.

(b) In addition to a no-load money market mutual fund permitted as an authorized investment in Subsection (a), a no-load mutual fund is an authorized investment under this subchapter if the mutual fund:

- (1) is registered with the Securities and Exchange Commission;
- (2) has an average weighted maturity of less than two years;
- (3) is invested exclusively in obligations approved by this subchapter;
- (4) is continuously rated as to investment quality by at least one nationally recognized investment rating firm of not less than AAA or its equivalent; and
- (5) conforms to the requirements set forth in Sections 2256.016(b) and (c) relating to the eligibility of investment pools to receive and invest funds of investing entities.

(c) An entity is not authorized by this section to:

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

Amended by Acts 1995, 74th Leg., ch. 402, Sec. 1, eff. Sept. 1, 1995; Acts 1997, 75th Leg., ch. 1421, Sec. 7, eff. Sept. 1, 1997; Acts 1999, 76th Leg., ch. 1454, Sec. 8, eff. Sept. 1, 1999.

Sec. 2256.015. AUTHORIZED INVESTMENTS: GUARANTEED INVESTMENT CONTRACTS. (a) A guaranteed investment contract is an authorized investment for bond proceeds under this subchapter if the guaranteed investment contract:

- (1) has a defined termination date;
- (2) is secured by obligations described by Section 2256.009(a)(1), excluding those obligations described by Section 2256.009(b), in an amount at least equal to the amount of bond proceeds invested under the contract; and
- (3) is pledged to the entity and deposited with the entity or with a third party selected and approved by the entity.

(b) Bond proceeds, other than bond proceeds representing reserves and funds maintained for debt service purposes, may not be invested under this subchapter in a guaranteed investment contract with a term of longer than five years from the date of issuance of the bonds.

(c) To be eligible as an authorized investment:

(1) the governing body of the entity must specifically authorize guaranteed investment contracts as an eligible investment in the order, ordinance, or resolution authorizing the issuance of bonds;

(2) the entity must receive bids from at least three separate providers with no material financial interest in the bonds from which proceeds were received;

(3) the entity must purchase the highest yielding guaranteed investment contract for which a qualifying bid is received;

(4) the price of the guaranteed investment contract must take into account the reasonably expected drawdown schedule for the bond proceeds to be invested; and

(5) the provider must certify the administrative costs reasonably expected to be paid to third parties in connection with the guaranteed investment contract.

Amended by Acts 1995, 74th Leg., ch. 402, Sec. 1, eff. Sept. 1, 1995; Acts 1997, 75th Leg., ch. 1421, Sec. 8, eff. Sept. 1, 1997; Acts 1999, 76th Leg., ch. 1454, Sec. 9, 10, eff. Sept. 1, 1999.

Sec. 2256.016. AUTHORIZED INVESTMENTS: INVESTMENT POOLS. (a) An entity may invest its funds and funds under its control through an eligible investment pool if the governing body of the entity by rule, order, ordinance, or resolution, as appropriate, authorizes investment in the particular pool. An investment pool shall invest the funds it receives from entities in authorized investments permitted by this subchapter. An investment pool may invest its funds in money market mutual funds to the extent permitted by and consistent with this subchapter and the investment policies and objectives adopted by the investment pool.

(b) To be eligible to receive funds from and invest funds on behalf of an entity under this chapter, an investment pool must furnish to the investment officer or other authorized representative of the entity an offering circular or other similar disclosure instrument that contains, at a minimum, the following information:

(1) the types of investments in which money is allowed to be invested;

(2) the maximum average dollar-weighted maturity allowed, based on the stated maturity date, of the pool;

- (3) the maximum stated maturity date any investment security within the portfolio has;
- (4) the objectives of the pool;
- (5) the size of the pool;
- (6) the names of the members of the advisory board of the pool and the dates their terms expire;
- (7) the custodian bank that will safekeep the pool's assets;
- (8) whether the intent of the pool is to maintain a net asset value of one dollar and the risk of

market price fluctuation;

(9) whether the only source of payment is the assets of the pool at market value or whether there is a secondary source of payment, such as insurance or guarantees, and a description of the secondary source of payment;

(10) the name and address of the independent auditor of the pool;

(11) the requirements to be satisfied for an entity to deposit funds in and withdraw funds from the pool and any deadlines or other operating policies required for the entity to invest funds in and withdraw funds from the pool; and

(12) the performance history of the pool, including yield, average dollar-weighted maturities, and expense ratios.

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

(1) investment transaction confirmations; and

(2) a monthly report that contains, at a minimum, the following information:

(A) the types and percentage breakdown of securities in which the pool is invested;

(B) the current average dollar-weighted maturity, based on the stated maturity date, of the

pool;

(C) the current percentage of the pool's portfolio in investments that have stated maturities

of more than one year;

(D) the book value versus the market value of the pool's portfolio, using amortized cost

valuation;

(E) the size of the pool;

(F) the number of participants in the pool;

(G) the custodian bank that is safekeeping the assets of the pool;

(H) a listing of daily transaction activity of the entity participating in the pool;

(I) the yield and expense ratio of the pool, including a statement regarding how yield is calculated;

(J) the portfolio managers of the pool; and

(K) any changes or addenda to the offering circular.

(d) An entity by contract may delegate to an investment pool the authority to hold legal title as custodian of investments purchased with its local funds.

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

(f) To be eligible to receive funds from and invest funds on behalf of an entity under this chapter, a public funds investment pool created to function as a money market mutual fund must mark its portfolio to market daily, and, to the extent reasonably possible, stabilize at a \$1 net asset value. If the ratio of the market value of the portfolio divided by the book value of the portfolio is less than 0.995 or greater than 1.005, portfolio holdings shall be sold as necessary to maintain the ratio between 0.995 and 1.005. In addition to the requirements of its investment policy and any other forms of reporting, a public funds investment pool created to function as a money market mutual fund shall report yield to its investors in accordance with regulations of the federal Securities and Exchange Commission applicable to reporting by money market funds.

(g) To be eligible to receive funds from and invest funds on behalf of an entity under this chapter, a public funds investment pool must have an advisory board composed:

(1) equally of participants in the pool and other persons who do not have a business relationship with the pool and are qualified to advise the pool, for a public funds investment pool created under Chapter 791 and managed by a state agency; or

(2) of participants in the pool and other persons who do not have a business relationship with the pool and are qualified to advise the pool, for other investment pools.

(h) To maintain eligibility to receive funds from and invest funds on behalf of an entity under this chapter, an investment pool must be continuously rated no lower than AAA or AAA-m or at an equivalent rating by at least one nationally recognized rating service.

(i) If the investment pool operates an Internet website, the information in a disclosure instrument or report described in Subsections (b), (c)(2), and (f) must be posted on the website.

(j) To maintain eligibility to receive funds from and invest funds on behalf of an entity under this chapter, an investment pool must make available to the entity an annual audited financial statement of the investment pool in which the entity has funds invested.

(k) If an investment pool offers fee breakpoints based on fund balances invested, the investment pool in advertising investment rates must include either all levels of return based on the breakpoints provided or state the lowest possible level of return based on the smallest level of funds invested.

Amended by Acts 1995, 74th Leg., ch. 402, Sec. 1, eff. Sept. 1, 1995; Acts 1997, 75th Leg., ch. 1421, Sec. 9, eff. Sept. 1, 1997.

Amended by:

Acts 2011, 82nd Leg., R.S., Ch. [1004](#), Sec. 7, eff. June 17, 2011.

Sec. 2256.017. EXISTING INVESTMENTS. An entity is not required to liquidate investments that were authorized investments at the time of purchase.

Added by Acts 1995, 74th Leg., ch. 76, Sec. 5.46(a), eff. Sept. 1, 1995; Acts 1995, 74th Leg., ch. 402, Sec. 1, eff. Sept. 1, 1995. Amended by Acts 1997, 75th Leg., ch. 1421, Sec. 10, eff. Sept. 1, 1997.

Sec. 2256.019. RATING OF CERTAIN INVESTMENT POOLS. A public funds investment pool must be continuously rated no lower than AAA or AAA-m or at an equivalent rating by at least one nationally recognized rating service.

Added by Acts 1995, 74th Leg., ch. 402, Sec. 1, eff. Sept. 1, 1995. Amended by Acts 1997, 75th Leg., ch. 1421, Sec. 11, eff. Sept. 1, 1997.

Amended by:

Acts 2011, 82nd Leg., R.S., Ch. [1004](#), Sec. 8, eff. June 17, 2011.

Sec. 2256.020. AUTHORIZED INVESTMENTS: INSTITUTIONS OF HIGHER EDUCATION. In addition to the authorized investments permitted by this subchapter, an institution of higher education may purchase, sell, and invest its funds and funds under its control in the following:

(1) cash management and fixed income funds sponsored by organizations exempt from federal income taxation under Section 501(f), Internal Revenue Code of 1986 (26 U.S.C. Section 501(f));

(2) negotiable certificates of deposit issued by a bank that has a certificate of deposit rating of at least 1 or the equivalent by a nationally recognized credit rating agency or that is associated with a holding company having a commercial paper rating of at least A-1, P-1, or the equivalent by a nationally recognized credit rating agency; and

(3) corporate bonds, debentures, or similar debt obligations rated by a nationally recognized investment rating firm in one of the two highest long-term rating categories, without regard to gradations within those categories.

Added by Acts 1995, 74th Leg., ch. 402, Sec. 1, eff. Sept. 1, 1995.

Sec. 2256.0201. AUTHORIZED INVESTMENTS; MUNICIPAL UTILITY. (a) A municipality that owns a municipal electric utility that is engaged in the distribution and sale of electric energy or natural gas to the public may enter into a hedging contract and related security and insurance agreements in relation to fuel oil, natural gas, coal, nuclear fuel, and electric energy to protect against loss due to price fluctuations. A hedging transaction must comply with the regulations of the Commodity Futures Trading Commission and the Securities and Exchange Commission. If there is a conflict between the municipal charter of the municipality and this chapter, this chapter prevails.

(b) A payment by a municipally owned electric or gas utility under a hedging contract or related agreement in relation to fuel supplies or fuel reserves is a fuel expense, and the utility may credit any amounts it receives under the contract or agreement against fuel expenses.

(c) The governing body of a municipally owned electric or gas utility or the body vested with power to manage and operate the municipally owned electric or gas utility may set policy regarding hedging transactions.

(d) In this section, "hedging" means the buying and selling of fuel oil, natural gas, coal, nuclear fuel, and electric energy futures or options or similar contracts on those commodities and related transportation costs as a protection against loss due to price fluctuation.

Added by Acts 1999, 76th Leg., ch. 405, Sec. 48, eff. Sept. 1, 1999.

Amended by:

Acts 2007, 80th Leg., R.S., Ch. [7](#), Sec. 1, eff. April 13, 2007.

Sec. 2256.0202. AUTHORIZED INVESTMENTS: MUNICIPAL FUNDS FROM MANAGEMENT AND DEVELOPMENT OF MINERAL RIGHTS. (a) In addition to other investments authorized under this subchapter, a municipality may invest funds received by the municipality from a lease or contract for the management and development of land owned by the municipality and leased for oil, gas, or other mineral development in any investment authorized to be made by a trustee under Subtitle B, Title 9, Property Code (Texas Trust Code).

(b) Funds invested by a municipality under this section shall be segregated and accounted for separately from other funds of the municipality.

Added by Acts 2009, 81st Leg., R.S., Ch. [1371](#), Sec. 1, eff. September 1, 2009.

Sec. 2256.0203. AUTHORIZED INVESTMENTS: PORTS AND NAVIGATION DISTRICTS. (a) In this section, "district" means a navigation district organized under Section 52, Article III, or Section 59, Article XVI, Texas Constitution.

(b) In addition to the authorized investments permitted by this subchapter, a port or district may purchase, sell, and invest its funds and funds under its control in negotiable certificates of deposit issued by a bank that has a certificate of deposit rating of at least 1 or the equivalent by a nationally recognized credit rating agency or that is associated with a holding company having a commercial paper rating of at least A-1, P-1, or the equivalent by a nationally recognized credit rating agency.

Added by Acts 2011, 82nd Leg., R.S., Ch. [804](#), Sec. 1, eff. September 1, 2011.

Sec. 2256.0204. AUTHORIZED INVESTMENTS: INDEPENDENT SCHOOL DISTRICTS. (a) In this section, "corporate bond" means a senior secured debt obligation issued by a domestic business entity and rated not lower than "AA-" or the equivalent by a nationally recognized investment rating firm. The term does not include a debt obligation that:

(1) on conversion, would result in the holder becoming a stockholder or shareholder in the entity, or any affiliate or subsidiary of the entity, that issued the debt obligation; or

(2) is an unsecured debt obligation.

(b) This section applies only to an independent school district that qualifies as an issuer as defined by Section 1371.001.

(c) In addition to authorized investments permitted by this subchapter, an independent school district subject to this section may purchase, sell, and invest its funds and funds under its control in corporate bonds that, at the time of purchase, are rated by a nationally recognized investment rating firm "AA-" or the equivalent and have a stated final maturity that is not later than the third anniversary of the date the corporate bonds were purchased.

(d) An independent school district subject to this section is not authorized by this section to:

(1) invest in the aggregate more than 15 percent of its monthly average fund balance, excluding bond proceeds, reserves, and other funds held for the payment of debt service, in corporate bonds; or

(2) invest more than 25 percent of the funds invested in corporate bonds in any one domestic business entity, including subsidiaries and affiliates of the entity.

(e) An independent school district subject to this section may purchase, sell, and invest its funds and funds under its control in corporate bonds if the governing body of the district:

(1) amends its investment policy to authorize corporate bonds as an eligible investment;

(2) adopts procedures to provide for:

(A) monitoring rating changes in corporate bonds acquired with public funds; and

(B) liquidating the investment in corporate bonds; and

(3) identifies the funds eligible to be invested in corporate bonds.

(f) The investment officer of an independent school district, acting on behalf of the district, shall sell corporate bonds in which the district has invested its funds not later than the seventh day after the date a nationally recognized investment rating firm:

(1) issues a release that places the corporate bonds or the domestic business entity that issued the corporate bonds on negative credit watch or the equivalent, if the corporate bonds are rated "AA-" or the equivalent at the time the release is issued; or

(2) changes the rating on the corporate bonds to a rating lower than "AA-" or the equivalent.

(g) Corporate bonds are not an eligible investment for a public funds investment pool.

Added by Acts 2011, 82nd Leg., R.S., Ch. [1347](#), Sec. 1, eff. June 17, 2011.

Sec. 2256.0205. AUTHORIZED INVESTMENTS; DECOMMISSIONING TRUST. (a) In this section:

(1) "Decommissioning trust" means a trust created to provide the Nuclear Regulatory Commission assurance that funds will be available for decommissioning purposes as required under 10 C.F.R. Part 50 or other similar regulation.

(2) "Funds" includes any money held in a decommissioning trust regardless of whether the money is considered to be public funds under this subchapter.

(b) In addition to other investments authorized under this subchapter, a municipality that owns a municipal electric utility that is engaged in the distribution and sale of electric energy or natural gas to the public may invest funds held in a decommissioning trust in any investment authorized by Subtitle B, Title 9, Property Code.

Added by Acts 2005, 79th Leg., Ch. [121](#), Sec. 1, eff. September 1, 2005.

Sec. 2256.021. EFFECT OF LOSS OF REQUIRED RATING. An investment that requires a minimum rating under this subchapter does not qualify as an authorized investment during the period the investment does not have the minimum rating. An entity shall take all prudent measures that are consistent with its investment policy to liquidate an investment that does not have the minimum rating.

Added by Acts 1995, 74th Leg., ch. 402, Sec. 1, eff. Sept. 1, 1995.

Sec. 2256.022. EXPANSION OF INVESTMENT AUTHORITY. Expansion of investment authority granted by this chapter shall require a risk assessment by the state auditor or performed at the direction of the state auditor, subject to the legislative audit committee's approval of including the review in the audit plan under Section 321.013.

Added by Acts 1995, 74th Leg., ch. 402, Sec. 1, eff. Sept. 1, 1995. Amended by Acts 2003, 78th Leg., ch. 785, Sec. 42, eff. Sept. 1, 2003.

Sec. 2256.023. INTERNAL MANAGEMENT REPORTS. (a) Not less than quarterly, the investment officer shall prepare and submit to the governing body of the entity a written report of investment transactions for all funds covered by this chapter for the preceding reporting period.

(b) The report must:

- (1) describe in detail the investment position of the entity on the date of the report;
- (2) be prepared jointly by all investment officers of the entity;
- (3) be signed by each investment officer of the entity;

(4) contain a summary statement of each pooled fund group that states the:

- (A) beginning market value for the reporting period;
- (B) ending market value for the period; and
- (C) fully accrued interest for the reporting period;

(5) state the book value and market value of each separately invested asset at the end of the reporting period by the type of asset and fund type invested;

(6) state the maturity date of each separately invested asset that has a maturity date;

(7) state the account or fund or pooled group fund in the state agency or local government for which each individual investment was acquired; and

(8) state the compliance of the investment portfolio of the state agency or local government as it relates to:

(A) the investment strategy expressed in the agency's or local government's investment policy; and

(B) relevant provisions of this chapter.

(c) The report shall be presented not less than quarterly to the governing body and the chief executive officer of the entity within a reasonable time after the end of the period.

(d) If an entity invests in other than money market mutual funds, investment pools or accounts offered by its depository bank in the form of certificates of deposit, or money market accounts or similar accounts, the reports prepared by the investment officers under this section shall be formally reviewed at least annually by an independent auditor, and the result of the review shall be reported to the governing body by that auditor.

Added by Acts 1995, 74th Leg., ch. 402, Sec. 1, eff. Sept. 1, 1995. Amended by Acts 1997, 75th Leg., ch. 1421, Sec. 12, eff. Sept. 1, 1997.

Amended by:

Acts 2011, 82nd Leg., R.S., Ch. [1004](#), Sec. 9, eff. June 17, 2011.

Sec. 2256.024. SUBCHAPTER CUMULATIVE. (a) The authority granted by this subchapter is in addition to that granted by other law. Except as provided by Subsection (b), this subchapter does not:

- (1) prohibit an investment specifically authorized by other law; or
- (2) authorize an investment specifically prohibited by other law.

(b) Except with respect to those investing entities described in Subsection (c), a security described in Section 2256.009(b) is not an authorized investment for a state agency, a local government, or another investing entity, notwithstanding any other provision of this chapter or other law to the contrary.

(c) Mortgage pass-through certificates and individual mortgage loans that may constitute an investment described in Section 2256.009(b) are authorized investments with respect to the housing bond programs operated by:

(1) the Texas Department of Housing and Community Affairs or a nonprofit corporation created to act on its behalf;

(2) an entity created under Chapter 392, Local Government Code; or

(3) an entity created under Chapter 394, Local Government Code.

Added by Acts 1995, 74th Leg., ch. 402, Sec. 1, eff. Sept. 1, 1995.

Sec. 2256.025. SELECTION OF AUTHORIZED BROKERS. The governing body of an entity subject to this subchapter or the designated investment committee of the entity shall, at least annually, review, revise, and adopt a list of qualified brokers that are authorized to engage in investment transactions with the entity.

Added by Acts 1997, 75th Leg., ch. 1421, Sec. 13, eff. Sept. 1, 1997.

Sec. 2256.026. STATUTORY COMPLIANCE. All investments made by entities must comply with this subchapter and all federal, state, and local statutes, rules, or regulations.

Added by Acts 1997, 75th Leg., ch. 1421, Sec. 13, eff. Sept. 1, 1997.

SUBCHAPTER B. MISCELLANEOUS PROVISIONS

Sec. 2256.051. ELECTRONIC FUNDS TRANSFER. Any local government may use electronic means to transfer or invest all funds collected or controlled by the local government.

Amended by Acts 1995, 74th Leg., ch. 402, Sec. 1, eff. Sept. 1, 1995.

Sec. 2256.052. PRIVATE AUDITOR. Notwithstanding any other law, a state agency shall employ a private auditor if authorized by the legislative audit committee either on the committee's initiative or on request of the governing body of the agency.

Amended by Acts 1995, 74th Leg., ch. 402, Sec. 1, eff. Sept. 1, 1995.

Sec. 2256.053. PAYMENT FOR SECURITIES PURCHASED BY STATE. The comptroller or the disbursing officer of an agency that has the power to invest assets directly may pay for authorized securities purchased from or through a member in good standing of the National Association of Securities Dealers or from or through a national or state bank on receiving an invoice from the seller of the securities showing that the securities have been purchased by the board or agency and that the amount to be paid for the securities is just, due, and unpaid. A purchase of securities may not be made at a price that exceeds the existing market value of the securities.

Amended by Acts 1995, 74th Leg., ch. 402, Sec. 1, eff. Sept. 1, 1995; Acts 1997, 75th Leg., ch. 1423, Sec. 8.67, eff. Sept. 1, 1997.

Sec. 2256.054. DELIVERY OF SECURITIES PURCHASED BY STATE. A security purchased under this chapter may be delivered to the comptroller, a bank, or the board or agency investing its funds. The delivery shall be made under normal and recognized practices in the securities and banking industries, including the book entry procedure of the Federal Reserve Bank.

Amended by Acts 1995, 74th Leg., ch. 402, Sec. 1, eff. Sept. 1, 1995; Acts 1997, 75th Leg., ch. 1423, Sec. 8.68, eff. Sept. 1, 1997.

Sec. 2256.055. DEPOSIT OF SECURITIES PURCHASED BY STATE. At the direction of the comptroller or the agency, a security purchased under this chapter may be deposited in trust with a bank or federal reserve bank or branch designated by the comptroller, whether in or outside the state. The deposit shall be held in the entity's name as evidenced by a trust receipt of the bank with which the securities are deposited.

Amended by Acts 1995, 74th Leg., ch. 402, Sec. 1, eff. Sept. 1, 1995; Acts 1997, 75th Leg., ch. 1423, Sec. 8.69, eff. Sept. 1, 1997.

APPENDIX B
COUNCIL RESOLUTION

September 28, 2016

Deleted: 22, 2015

September 28, 2016

Deleted: 22, 2015

WHEREAS, in 1987 the City Council adopted the City's Investment Policy which was in compliance with the federal and state law and the City Charter; and

WHEREAS, in 1995 and 1997 through 2015, the City Council amended the City's Investment Policy to incorporate amendments to the Public Funds Investment Act, improve management of the City's investments and reflect organizational changes; and

Deleted: 2014

WHEREAS, the Public Funds Investment Act requires that the investment shall be made in accordance with written policies approved, at least annually, by the governing body; and

WHEREAS, investment policies must address safety of principal, liquidity, yield, diversification and maturity, with primary emphasis on safety of principal. **Now, Therefore,**

BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF DALLAS:

Section 1. That the attached City of Dallas Investment Policy has been reviewed by the City Council and shall be adopted as the guiding policy in the ongoing management of the specified funds in accordance with federal and state law and the City Charter.

Section 2. That this resolution shall be take effect immediately from and after its passage in accordance with the provisions of the Charter of the City of Dallas and it is accordingly so resolved.

CITY OF DALLAS

INVESTMENT POLICY

**As adopted by City Council
September 28, 2016**

TABLE OF CONTENTS

	<u>Page</u>
1.0 Policy	3
2.0 Scope	3
3.0 Objective	4
4.0 Delegation of Authority	4
5.0 Prudence	5
6.0 Ethics and Conflicts of Interest	5
7.0 Training	5
8.0 Authorized and Suitable Investments	6
9.0 Authorized Broker/Dealers and Financial Institutions	7
10.0 Competitive Bidding	8
11.0 Collateralization of Deposits	8
12.0 Safekeeping and Custody	9
13.0 Diversification and Maximum Maturities	9
14.0 Sale of Securities	10
15.0 Investment Committee	10
16.0 Investment Advisor	10
17.0 Investment Strategies	10
18.0 Reporting	12
19.0 Annual Compliance Audit	12
20.0 Investment Policy Adoption	12
Glossary	13
Appendices	
A. Government Code – Chapter 2256 “Public Funds Investment Act”	
B. Council Resolution	

1.0 Policy

It is the policy of the City of Dallas to invest public funds in a manner which will provide security and optimize interest earnings to the maximum extent possible while meeting the daily cash flow demands of the City and conforming to all federal, state and local statutes, rules and regulations governing the investment of public funds. This Policy sets forth the investment program of the City of Dallas and the guidelines to be followed in achieving its objectives.

Not less than annually, City Council shall adopt a written instrument by resolution stating that it has reviewed the Investment Policy and investment strategies and that the written instrument so adopted shall record any changes made to the Investment Policy or investment strategies.

This Policy is intended to satisfy the requirements of the Public Funds Investment Act, Chapter 2256, Texas Government Code (the "PFIA" or the "Act") that an investing entity such as the City of Dallas adopt and review an investment policy governing the investment by the investing entity of its funds and funds under its control.

2.0 Scope

This Policy governs the investment of all funds of the City except those that are identified in Section 2.2 below. With respect to the funds of non-profit corporations that are established by City resolution and act on behalf of the City in accordance with State law, this Policy shall prevail in the absence of a specific investment policy adopted by the non-profit corporation. In addition to this Policy, the investment of bond proceeds and other bond funds (including debt service and reserve funds) of the City or of a non-profit corporation established by City resolution and acting on behalf of the City in accordance with State law shall be governed and controlled by their governing ordinance, resolution or trust indenture, including the authorization of eligible investments, and by the provisions of the Internal Revenue Code of 1986, as amended (the "Internal Revenue Code"), including all regulations and rulings promulgated thereunder applicable to the issuance of tax-exempt obligations.

- 2.1 All funds are managed as a pooled fund group, referenced in this Policy as the City's investment pool, with the exception of the following, which are managed as separately invested assets:
 - 2.1.1 Bond Funds - funds established with the proceeds from specific bond issues when it is determined that segregating these funds from the City's investment pool will result in maximum interest earnings retention under the provisions of the Internal Revenue Code.
 - 2.1.2 Bond Reserve Funds - funds set at prescribed levels by certain bond ordinances to pay principal and/or interest if required to prevent default.
 - 2.1.3 Endowment Funds - funds given to the City with the instructions that the principal is to remain intact, unless otherwise agreed to, and the income generated by the investments will be used for specified purposes.
 - 2.1.4 Commercial Paper Funds - unexpended proceeds from the issuance of commercial paper notes.
- 2.2 Funds not governed by this Policy include:
 - 2.2.1 Employees' Retirement Fund
 - 2.2.2 Dallas Police and Fire Pension System
 - 2.2.3 Deferred Compensation Funds
 - 2.2.4 Private Donations – investments donated to the City are excluded from this Policy if separately managed under terms of use specified by the donor.

3.0 Objective

Investment of the funds covered by this Policy shall be governed by the following investment objectives, in order of priority:

- 3.1 **Safety:** Safety of principal is the primary objective of the Investment Policy. Investment of the City's funds shall be undertaken in a manner that seeks to ensure the preservation of capital for the overall portfolio. The objective will be to mitigate credit risk and interest rate risk.

The City will mitigate credit risk, which is the risk of loss due to the failure of the issuer or backer, by:

- Limiting investments to the types listed in Section 8.0 ("Authorized and Suitable Investments") of this Policy
- Qualifying the broker/dealers and financial institutions with which the City may engage in an investment transaction in accordance with Section 9.0 ("Authorized Broker/Dealers and Financial Institutions)
- Diversifying the investment portfolio so that the impact of potential losses from any one type of investment or from any one individual issuer will be minimized (see Section 13.0 "Diversification and Maximum Maturities").

The City will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by:

- Structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities prior to maturity
- Investing operating funds primarily in shorter-term securities, money market mutual funds, or similar local government investment pools and limiting the weighted average maturity of the portfolio in accordance with this Policy (see Section 17.0 "Investment Strategies").

- 3.2 **Liquidity:** The City's investment portfolio will remain sufficiently liquid to enable the City to meet all operating requirements that might be reasonably anticipated. This is accomplished by structuring the portfolio so that investments mature concurrent with cash needs to meet anticipated demands. A portion of the portfolio will be placed in money market mutual funds or local government investment pools offering same-day liquidity to meet unanticipated demands.

- 3.3 **Yield:** The City's investment portfolio shall be designed with the objective of attaining a market rate of return, throughout budgetary and economic cycles, commensurate with the City's investment risk constraints and the cash flow characteristics of the portfolio.

4.0 Delegation of Authority

The Chief Financial Officer, under the direction and authority of the City Manager, shall direct the cash management program of the City as defined in Section 2-134, "Duties of the Chief Financial Officer", Chapter 2 "Administration" of the Dallas City Code, as amended. City Council shall designate the Chief Financial Officer, City Controller, and the Assistant Director/Treasury Manager as Investment Officers responsible for the investment of its funds, under the direction and authority of the City Manager.

The City's Investment Officers shall establish written procedures for the operation of the investment program consistent with this Investment Policy. Such procedures shall include explicit delegation of authority to persons responsible for investment transactions. No person may engage in an investment transaction except as provided under the terms of this Policy and the written procedures. Authority granted to a person to invest the City's funds is effective until rescinded or until termination of the person's employment by the City. The Investment Officers shall be responsible for all transactions undertaken and shall establish a system of controls, to be reviewed by the City Auditor, to regulate the activities of subordinate officials. In order to assure quality and capability of investment management, the Investment Officers shall possess sufficient working knowledge of economics and securities markets, as well as the supervisory experience and judgment necessary to carry out the responsibilities outlined in this Policy.

5.0 Prudence

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

- 5.1 The standard of prudence to be used by investment officials shall be the “prudent person” standard and shall be applied in the context of managing an overall portfolio. Investment Officers acting in accordance with written procedures and the Investment Policy and exercising due diligence shall be relieved of personal responsibility for an individual security’s credit risk or market price changes, provided deviations from expectations are reported in a timely fashion and appropriate action is taken to control adverse developments.
- 5.2 In determining whether an investment official has exercised prudence with respect to an investment decision, the determination shall be made taking into consideration the investment of all funds over which the official had responsibility rather than consideration as to the prudence of a single investment and, whether the investment decision was consistent with the City’s Investment Policy and written investment procedures.

6.0 Ethics and Conflicts of Interest

Investment Officers who have a personal business relationship with a business organization offering to engage in an investment transaction with the City shall refrain from activities that could conflict with proper execution of the investment program, or which could impair their ability to make impartial investment decisions.

- 6.1 Investment Officers shall sign annual statements agreeing to abide by this section of the Investment Policy and affirming no known conflicts of interest.
- 6.2 Investment Officers must file a disclosure statement with the Texas Ethics Commission and City Council if:
 - a) the Investment Officer has a personal business relationship with a business organization offering to engage in an investment transaction with the City; or
 - b) the Investment Officer is related within the second degree by affinity or consanguinity, as determined under Chapter 573 of the Texas Government Code, to an individual seeking to transact investment business with the City.
- 6.3 An Investment Officer has a personal business relationship with a business organization if:
 - a) the Investment Officer owns 10 percent or more of the voting stock or shares of the business organization or owns \$5,000 or more of the fair market value of the business organization;
 - b) funds received by the Investment Officer from the business organization exceed 10 percent of his/her gross income for the previous year; or
 - c) the Investment Officer has acquired from the business organization during the previous year investments with a book value of \$2,500 or more for his/her personal account.

7.0 Training

The Investment Officers and the persons authorized to execute investment transactions shall attend at least one 10 hour investment training session within 12 months after taking office or assuming duties and receive not less than 8 hours of instruction relating to investment responsibilities during a two-year period that begins on the first day of the City’s fiscal year following the initial 10 hours of instruction and consists of the two consecutive fiscal years after that date. Training must be received from an independent source approved by the City’s Investment Committee and must include education in investment controls, security risks, strategy risks, market risks, diversification of investment portfolio and compliance with the Act.

8.0 Authorized and Suitable Investments

City funds governed by this Policy may be invested in the instruments described below, all of which are authorized by Chapter 2256 of the Government Code (Public Funds Investment Act).

- 8.1 Direct obligations of the United States, its agencies or instrumentalities, and other obligations, the principal and interest of which are unconditionally guaranteed or insured by, or backed by the full faith and credit of the United States or its respective agencies and instrumentalities, including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation or by the explicit full faith and credit of the United States.

The City will restrict investments in eligible securities described in this section to discount notes and callable or non-callable fixed-rate securities with a fixed principal repayment amount.
- 8.2 Direct obligations of states and local governments rated not less than Aa3 or its equivalent (long-term rating) or an equivalent short-term rating by at least one nationally recognized investment rating firm.
- 8.3 Fully collateralized Certificates of Deposit/Share Certificates that are issued by a bank or credit union that has its main office or branch office within the City and are:
 - a) guaranteed or insured by the Federal Deposit Insurance Corporation or its successor or the National Credit Union Share Insurance Fund or its successor; or
 - b) secured by obligations in accordance with Section 11.0 herein.

If the certificate of deposit is collateralized by pledged securities the City must have on file a signed Depository Agreement, approved as to form by the City Attorney, which details eligible collateral, collateralization ratios for pledged securities, standards for collateral custody and control of pledged securities, collateral valuation of pledged securities, and conditions for agreement termination.
- 8.4 Certificates of Deposit obtained through a depository institution or a broker approved by the City's Investment Committee under the provisions of Section 9.0 of this Policy that has its main office or branch office within the City and that contractually agrees to place the funds in federally insured depository institutions in accordance with the conditions prescribed in Section 2256.010(b) of the Act.
- 8.5 Fully collateralized repurchase agreements in accordance with the conditions prescribed in Section 2256.011 of the Act. Prior to investment in a repurchase agreement, the City must have on file a signed Master Repurchase Agreement, approved as to form by the City Attorney, which details eligible collateral, collateralization ratios, standards for collateral custody and control, collateral valuation, and conditions for agreement termination and provided the repurchase agreement:
 - a) has a defined termination date;
 - b) is secured by a combination of cash and obligations of the United States or its agencies and instrumentalities described by Section 2256.009(a) (1) of the Act. Securities received for repurchase agreements must have a market value greater than or equal to 103% at the time the investment is made and throughout the terms of the repurchase agreement;
 - c) requires the securities being purchased by the City or cash held by the City to be assigned to the City, held in the City's name, and deposited at the time the investment is made with the City or with a third party selected and approved by the City; and
 - d) is placed through a primary government securities dealer, as defined by the Federal Reserve, or a financial institution doing business in this state, and which is rated no less than A or its equivalent by two nationally recognized rating services.
- 8.6 A securities lending program is an authorized investment if it meets the following conditions:
 - a) A loan made under the program must allow for termination at any time;
 - b) A loan made under the program must be placed through a primary government securities dealer, as defined by the Federal Reserve, or a financial institution doing business in this state that is rated no less than A or its equivalent by two nationally recognized rating services. An agreement to lend securities must have a term of one year or less and shall comply with the provisions of section 1058 of the Internal Revenue Code;
 - c) A loan made under the program must be secured as prescribed in Section 2256.0115(b)(3) of the Act. Securities being held as collateral must be pledged to the City, held in the City's name, and deposited at the time the investment is made with a third party approved by the City;

- d) The amount of collateral must not be less than 100% of the market value of securities loaned, including accrued income. The market value of securities loaned shall be determined daily. Cash received as collateral shall not be invested for a term later than the expiration date of the securities lending agreement and may only be invested in investments as authorized by this Policy.

- 8.7 No-load money market mutual funds that are registered with and regulated by the Securities and Exchange Commission that meet the requirements of the PFIA, and, in addition:
 - a) are rated not less than Aaa or an equivalent rating by at least one nationally recognized rating service. A rating is not required for a sweep account investment, which is part of the city's depository contract; and,
 - b) have provided the City with a prospectus and other information as may be required by law.

Investments will be made in a money market mutual fund only after a thorough investigation of the fund and approval by the Investment Committee which shall, at least annually, review, revise and adopt a list of approved funds.

- 8.8 Local government investment pools which are organized in conformity with Chapter 791 (Interlocal Cooperation Contracts Act) and meet the requirements of the PFIA that:
 - a) are rated not less than Aaa or an equivalent rating by at least one nationally recognized rating service; and
 - b) have provided the City with an offering circular and other information required by the Act.

To become eligible, investment pools must be approved by City Council action. Investments will be made in a local government investment pool only after a thorough investigation of the pool and approval by the Investment Committee which shall, at least annually, review, revise and adopt a list of approved pools.

The Investment Officers may at times restrict or prohibit the purchase of specific issues due to current market conditions. An investment that requires a minimum rating under this section does not qualify as an authorized investment during the period the investment does not have the minimum rating. Ratings shall be monitored using nationally recognized financial information sources, including actions published on rating agency websites. The City shall take all prudent measures consistent with the Act to liquidate an investment that does not have the minimum rating required by the Act.

9.0 Authorized Broker/Dealers and Financial Institutions

The Investment Committee shall, at least annually, review, revise, and adopt a list of qualified broker/dealers and financial institutions authorized to engage in the purchase and sale of obligations of the U.S. Government, its agencies or instrumentalities with the City. In order to be considered, those firms that desire to become qualified bidders for securities transactions will be required to provide information regarding creditworthiness, experience and reputation. Authorized firms may include primary dealers or regional dealers that qualify under Securities & Exchange Commission Rule 15C3-1 (uniform net capital rule).

A written copy of this Investment Policy shall be presented to any person offering to engage in an investment transaction with the City. Investments shall only be made with those business organizations (including money market mutual funds and local government investment pools) which have provided the City with a written instrument executed by a qualified representative of the firm, acknowledging that the business organization has:

- a) received and reviewed the City's Investment Policy; and
- b) implemented reasonable procedures and controls in an effort to preclude investment transactions conducted between the City and the organization 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.

10.0 Competitive Bidding

It is the policy of the City to require competitive bidding for all individual security purchases and sales except for:

- a) transactions with money market mutual funds and local government investment pools (which are deemed to be made at prevailing market rates)
- b) treasury and agency securities purchased at issue through an approved broker/dealer or financial institution
- c) automatic overnight "sweep" transactions with the City Depository
- d) fully insured certificates of deposit placed in accordance with the conditions prescribed in Section 2256.010(b) of the Act or placed with the City's Depository if so authorized by the City Depository Contract.

At least three bids or offers must be solicited for all other transactions involving individual securities. The City's investment advisor is also required to solicit at least three bids or offers when transacting trades on the City's behalf. In situations where the exact security being offered is not offered by other dealers, offers on the closest comparable investment may be used to establish a fair market price for the security. Bids for certificates of deposit may be solicited in any manner permitted by the Act.

11.0 Collateralization of Deposits

The City requires that all uninsured collected balances plus accrued interest, if any, in depository accounts be secured in accordance with the requirements of this Policy and Chapter 2257, Government Code ("Public Funds Collateral Act") and the Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (FIRREA). Financial institutions serving as City depositories will be required to sign a Depository Agreement with the City which details securities that can serve as eligible collateral, collateralization ratios, standards for collateral custody and control, collateral valuation, rights of substitution and conditions for agreement termination.

Pledged securities serving as collateral will always be held by an independent third party with which the City has a current custodial agreement and shall be reviewed at least monthly to ensure that the market value of the pledged securities is at least 102%. Eligible collateral are as follows:

Eligible Collateral

- 1) Direct obligations of the United States or other obligations of the United States or other obligations, the principal and interest of which are unconditionally guaranteed or insured by, or backed by the full faith and credit of the United States.
- 2) Direct debt obligations of an agency or instrumentality of the United States.
- 3) Mortgage-backed securities issued directly by an agency or instrumentality of the United States eligible under the Public Funds Collateral Act.
- 4) Direct debt obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than A or its equivalent.

The use of a letter of credit issued to the City by the Federal Home Loan Bank may be considered by the City to provide collateral for bank deposits and for certificates of deposit.

The City's Investment Officers reserve the right to accept or reject any form of collateral or enhancement at their sole discretion.

12.0 Safekeeping and Custody

Safekeeping and custody of investment securities shall be in accordance with applicable law and accounting standards. All securities transactions, except local government investment pool and money market mutual fund transactions, shall be conducted on a delivery versus payment (DVP) basis. Investment securities will be held by a third party custodian designated by the City, and be required to issue safekeeping receipts clearly detailing that the securities are owned by the City.

Safekeeping and custody of collateral shall be in accordance with applicable law and accounting standards. Pledged securities serving as collateral will be held by a third party custodian designated by the City, and pledged to the City as evidenced by safekeeping receipts of the institution with which the securities are deposited.

13.0 Diversification and Maximum Maturities

The City's Investment Pool will be diversified to limit market and credit risk by observing the limitations at the time of purchase as listed below. In order to ensure the ability of the City to meet obligations and to minimize potential liquidation losses, the dollar-weighted average stated maturity of the Investment Pool shall not exceed 1.5 years at the time investments are purchased for the Investment Pool. Funds managed as separately invested assets in Section 2.1 of the Policy are subject to all of the following with the exception of the Issuer Limitation on investment in U.S. Agencies and Instrumentalities. Funds managed as separately invested assets may be invested 100% in the obligations of any one U.S. Agency or Instrumentality.

	Maximum Stated Maturity¹	Issuer Limitations
U.S. Treasuries	5 Years	100% of the City's investment pool may be invested in obligations of the U.S. Treasury.
U.S. Agencies/Instrumentalities	5 Years	No more than 30% of the book value of the City's investment pool may be invested in the obligations of any one issuer.
Municipal Notes and Bonds	5 Years	The City may not own more than the lesser of \$5 million or 20% of any single issue.
Repurchase Agreements	30 Days	No more than 15% of the City's investment pool may be invested with one counterparty, excluding flexible repurchase agreements for investment of bond proceeds.
Money Market Mutual Funds	N/A	The City may not own more than the lesser of \$100 million or 5% of the total assets of any one fund, excluding money market mutual funds for investment of commercial paper proceeds.
Local Government Investment Pools	N/A	The City may not own more than the lesser of \$400 million or 10% of the total assets of any one pool.
Certificates of Deposit	5 Years	The City may not own more than \$50 million of any single financial institution's certificates of deposit at any one time, excluding certificates of deposit placed with the City's

Depository if so authorized by the City
Depository Contract.

In addition to the above limitations, the City's investment pool shall be diversified by market sector as follows:

	Maximum Percentage of Investment Pool
U.S. Treasuries	100%
U.S. Agencies/Instrumentalities	100% (maximum 30% callable)
Municipal Notes and Bonds	15%
Repurchase Agreements	15%*
Money Market Mutual Funds	15%
Local Government Investment Pools	45%
Certificates of Deposit	20%**

* Excluding flexible repurchase agreements for bond proceeds.

**Excluding certificates of deposit placed with the City's Depository if so authorized by the City Depository Contract.

- (1) Purchases of securities with stated maturities greater than the maximum authorized under this section require prior City Council approval. With respect to bond proceeds and other bond funds, the City may, in the bond ordinance, specifically authorize investments in repurchase agreements with maturities in excess of 30 days subject to any required approvals from bond insurers.

14.0 Sale of Securities

The City's policy is to hold securities to maturity. However, securities may be sold:

- (a) in order to minimize the potential loss of principal on a security whose credit quality has declined;
- (b) in order to reposition the portfolio for the purpose of improving the quality, yield, or target duration of the portfolio; or
- (c) in order to meet unanticipated liquidity needs of the portfolio.

15.0 Investment Committee

An Investment Committee shall be established and meet quarterly to determine investment guidelines, general strategies, and monitor performance. Members of the Investment Committee will include the Investment Officers, the Cash and Investment Manager and the City's Investment Advisor if the City has contracted with an Advisor. The Investment Advisor is a non-voting member of the Investment Committee.

16.0 Investment Advisor

The City may retain the services of an Investment Advisor to assist in the review of cash flow requirements, the formulation of investment strategies, and the execution of security purchases, sales and deliveries.

17.0 Investment Strategies

The City of Dallas maintains separate portfolios for individual funds or groups of funds (as listed under Sec. 2.0 of this Policy) which are managed according to the terms of this Policy and the corresponding investment strategies listed below. The investment strategy for portfolios established after the annual Investment Policy adoption will be managed in accordance with the terms of this Policy and applicable agreements until the next annual review when a specific strategy will be adopted.

- 17.1 Investment Pool Strategy - The City's Investment Pool is an aggregation of the majority of City funds which includes tax receipts, enterprise fund revenues, fine and fee revenues, as well as some, but not all, bond proceeds, grants, gifts and endowments. This portfolio is maintained to meet anticipated daily cash needs for City of Dallas operations, capital projects and debt service. The objectives of this portfolio are to:
 - a) ensure safety of principal by investing only in high-quality securities for which a strong secondary market exists;
 - b) ensure that anticipated cash flows are matched with adequate investment liquidity;
 - c) limit market and credit risk through diversification; and

- d) attain a market rate of return commensurate with the objectives and restrictions set forth in this Policy by managing the portfolio to meet or exceed the 12 month moving average yield on treasury one-year constant maturities as reported by Federal Reserve Statistical Release H.15.
- 17.2 Bond Funds Strategy - Occasionally, separate non-pooled portfolios are established with the proceeds from bond sales in order to maximize earnings within the constraints of arbitrage regulations. The objectives of these portfolios are to:
- a) ensure safety of principal by investing only in high-quality securities for which a strong secondary market exists or by maintaining the security of the investment through collateralization according to the standards approved in Section 8.4 of this Policy;
 - b) ensure that anticipated cash flows are matched with adequate investment liquidity or that the terms of the secured investment agreement permit maximum flexibility for the City in making withdrawals;
 - c) manage market and credit risk through diversification and control of counterparty risk; and
 - d) attain a market rate of return commensurate with the objectives and restrictions set forth in this Policy and the bond ordinance by managing the portfolio to meet or exceed the bond yield
- 17.3 Bond Reserve Fund Strategy - Non-pooled reserve funds for outstanding revenue bonds are set at levels required by their respective bond ordinances. These funds will be used to pay the final principal and/or interest due on outstanding bonds that are similarly secured or to make up any shortfalls in debt service funds as required by the bond ordinance. The objectives of Bond Reserve Fund Portfolios are to:
- a) ensure safety of principal by investing only in high-quality securities for which a strong secondary market exists or by maintaining the security of the investment through collateralization according to the standards approved in Section 8.4 of this Policy;
 - b) ensure that anticipated cash flows are matched with adequate investment liquidity or that the terms of the secured investment agreement permit maximum flexibility for the City in making withdrawals;
 - c) manage market and credit risk through diversification and control of counterparty risk; and
 - d) attain a market rate of return commensurate with the objectives and the restrictions set forth in this Policy and the bond ordinance by managing the portfolio to meet or exceed the bond yield.
- 17.4 Endowment Funds Strategy - Funds received as gifts to the City with instructions that the income generated by the investment of said funds be used for specified purposes may be invested as separate non-pooled portfolios if required by the terms of the gift. The objectives of Endowment Portfolios are to:
- a) ensure safety of principal and sufficient liquidity by investing only in high-quality securities for which a strong secondary market exists;
 - b) manage market and credit risk through the use of a competitive process to place investments;
 - c) attain a market rate of return commensurate with the objectives and restrictions set forth in this Policy and the terms of the gift.
- 17.5 Commercial Paper Funds Strategy – The City issues tax-exempt commercial paper notes as an interim financing tool for construction projects. The investment of the proceeds from the issuance of commercial paper debt should have a high degree of liquidity in order to fund payments to contractors. The objectives of this portfolio are to:
- a) ensure safety of principal and sufficient liquidity by investing in money market mutual funds or short-term high-quality securities for which a strong secondary market exists;
 - b) manage market and credit risk through diversification of funds and/or securities. Funds must be rated AAA by at least one nationally recognized rating agency; and
 - c) attain a market rate of return commensurate with the objectives and restrictions set forth in this Policy and governing bond ordinances.
- 17.6 Trinity Parkway Escrow Strategy – This escrow was established pursuant to an Agreement dated as of January 1, 1999 with the North Texas Tollway Authority (“NTTA”) pertaining to development of the Trinity Parkway. These funds will be used to reimburse NTTA for specified payments related to project feasibility. Permitted investments for this portfolio are defined in the Escrow Agreement as those that are consistent with the Act. The objectives of this portfolio are to:

- a) ensure safety of principal and sufficient liquidity by investing only in high-quality securities for which a strong secondary market exists;
- b) ensure that anticipated cash flows are matched with adequate investment liquidity;
- c) manage market and credit risk through diversification of funds and requirement of AAA rating; and
- d) attain a market rate of return commensurate with the objectives and restrictions set forth in this Policy and the Agreement.

18.0 Reporting

Investment performance is regularly monitored by investment staff and reported to the Investment Committee on a monthly basis. Month-end market prices on each security are obtained from nationally recognized securities databases including those provided by the City's depository bank through its safekeeping services and Bloomberg Professional Services. These prices are recorded in the City's portfolio database and included in all management reports as well as the City's Comprehensive Annual Financial Report.

Not less than quarterly the Investment Officers will submit to the city council finance committee described in Chapter III, Section 13 of the Dallas City Charter, the City Manager, and the Mayor and City Council a written report of the status of the current investment portfolio. The report must meet the requirements of the Act.

An independent auditor shall formally review the quarterly reports prepared under this section at least annually, and that auditor shall report the results of the review to City Council.

19.0 Annual Compliance Audit

In conjunction with the annual financial audit, a compliance audit shall be performed which includes an audit of management controls on investments and adherence to the City's established investment policy.

20.0 Investment Policy Adoption

The City's Investment Policy is hereby adopted by resolution of the City Council on September 28, 2016 in accordance with the PFIA.

GLOSSARY

ACCRETION OF DISCOUNT: Periodic straight-line increases in the book or carrying value of a security so the amount of the purchase price discount below face value is completely eliminated by the time the bond matures or by the call date, if applicable.

ACCRUED INTEREST: The interest accumulated on a security from its issue date or since the last payment of interest up to but not including the purchase date. The purchaser of the security pays to the seller the market price plus accrued interest.

AMORTIZATION OF PREMIUM: Periodic straight-line decreases in the book or carrying value of a security so the premium paid for a bond above its face value or call price is completely eliminated.

ASK: The price at which securities are offered by sellers.

BARBELL MATURITY STRATEGY: A maturity pattern within a portfolio in which maturities of the assets in the portfolio are concentrated in both the short and long ends of the maturity spectrum.

BASIS POINT: One one-hundredth (1/100) of one percent; 0.0001 in decimal form.

BENCHMARK: A comparative base for performance evaluation. A benchmark can be a broad-based bond index, a customized bond index, or a specific objective.

BID: The price offered for securities by purchasers. (When selling securities, one asks for a bid.)

BOND EQUIVALENT YIELD: Used to compare yields available from discounted securities that pay interest at maturity with yields available from securities that pay interest semi-annually.

BOOK ENTRY SECURITIES: Stocks, bonds, other securities, and some certificates of deposit that are purchased, sold, and held as electronic computer entries on the records of a central holder. These securities are not available for purchase in physical form; buyers get a receipt or confirmation as evidence of ownership.

BOOK VALUE: The original cost of the security as adjusted for amortization of any premium paid or accretion of discount since the date of purchase.

BROKER: A party who brings buyers and sellers together. Brokers do not take ownership of the property being traded. They are compensated by commissions. They are not the same as dealers; however, the same firms that act as brokers in some transactions may act as dealers in other transactions.

CALLABLE BOND: A bond that the issuer has the right to redeem prior to maturity at a specified price. Some callable bonds may be redeemed on one call date while others may have multiple call dates. Some callable bonds may be redeemed at par while others can be redeemed only at a premium. Some callable bonds are step-up bonds that pay an initial coupon rate for the first period, and then the coupon rate increases for the following periods if the bonds are not called by the issuer.

CERTIFICATE OF DEPOSIT (CD): A time deposit with a specific maturity evidenced by a certificate. Large-denomination (over \$100,000) CD's are typically negotiable.

CODE: The Internal Revenue Code of 1986, as amended.

COLLATERAL: Securities, evidence of deposit or other property which a borrower pledges to secure repayment of a loan. Also refers to securities pledged by a bank to secure deposits of public monies.

COLLATERALIZED MORTGAGE OBLIGATION (CMO): A type of mortgage-backed security created by dividing the rights to receive the principal and interest cash flows from an underlying pool of mortgages in separate classes or tiers.

COMMERCIAL PAPER: Short-term unsecured promissory notes issued by corporations for a maturity specified by the buyer. It is used primarily by corporations for short-term financing needs at a rate which is generally lower than the prime rate.

CONFIRMATION: The document used to state in writing the terms of the trade which had previously been agreed to verbally.

COUPON RATE: The stated annual rate of interest payable on a coupon bond expressed as a percentage of the bond's face value.

CREDIT RISK: The risk that (1) the issuer is downgraded to a lower quality category and/or (2) the issuer fails to make timely payments of interest or principal.

CUSIP NUMBER: A nine-digit number established by the Committee on Uniform Securities Identification Procedures that is used to identify publicly traded securities. Each publicly traded security receives a unique CUSIP number when the security is issued.

CUSTODY: The service of an organization, usually a financial institution, of holding (and reporting) a customer's securities for safekeeping. The financial institution is known as the custodian.

DEALER: A firm which buys and sells for its own account. Dealers have ownership, even if only for an instant, between a purchase from one party and a sale to another party. They are compensated by the spread between the price they pay and the price they receive. Dealers are not the same as brokers; however, the same firms which act as dealers in some transactions may act as brokers in other transactions.

DELIVERY VERSUS PAYMENT (DVP): The safest method of settling a trade involving a book entry security. In a DVP settlement, the funds are wired from the buyer's account and the security is delivered from the seller's account in simultaneous, interdependent wires.

DEPOSITORY TRUST COMPANY (DTC): An organization that holds physical certificates for stocks and bonds and issues receipts to owners. Securities held by DTC are immobilized so that they can be traded on a book entry basis.

DERIVATIVE: A security that derives its value from an underlying asset, group of assets, reference rate, or an index value. Some derivatives can be highly volatile and result in a loss of principal in changing interest rate environments.

DISCOUNT: The amount by which the price paid for a security is less than its face value.

DISCOUNT SECURITIES: Securities that do not pay periodic interest. Investors earn the difference between the discount issue price and the full face value paid at maturity.

DIVERSIFICATION: Dividing investment funds among a variety of securities offering independent returns, to reduce risk inherent in particular securities.

DURATION: A sophisticated measure of the weighted average maturity of a bond's cash flow stream, where the present values of the cash flows serve as the weights.

ECONOMIC CYCLE (BUSINESS CYCLE): As the economy moves through the business cycle, interest rates tend to follow the levels of production, output, and consumption - rising as the economy expands and moves out of recession and declining after the economy peaks, contracts, and heads once again into recession.

EFFECTIVE MATURITY: The average maturity of a bond, given the potential for early call. For a non-callable bond, the final maturity date serves as the effective maturity. For a callable bond, the effective maturity is bounded by the first call date and the final maturity date; the position within this continuum is a function of the call price, the current market price, and the reinvestment rate assumed.

FACE VALUE: The principal amount due and payable to a bondholder at maturity; par value. Also, the amount on which coupon interest is computed.

FAIL: The event of a securities purchase or sale transaction not settling as intended by the parties.

FAIR VALUE: The amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

FEDERAL DEPOSIT INSURANCE CORPORATION (FDIC): A federal agency that insures bank deposits.

FEDERAL FARM CREDIT BANKS (FFCB): A government-sponsored corporation that was created in 1916 and is a nationwide system of banks and associations providing mortgage loans, credit, and related services to farmers, rural homeowners, and agricultural and rural cooperatives. The banks and associations are cooperatively owned, directly or indirectly, by their respective borrowers. The Federal Farm Credit System is supervised by the Farm Credit Administration, an independent agency of the U.S. government. (See Government Sponsored Enterprise)

FEDERAL FUNDS: Monies within the Federal Reserve System representing a member bank's surplus reserve funds. Banks with excess funds may sell their surplus to other banks whose funds are below required reserve levels. Normally, Federal funds are employed in settling all government securities transactions. The Federal Funds Rate is the rate of interest at which Fed funds are traded. This rate is currently pegged by the Federal Reserve through open-market operations.

FEDERAL HOME LOAN BANKS (FHLB): Government-sponsored wholesale banks (currently twelve regional banks) which lend funds and provide correspondent banking services to member commercial bank, thrift institutions, credit unions and insurance companies. The mission of the FHLBs is to liquefy the housing related assets of its members who must purchase stock in their district Bank. (See Government Sponsored Enterprises)

FEDERAL HOME LOAN MORTGAGE CORPORATION (FHLMC or "Freddie Mac"): A government-sponsored corporation that was created in July 1970, by the enactment of Title III of the Emergency Home Finance Act of 1970. Freddie Mac was established to help maintain the availability of mortgage credit for residential housing, primarily through developing and maintaining an active, nationwide secondary market in conventional residential mortgages. (See Government Sponsored Enterprises)

FEDERAL NATIONAL MORTGAGE ASSOCIATION (FNMA or Fannie Mae): FNMA, like GNMA was chartered under the Federal National Mortgage Association Act in 1938. FNMA is a federal corporation working under the auspices of the Department of Housing and Urban Development (HUD). It is the largest single provider of residential mortgage funds in the United States. Fannie Mae is a private stockholder-owned corporation. FNMA securities are highly liquid and are widely accepted. FNMA assumes and guarantees that all security holders will receive timely payment of principal and interest. (See Government Sponsored Enterprises)

FEDERAL OPEN MARKET COMMITTEE (FOMC): Consists of seven members of the Federal Reserve Board and five of the twelve Federal Reserve Bank presidents. The president of the New York Federal Reserve Bank is a permanent member while the other presidents serve on a rotating basis. The Committee periodically meets to set Federal Reserve guidelines regarding purchases and sales of government securities in the open market as a means of influencing the volume of bank credit and money.

FEDERAL RESERVE SYSTEM: The central bank of the United States created by Congress and consisting of a seven member Board of Governors in Washington, D.C., twelve regional banks and about 5700 commercial banks that are members of the system.

FIXED-INCOME SECURITY: A financial instrument promising a fixed amount of periodic income over a specified future time span.

GOVERNMENT-SPONSORED ENTERPRISES (GSE's): Payment of principal and interest on securities issued by these corporations is not guaranteed explicitly by the U.S. government, however, most investors consider these securities to carry an implicit U.S. government guarantee. The debt is fully guaranteed by the issuing corporations. GSE's include: Farm Credit System, Federal Home Loan Bank System, Federal Home Loan Mortgage Corporation, and Federal National Mortgage Association.

INSTRUMENTALITIES: See Government-Sponsored Enterprises

INTEREST RATE RISK: The risk that the general level of interest rates will change, causing unexpected price appreciations or depreciations.

LADDERED MATURITY STRATEGY: A maturity pattern within a portfolio in which maturities of the assets in the portfolio are equally spaced. Over time, the shortening of the remaining lives of the assets provides a steady source of liquidity or cash flow. Given a normal yield curve with a positive slope this passive strategy provides the benefit of being able to take advantage of the higher, longer-term yields without sacrificing safety or liquidity.

LIQUIDITY: An entity's capacity to meet future monetary outflows (whether they are required or optional) from available resources. Liquidity is often obtained from reductions of cash or by converting assets into cash.

LIQUIDITY RISK: The risk that an investment will be difficult to sell at a fair market price in a timely fashion.

MARKET RISK: The risk that the value of a security will rise or decline as a result of changes in market conditions. It is that part of a security's risk that is common to all securities of the same general class (stocks and bonds) and thus cannot be eliminated by diversification; also known as systematic risk.

MARKET VALUE: The price at which a security is trading and could presumably be purchased or sold.

MARKING-TO-MARKET: The practice of valuing a security or portfolio according to its market value, rather than its cost or book value.

MASTER REPURCHASE AGREEMENT: A written contract covering all future transactions between the parties to repurchase agreements that establishes each party's rights in the transactions. A master agreement will often specify, among other things, the right of the buyer to liquidate the underlying securities in the event of default by the seller.

MATURITY DATE: The date on which the principal or face value of an investment becomes due and payable.

MONEY MARKET INSTRUMENT: Generally, a short-term debt instrument that is purchased from a broker, dealer, or bank. Sometimes the term "money market" with "short-term", defines an instrument with no more than 12 months remaining from the purchase date until the maturity date. Sometimes the term "money market" is used more restrictively to mean only those instruments that have active secondary markets.

MORTGAGE-BACKED SECURITIES (MBS): Securities composed of, or collateralized by, loans that are themselves collateralized by liens on real property.

OFFER: The price asked by a seller of securities. (When purchasing securities, one asks for an offer.)

OPEN MARKET OPERATIONS: Purchases and sales of government and certain other securities in the open market by the New York Federal Reserve Bank as directed by the FOMC in order to influence the volume of money and credit in the economy. Purchases inject reserves into the bank system and stimulate growth of money and credit; sales have the opposite effect. Open market operations are the Federal Reserve's most important and most flexible monetary policy tool.

OPPORTUNITY COST: The cost of pursuing one course of action measured in terms of the foregone return that could have been earned on an alternative course of action that was not undertaken.

PAR: See Face Value

PFIA OR ACT: The Public Funds Investment Act, Chapter 2256, Texas Government Code, as amended.

POOLED FUND GROUP: An internally created fund of an investing entity in which one or more institutional accounts of the investing entity are invested (as defined by the Public Funds Investment Act).

PREMIUM: The amount by which the price paid for a security exceeds its face value.

PRIMARY DEALER: A group of government securities dealers that submit daily reports of market activity and positions and monthly financial statements to the Federal Reserve Bank of New York and are subject to its informal oversight. Primary dealers include Securities and Exchange Commission (SEC)-registered securities broker-dealers, banks, and a few unregulated firms.

PRINCIPAL: The face or par value of an instrument, exclusive of accrued interest.

PRUDENT PERSON RULE: An investment standard. In some states the law requires that a fiduciary, such as a trustee, may invest money only in a list of securities selected by the state. In other states the trustee may invest in a security if it is one which would be bought by a prudent person of discretion and intelligence who is seeking a reasonable income and preservation of capital.

QUALIFIED REPRESENTATIVE: A person who holds a position with - and is authorized to act on behalf of - a business organization (as defined by the Public Funds Investment Act).

RATE OF RETURN: The amount of income received from an investment, expressed as a percentage. A market rate of return is the yield that an investor can expect to receive in the current interest-rate environment utilizing a buy-and-hold to maturity investment strategy.

REINVESTMENT RATE: The interest rate earned on the reinvestment of coupon payments.

REINVESTMENT RATE RISK: The risk that the actual reinvestment rate falls short of the expected or assumed reinvestment rate.

REPURCHASE AGREEMENT (RP or REPO): An agreement of one party to sell securities at a specified price to a second party and a simultaneous agreement of the first party to repurchase the securities at a specified price on demand or at a specified later date. The difference between the selling price and the repurchase price provides the interest income to the party that provided the funds. Every transaction where a security is sold under an agreement to be repurchased is a repo from the seller/borrower's point of view and a reverse repo from the buyer/lender's point of view.

REVERSE REPURCHASE AGREEMENT: (See Repurchase Agreement)

SAFEKEEPING: A procedure where securities are held by a third party acting as custodian for a fee.

SECONDARY MARKET: A market made for the purchase and sale of outstanding issues following the initial distribution.

SECURITIES AND EXCHANGE COMMISSION (SEC): Agency created by Congress to protect investors in securities transactions by administering securities legislation.

SECURITIES LENDING: The temporary transfer of securities by one party, the lender, to another, the borrower. The securities borrower is required to provide acceptable assets as collateral to the securities lender in the form of cash or other securities. If the borrower provides securities as collateral to the lender, it pays a fee to borrow the lent securities. If it provides cash as collateral, the lender pays interest to the borrower and reinvests the cash at a higher rate.

SEC RULE 15C3-1: See Uniform Net Capital Rule

STRUCTURED NOTES: Debt obligations whose principal or interest payments are determined by an index or formula.

SEPARATELY INVESTED ASSET: An account or fund of a state agency or local government that is not invested in a pooled fund group (as defined by the Public Funds Investment Act).

SPREAD: Most commonly used when referring to the difference between the bid and asked prices in a quote. Additionally, it may also refer to additional basis points that a non-Treasury security earns over and above a Treasury with a comparable maturity date.

STRIPS: Separation of the principal and interest cash flows due from any interest-bearing securities into different financial instruments. Each coupon payment is separated from the underlying investment to create a separate security. Each individual cash flow is sold at a discount. The amount of the discount and the time until the cash flow is paid determine the investor's return.

SWAP: The trading of one asset for another. Sometimes used in active portfolio management to increase investment returns by "swapping" one type of security for another.

TOTAL RETURN: Interest income plus capital gains (or minus losses) on an investment.

TREASURY BILLS: A non-interest bearing discount security issued by the U.S. Treasury, generally having initial maturities of 3 months, 6 months, or 1 year.

TREASURY BONDS: Long-term, coupon bearing U.S. Treasury securities having initial maturities of more than 10 years.

TREASURY NOTES: Intermediate-term, coupon bearing U.S. Treasury securities having initial maturities of 2 - 10 years.

UNIFORM NET CAPITAL RULE: Securities and Exchange Commission requirement that member firms as well as nonmember broker-dealers in securities maintain a maximum ratio of indebtedness to liquid capital of 15 to 1; also called *net capital rule* and *net capital ratio*. Indebtedness covers all money owed to a firm, including margin loans and commitments to purchase securities, one reason new public issues are spread among members of underwriting syndicates. Liquid capital includes cash and assets easily converted into cash.

YIELD TO MATURITY (YTM): The promised return assuming all interest and principal payments are made and reinvested at the same rate taking into account price appreciation (if priced below par) or depreciation (if priced above par).

APPENDIX A
PUBLIC FUNDS INVESTMENT ACT

GOVERNMENT CODE

TITLE 10. GENERAL GOVERNMENT

SUBTITLE F. STATE AND LOCAL CONTRACTS AND FUND MANAGEMENT

CHAPTER 2256. PUBLIC FUNDS INVESTMENT

SUBCHAPTER A. AUTHORIZED INVESTMENTS FOR GOVERNMENTAL ENTITIES

Sec. 2256.001. SHORT TITLE. This chapter may be cited as the Public Funds Investment Act.

Amended by Acts 1995, 74th Leg., ch. 402, Sec. 1, eff. Sept. 1, 1995.

Sec. 2256.002. DEFINITIONS. In this chapter:

(1) "Bond proceeds" means the proceeds from the sale of bonds, notes, and other obligations issued by an entity, and reserves and funds maintained by an entity for debt service purposes.

(2) "Book value" means the original acquisition cost of an investment plus or minus the accrued amortization or accretion.

(3) "Funds" means public funds in the custody of a state agency or local government that:

(A) are not required by law to be deposited in the state treasury; and

(B) the investing entity has authority to invest.

(4) "Institution of higher education" has the meaning assigned by Section 61.003, Education Code.

(5) "Investing entity" and "entity" mean an entity subject to this chapter and described by Section 2256.003.

(6) "Investment pool" means an entity created under this code to invest public funds jointly on behalf of the entities that participate in the pool and whose investment objectives in order of priority are:

(A) preservation and safety of principal;

(B) liquidity; and

(C) yield.

(7) "Local government" means a municipality, a county, a school district, a district or authority created under Section 52(b)(1) or (2), Article III, or Section 59, Article XVI, Texas Constitution, a fresh water supply

district, a hospital district, and any political subdivision, authority, public corporation, body politic, or instrumentality of the State of Texas, and any nonprofit corporation acting on behalf of any of those entities.

(8) "Market value" means the current face or par value of an investment multiplied by the net selling price of the security as quoted by a recognized market pricing source quoted on the valuation date.

(9) "Pooled fund group" means an internally created fund of an investing entity in which one or more institutional accounts of the investing entity are invested.

(10) "Qualified representative" means a person who holds a position with a business organization, who is authorized to act on behalf of the business organization, and who is one of the following:

(A) for a business organization doing business that is regulated by or registered with a securities commission, a person who is registered under the rules of the National Association of Securities Dealers;

(B) for a state or federal bank, a savings bank, or a state or federal credit union, a member of the loan committee for the bank or branch of the bank or a person authorized by corporate resolution to act on behalf of and bind the banking institution;

(C) for an investment pool, the person authorized by the elected official or board with authority to administer the activities of the investment pool to sign the written instrument on behalf of the investment pool; or

(D) for an investment management firm registered under the Investment Advisers Act of 1940 (15 U.S.C. Section 80b-1 et seq.) or, if not subject to registration under that Act, registered with the State Securities Board, a person who is an officer or principal of the investment management firm.

(11) "School district" means a public school district.

(12) "Separately invested asset" means an account or fund of a state agency or local government that is not invested in a pooled fund group.

(13) "State agency" means an office, department, commission, board, or other agency that is part of any branch of state government, an institution of higher education, and any nonprofit corporation acting on behalf of any of those entities.

Amended by Acts 1995, 74th Leg., ch. 402, Sec. 1, eff. Sept. 1, 1995; Acts 1997, 75th Leg., ch. 1421, Sec. 1, eff. Sept. 1, 1997; Acts 1999, 76th Leg., ch. 1454, Sec. 1, eff. Sept. 1, 1999.

Sec. 2256.003. AUTHORITY TO INVEST FUNDS; ENTITIES SUBJECT TO THIS CHAPTER. (a) Each governing body of the following entities may purchase, sell, and invest its funds and funds under its control in investments authorized under this subchapter in compliance with investment policies approved by the governing body and according to the standard of care prescribed by Section 2256.006:

- (1) a local government;
- (2) a state agency;
- (3) a nonprofit corporation acting on behalf of a local government or a state agency; or
- (4) an investment pool acting on behalf of two or more local governments, state agencies, or a

combination of those entities.

(b) In the exercise of its powers under Subsection (a), the governing body of an investing entity may contract with an investment management firm registered under the Investment Advisers Act of 1940 (15 U.S.C. Section 80b-1 et seq.) or with the State Securities Board to provide for the investment and management of its public funds or other funds under its control. A contract made under authority of this subsection may not be for a term longer than two years. A renewal or extension of the contract must be made by the governing body of the investing entity by order, ordinance, or resolution.

(c) This chapter does not prohibit an investing entity or investment officer from using the entity's employees or the services of a contractor of the entity to aid the investment officer in the execution of the officer's duties under this chapter.

Amended by Acts 1995, 74th Leg., ch. 402, Sec. 1, eff. Sept. 1, 1995; Acts 1999, 76th Leg., ch. 1454, Sec. 2, eff. Sept. 1, 1999.

Sec. 2256.004. APPLICABILITY. (a) This subchapter does not apply to:

- (1) a public retirement system as defined by Section 802.001;
- (2) state funds invested as authorized by Section 404.024;
- (3) an institution of higher education having total endowments of at least \$95 million in book value

on May 1, 1995;

(4) funds invested by the Veterans' Land Board as authorized by Chapter 161, 162, or 164, Natural Resources Code;

(5) registry funds deposited with the county or district clerk under Chapter 117, Local Government Code; or

(6) a deferred compensation plan that qualifies under either Section 401(k) or 457 of the Internal Revenue Code of 1986 (26 U.S.C. Section 1 et seq.), as amended.

(b) This subchapter does not apply to an investment donated to an investing entity for a particular purpose or under terms of use specified by the donor.

Amended by Acts 1995, 74th Leg., ch. 402, Sec. 1, eff. Sept. 1, 1995; Acts 1997, 75th Leg., ch. 505, Sec. 24, eff. Sept. 1, 1997; Acts 1997, 75th Leg., ch. 1421, Sec. 2, eff. Sept. 1, 1997; Acts 1999, 76th Leg., ch. 62, Sec. 8.21, eff. Sept. 1, 1999; Acts 1999, 76th Leg., ch. 1454, Sec. 3, eff. Sept. 1, 1999.

Sec. 2256.005. INVESTMENT POLICIES; INVESTMENT STRATEGIES; INVESTMENT OFFICER. (a) The governing body of an investing entity shall adopt by rule, order, ordinance, or resolution, as appropriate, a written investment policy regarding the investment of its funds and funds under its control.

(b) The investment policies must:

(1) be written;

(2) primarily emphasize safety of principal and liquidity;

(3) address investment diversification, yield, and maturity and the quality and capability of investment management; and

(4) include:

(A) a list of the types of authorized investments in which the investing entity's funds may be invested;

(B) the maximum allowable stated maturity of any individual investment owned by the entity;

(C) for pooled fund groups, the maximum dollar-weighted average maturity allowed based on the stated maturity date for the portfolio;

(D) methods to monitor the market price of investments acquired with public funds;

(E) a requirement for settlement of all transactions, except investment pool funds and mutual funds, on a delivery versus payment basis; and

(F) procedures to monitor rating changes in investments acquired with public funds and the liquidation of such investments consistent with the provisions of Section 2256.021.

(c) The investment policies may provide that bids for certificates of deposit be solicited:

- (1) orally;
- (2) in writing;
- (3) electronically; or
- (4) in any combination of those methods.

(d) As an integral part of an investment policy, the governing body shall adopt a separate written investment strategy for each of the funds or group of funds under its control. Each investment strategy must describe the investment objectives for the particular fund using the following priorities in order of importance:

- (1) understanding of the suitability of the investment to the financial requirements of the entity;
- (2) preservation and safety of principal;
- (3) liquidity;
- (4) marketability of the investment if the need arises to liquidate the investment before maturity;
- (5) diversification of the investment portfolio; and
- (6) yield.

(e) The governing body of an investing entity shall review its investment policy and investment strategies not less than annually. The governing body shall adopt a written instrument by rule, order, ordinance, or resolution 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 investment policy or investment strategies.

(f) Each investing entity shall designate, by rule, order, ordinance, or resolution, as appropriate, one or more officers or employees of the state agency, local government, or investment pool as investment officer to be responsible for the investment of its funds consistent with the investment policy adopted by the entity. If the governing body of an investing entity has contracted with another investing entity to invest its funds, the investment officer of the other investing entity is considered to be the investment officer of the first investing entity for purposes of this chapter. Authority granted to a person to invest an entity's funds is effective until rescinded by the investing entity, until the expiration of the officer's term or the termination of the person's employment by the investing entity, or if an investment management firm, until the expiration of the contract with the investing entity. In the administration of the duties of an investment officer, the person designated as investment officer shall exercise the

judgment and care, under prevailing circumstances, that a prudent person would exercise in the management of the person's own affairs, but the governing body of the investing entity retains ultimate responsibility as fiduciaries of the assets of the entity. Unless authorized by law, a person may not deposit, withdraw, transfer, or manage in any other manner the funds of the investing entity.

(g) Subsection (f) does not apply to a state agency, local government, or investment pool for which an officer of the entity is assigned by law the function of investing its funds.

Text of subsec. (h) as amended by Acts 1997, 75th Leg., ch. 685, Sec. 1

(h) An officer or employee of a commission created under Chapter 391, Local Government Code, is ineligible to be an investment officer for the commission under Subsection (f) if the officer or employee is an investment officer designated under Subsection (f) for another local government.

Text of subsec. (h) as amended by Acts 1997, 75th Leg., ch. 1421, Sec. 3

(h) An officer or employee of a commission created under Chapter 391, Local Government Code, is ineligible to be designated as an investment officer under Subsection (f) for any investing entity other than for that commission.

(i) An investment officer of an entity who has a personal business relationship with a business organization offering to engage in an investment transaction with the entity shall file a statement disclosing that personal business interest. An investment officer who is related within the second degree by affinity or consanguinity, as determined under Chapter 573, to an individual seeking to sell an investment to the investment officer's entity shall file a statement disclosing that relationship. A statement required under this subsection must be filed with the Texas Ethics Commission and the governing body of the entity. For purposes of this subsection, an investment officer has a personal business relationship with a business organization if:

(1) the investment officer owns 10 percent or more of the voting stock or shares of the business organization or owns \$5,000 or more of the fair market value of the business organization;

(2) funds received by the investment officer from the business organization exceed 10 percent of the investment officer's gross income for the previous year; or

(3) the investment officer has acquired from the business organization during the previous year investments with a book value of \$2,500 or more for the personal account of the investment officer.

(j) The governing body of an investing entity may specify in its investment policy that any investment authorized by this chapter is not suitable.

(k) A written copy of the investment policy shall be presented to any person offering to engage in an investment transaction with an investing entity or to an investment management firm under contract with an investing entity to invest or manage the entity's investment portfolio. For purposes of this subsection, a business organization includes investment pools and an investment management firm under contract with an investing entity to invest or manage the entity's investment portfolio. Nothing in this subsection relieves the investing entity of the responsibility for monitoring the investments made by the investing entity to determine that they are in compliance with the investment policy. The qualified representative of the business organization offering to engage in an investment transaction with an investing entity shall execute a written instrument in a form acceptable to the investing entity and the business organization substantially to the effect that the business organization has:

(1) received and reviewed the investment policy of the entity; and

(2) acknowledged that the business organization has implemented reasonable procedures and controls in an effort to preclude investment transactions conducted between the entity and the organization that are not authorized by the entity's investment policy, except to the extent that this authorization is dependent on an analysis of the makeup of the entity's entire portfolio or requires an interpretation of subjective investment standards.

(l) The investment officer of an entity may not acquire or otherwise obtain any authorized investment described in the investment policy of the investing entity from a person who has not delivered to the entity the instrument required by Subsection (k).

(m) An investing entity other than a state agency, in conjunction with its annual financial audit, shall perform a compliance audit of management controls on investments and adherence to the entity's established investment policies.

(n) Except as provided by Subsection (o), at least once every two years a state agency shall arrange for a compliance audit of management controls on investments and adherence to the agency's established investment policies. The compliance audit shall be performed by the agency's internal auditor or by a private auditor employed in the manner provided by Section 321.020. Not later than January 1 of each even-numbered year a state agency

shall report the results of the most recent audit performed under this subsection to the state auditor. Subject to a risk assessment and to the legislative audit committee's approval of including a review by the state auditor in the audit plan under Section 321.013, the state auditor may review information provided under this section. If review by the state auditor is approved by the legislative audit committee, the state auditor may, based on its review, require a state agency to also report to the state auditor other information the state auditor determines necessary to assess compliance with laws and policies applicable to state agency investments. A report under this subsection shall be prepared in a manner the state auditor prescribes.

(o) The audit requirements of Subsection (n) do not apply to assets of a state agency that are invested by the comptroller under Section 404.024.

Amended by Acts 1995, 74th Leg., ch. 402, Sec. 1, eff. Sept. 1, 1995; Acts 1997, 75th Leg., ch. 685, Sec. 1, eff. Sept. 1, 1997; Acts 1997, 75th Leg., ch. 1421, Sec. 3, eff. Sept. 1, 1997; Acts 1999, 76th Leg., ch. 1454, Sec. 4, eff. Sept. 1, 1999; Acts 2003, 78th Leg., ch. 785, Sec. 41, eff. Sept. 1, 2003.

Amended by:

Acts 2011, 82nd Leg., R.S., Ch. [1004](#), Sec. 1, eff. June 17, 2011.

Sec. 2256.006. STANDARD OF CARE. (a) 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. Investment of funds shall be governed by the following investment objectives, in order of priority:

- (1) preservation and safety of principal;
- (2) liquidity; and
- (3) yield.

(b) In determining whether an investment officer has exercised prudence with respect to an investment decision, the determination shall be made taking into consideration:

- (1) the investment of all funds, or funds under the entity's control, over which the officer had responsibility rather than a consideration as to the prudence of a single investment; and
- (2) whether the investment decision was consistent with the written investment policy of the entity.

Amended by Acts 1995, 74th Leg., ch. 402, Sec. 1, eff. Sept. 1, 1995.

Sec. 2256.007. INVESTMENT TRAINING; STATE AGENCY BOARD MEMBERS AND OFFICERS. (a)

Each member of the governing board of a state agency and its investment officer shall attend at least one training session relating to the person's responsibilities under this chapter within six months after taking office or assuming duties.

(b) The Texas Higher Education Coordinating Board shall provide the training under this section.

(c) Training under this section must include education in investment controls, security risks, strategy risks, market risks, diversification of investment portfolio, and compliance with this chapter.

(d) An investment officer shall attend a training session not less than once each state fiscal biennium and may receive training from any independent source approved by the governing body of the state agency. The investment officer shall prepare a report on this subchapter and deliver the report to the governing body of the state agency not later than the 180th day after the last day of each regular session of the legislature.

Amended by Acts 1995, 74th Leg., ch. 402, Sec. 1, eff. Sept. 1, 1995; Acts 1997, 75th Leg., ch. 73, Sec. 1, eff. May 9, 1997; Acts 1997, 75th Leg., ch. 1421, Sec. 4, eff. Sept. 1, 1997; Acts 1999, 76th Leg., ch. 1454, Sec. 5, eff. Sept. 1, 1999.

Amended by:

Acts 2011, 82nd Leg., R.S., Ch. [1004](#), Sec. 2, eff. June 17, 2011.

Sec. 2256.008. INVESTMENT TRAINING; LOCAL GOVERNMENTS. (a) Except as provided by

Subsections (b) and (e), the treasurer, the chief financial officer if the treasurer is not the chief financial officer, and the investment officer of a local government shall:

(1) attend at least one training session from an independent source approved by the governing body of the local government or a designated investment committee advising the investment officer as provided for in the investment policy of the local government and containing at least 10 hours of instruction relating to the treasurer's or officer's responsibilities under this subchapter within 12 months after taking office or assuming duties; and

(2) except as provided by Subsections (b) and (e), attend an investment training session not less than once in a two-year period that begins on the first day of that local government's fiscal year and consists of the two consecutive fiscal years after that date, and receive not less than 10 hours of instruction relating to investment

responsibilities under this subchapter from an independent source approved by the governing body of the local government or a designated investment committee advising the investment officer as provided for in the investment policy of the local government.

(b) An investing entity created under authority of Section 52(b), Article III, or Section 59, Article XVI, Texas Constitution, that has contracted with an investment management firm under Section 2256.003(b) and has fewer than five full-time employees or an investing entity that has contracted with another investing entity to invest the entity's funds may satisfy the training requirement provided by Subsection (a)(2) by having an officer of the governing body attend four hours of appropriate instruction in a two-year period that begins on the first day of that local government's fiscal year and consists of the two consecutive fiscal years after that date. The treasurer or chief financial officer of an investing entity created under authority of Section 52(b), Article III, or Section 59, Article XVI, Texas Constitution, and that has fewer than five full-time employees is not required to attend training required by this section unless the person is also the investment officer of the entity.

(c) Training under this section must include education in investment controls, security risks, strategy risks, market risks, diversification of investment portfolio, and compliance with this chapter.

(d) Not later than December 31 each year, each individual, association, business, organization, governmental entity, or other person that provides training under this section shall report to the comptroller a list of the governmental entities for which the person provided required training under this section during that calendar year. An individual's reporting requirements under this subsection are satisfied by a report of the individual's employer or the sponsoring or organizing entity of a training program or seminar.

(e) This section does not apply to a district governed by Chapter 36 or 49, Water Code.

Amended by Acts 1995, 74th Leg., ch. 402, Sec. 1, eff. Sept. 1, 1995; Acts 1997, 75th Leg., ch. 1421, Sec. 5, eff. Sept. 1, 1997; Acts 1999, 76th Leg., ch. 1454, Sec. 6, eff. Sept. 1, 1999; Acts 2001, 77th Leg., ch. 69, Sec. 4, eff. May 14, 2001.

Amended by:

Acts 2011, 82nd Leg., R.S., Ch. [1004](#), Sec. 3, eff. June 17, 2011.

Sec. 2256.009. AUTHORIZED INVESTMENTS: OBLIGATIONS OF, OR GUARANTEED BY GOVERNMENTAL ENTITIES. (a) Except as provided by Subsection (b), the following are authorized investments under this subchapter:

- (1) obligations, including letters of credit, of the United States or its agencies and instrumentalities;
- (2) direct obligations of this state or its agencies and instrumentalities;
- (3) collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States;
- (4) other obligations, the principal and interest of which are unconditionally guaranteed or insured by, or backed by the full faith and credit of, this state or the United States or their respective agencies and instrumentalities, including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation or by the explicit full faith and credit of the United States;
- (5) obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than A or its equivalent; and
- (6) bonds issued, assumed, or guaranteed by the State of Israel.

(b) The following are not authorized investments under this section:

- (1) obligations whose payment represents the coupon payments on the outstanding principal balance of the underlying mortgage-backed security collateral and pays no principal;
- (2) obligations whose payment represents the principal stream of cash flow from the underlying mortgage-backed security collateral and bears no interest;
- (3) collateralized mortgage obligations that have a stated final maturity date of greater than 10 years; and
- (4) collateralized mortgage obligations the interest rate of which is determined by an index that adjusts opposite to the changes in a market index.

Amended by Acts 1995, 74th Leg., ch. 402, Sec. 1, eff. Sept. 1, 1995; Acts 1999, 76th Leg., ch. 1454, Sec. 7, eff. Sept. 1, 1999; Acts 2001, 77th Leg., ch. 558, Sec. 1, eff. Sept. 1, 2001.

Amended by:

Acts 2011, 82nd Leg., R.S., Ch. [1004](#), Sec. 4, eff. June 17, 2011.

Sec. 2256.010. AUTHORIZED INVESTMENTS: CERTIFICATES OF DEPOSIT AND SHARE CERTIFICATES. (a) A certificate of deposit or share certificate is an authorized investment under this subchapter if the certificate is issued by a depository institution that has its main office or a branch office in this state and is:

(1) guaranteed or insured by the Federal Deposit Insurance Corporation or its successor or the National Credit Union Share Insurance Fund or its successor;

(2) secured by obligations that are described by Section 2256.009(a), including mortgage backed securities directly issued by a federal agency or instrumentality that have a market value of not less than the principal amount of the certificates, but excluding those mortgage backed securities of the nature described by Section 2256.009(b); or

(3) secured in any other manner and amount provided by law for deposits of the investing entity.

(b) In addition to the authority to invest funds in certificates of deposit under Subsection (a), an investment in certificates of deposit made in accordance with the following conditions is an authorized investment under this subchapter:

(1) the funds are invested by an investing entity through:

(A) a broker that has its main office or a branch office in this state and is selected from a list adopted by the investing entity as required by Section 2256.025; or

(B) a depository institution that has its main office or a branch office in this state and that is selected by the investing entity;

(2) the broker or the depository institution selected by the investing entity under Subdivision (1) 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 investing entity;

(3) the full amount of the principal and accrued interest of each of the certificates of deposit is insured by the United States or an instrumentality of the United States; and

(4) the investing entity appoints the depository institution selected by the investing entity under Subdivision (1), an entity described by Section 2257.041(d), or a clearing broker-dealer registered with the Securities and Exchange Commission and operating pursuant to Securities and Exchange Commission Rule 15c3-3 (17 C.F.R. Section 240.15c3-3) as custodian for the investing entity with respect to the certificates of deposit issued for the account of the investing entity.

Amended by Acts 1995, 74th Leg., ch. 32, Sec. 1, eff. April 28, 1995; Acts 1995, 74th Leg., ch. 402, Sec. 1, eff. Sept. 1, 1995; Acts 1997, 75th Leg., ch. 1421, Sec. 6, eff. Sept. 1, 1997.

Amended by:

Acts 2005, 79th Leg., Ch. [128](#), Sec. 1, eff. September 1, 2005.

Acts 2011, 82nd Leg., R.S., Ch. [1004](#), Sec. 5, eff. June 17, 2011.

Sec. 2256.011. AUTHORIZED INVESTMENTS: REPURCHASE AGREEMENTS. (a) A fully collateralized repurchase agreement is an authorized investment under this subchapter if the repurchase agreement:

- (1) has a defined termination date;
- (2) is secured by a combination of cash and obligations described by Section 2256.009(a)(1); and
- (3) requires the securities being purchased by the entity or cash held by the entity to be pledged to the entity, held in the entity's name, and deposited at the time the investment is made with the entity or with a third party selected and approved by the entity; and
- (4) is placed through a primary government securities dealer, as defined by the Federal Reserve, or a financial institution doing business in this state.

(b) In this section, "repurchase agreement" means a simultaneous agreement to buy, hold for a specified time, and sell back at a future date obligations described by Section 2256.009(a)(1), at a market value at the time the funds are disbursed of not less than the principal amount of the funds disbursed. The term includes a direct security repurchase agreement and a reverse security repurchase agreement.

(c) Notwithstanding any other law, the term of any reverse security repurchase agreement may not exceed 90 days after the date the reverse security repurchase agreement is delivered.

(d) Money received by an entity under the terms of a reverse security repurchase agreement shall be used to acquire additional authorized investments, but the term of the authorized investments acquired must mature not later than the expiration date stated in the reverse security repurchase agreement.

Amended by Acts 1995, 74th Leg., ch. 402, Sec. 1, eff. Sept. 1, 1995.

Amended by:

Acts 2011, 82nd Leg., R.S., Ch. [1004](#), Sec. 6, eff. June 17, 2011.

Sec. 2256.0115. AUTHORIZED INVESTMENTS: SECURITIES LENDING PROGRAM. (a) A securities lending program is an authorized investment under this subchapter if it meets the conditions provided by this section.

(b) To qualify as an authorized investment under this subchapter:

(1) the value of securities loaned under the program must be not less than 100 percent collateralized, including accrued income;

(2) a loan made under the program must allow for termination at any time;

(3) a loan made under the program must be secured by:

(A) pledged securities described by Section 2256.009;

(B) pledged irrevocable letters of credit issued by a bank that is:

(i) organized and existing under the laws of the United States or any other state;

and

(ii) continuously rated by at least one nationally recognized investment rating firm

at not less than A or its equivalent; or

(C) cash invested in accordance with Section:

(i) 2256.009;

(ii) 2256.013;

(iii) 2256.014; or

(iv) 2256.016;

(4) the terms of a loan made under the program must require that the securities being held as collateral be:

(A) pledged to the investing entity;

(B) held in the investing entity's name; and

(C) deposited at the time the investment is made with the entity or with a third party selected by or approved by the investing entity;

(5) a loan made under the program must be placed through:

(A) a primary government securities dealer, as defined by 5 C.F.R. Section 6801.102(f), as that regulation existed on September 1, 2003; or

(B) a financial institution doing business in this state; and

(6) an agreement to lend securities that is executed under this section must have a term of one year or less.

Added by Acts 2003, 78th Leg., ch. 1227, Sec. 1, eff. Sept. 1, 2003.

Sec. 2256.012. AUTHORIZED INVESTMENTS: BANKER'S ACCEPTANCES. A bankers' acceptance is an authorized investment under this subchapter if the bankers' acceptance:

- (1) has a stated maturity of 270 days or fewer from the date of its issuance;
- (2) will be, in accordance with its terms, liquidated in full at maturity;
- (3) is eligible for collateral for borrowing from a Federal Reserve Bank; and
- (4) is accepted by a bank organized and existing under the laws of the United States or any state,

if the short-term obligations of the bank, or of a bank holding company of which the bank is the largest subsidiary, are rated not less than A-1 or P-1 or an equivalent rating by at least one nationally recognized credit rating agency.

Amended by Acts 1995, 74th Leg., ch. 402, Sec. 1, eff. Sept. 1, 1995.

Sec. 2256.013. AUTHORIZED INVESTMENTS: COMMERCIAL PAPER. Commercial paper is an authorized investment under this subchapter if the commercial paper:

- (1) has a stated maturity of 270 days or fewer from the date of its issuance; and
- (2) is rated not less than A-1 or P-1 or an equivalent rating by at least:
 - (A) two nationally recognized credit rating agencies; or
 - (B) one nationally recognized credit rating agency and is fully secured by an irrevocable

letter of credit issued by a bank organized and existing under the laws of the United States or any state.

Amended by Acts 1995, 74th Leg., ch. 402, Sec. 1, eff. Sept. 1, 1995.

Sec. 2256.014. AUTHORIZED INVESTMENTS: MUTUAL FUNDS. (a) A no-load money market mutual fund is an authorized investment under this subchapter if the mutual fund:

- (1) is registered with and regulated by the Securities and Exchange Commission;
- (2) provides the investing entity with a prospectus and other information required by the Securities Exchange Act of 1934 (15 U.S.C. Section 78a et seq.) or the Investment Company Act of 1940 (15 U.S.C. Section 80a-1 et seq.);
- (3) has a dollar-weighted average stated maturity of 90 days or fewer; and
- (4) includes in its investment objectives the maintenance of a stable net asset value of \$1 for each

share.

(b) In addition to a no-load money market mutual fund permitted as an authorized investment in Subsection (a), a no-load mutual fund is an authorized investment under this subchapter if the mutual fund:

- (1) is registered with the Securities and Exchange Commission;
- (2) has an average weighted maturity of less than two years;
- (3) is invested exclusively in obligations approved by this subchapter;
- (4) is continuously rated as to investment quality by at least one nationally recognized investment rating firm of not less than AAA or its equivalent; and
- (5) conforms to the requirements set forth in Sections 2256.016(b) and (c) relating to the eligibility of investment pools to receive and invest funds of investing entities.

(c) An entity is not authorized by this section to:

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

Amended by Acts 1995, 74th Leg., ch. 402, Sec. 1, eff. Sept. 1, 1995; Acts 1997, 75th Leg., ch. 1421, Sec. 7, eff. Sept. 1, 1997; Acts 1999, 76th Leg., ch. 1454, Sec. 8, eff. Sept. 1, 1999.

Sec. 2256.015. AUTHORIZED INVESTMENTS: GUARANTEED INVESTMENT CONTRACTS. (a) A guaranteed investment contract is an authorized investment for bond proceeds under this subchapter if the guaranteed investment contract:

- (1) has a defined termination date;
- (2) is secured by obligations described by Section 2256.009(a)(1), excluding those obligations described by Section 2256.009(b), in an amount at least equal to the amount of bond proceeds invested under the contract; and
- (3) is pledged to the entity and deposited with the entity or with a third party selected and approved by the entity.

(b) Bond proceeds, other than bond proceeds representing reserves and funds maintained for debt service purposes, may not be invested under this subchapter in a guaranteed investment contract with a term of longer than five years from the date of issuance of the bonds.

(c) To be eligible as an authorized investment:

(1) the governing body of the entity must specifically authorize guaranteed investment contracts as an eligible investment in the order, ordinance, or resolution authorizing the issuance of bonds;

(2) the entity must receive bids from at least three separate providers with no material financial interest in the bonds from which proceeds were received;

(3) the entity must purchase the highest yielding guaranteed investment contract for which a qualifying bid is received;

(4) the price of the guaranteed investment contract must take into account the reasonably expected drawdown schedule for the bond proceeds to be invested; and

(5) the provider must certify the administrative costs reasonably expected to be paid to third parties in connection with the guaranteed investment contract.

Amended by Acts 1995, 74th Leg., ch. 402, Sec. 1, eff. Sept. 1, 1995; Acts 1997, 75th Leg., ch. 1421, Sec. 8, eff. Sept. 1, 1997; Acts 1999, 76th Leg., ch. 1454, Sec. 9, 10, eff. Sept. 1, 1999.

Sec. 2256.016. AUTHORIZED INVESTMENTS: INVESTMENT POOLS. (a) An entity may invest its funds and funds under its control through an eligible investment pool if the governing body of the entity by rule, order, ordinance, or resolution, as appropriate, authorizes investment in the particular pool. An investment pool shall invest the funds it receives from entities in authorized investments permitted by this subchapter. An investment pool may invest its funds in money market mutual funds to the extent permitted by and consistent with this subchapter and the investment policies and objectives adopted by the investment pool.

(b) To be eligible to receive funds from and invest funds on behalf of an entity under this chapter, an investment pool must furnish to the investment officer or other authorized representative of the entity an offering circular or other similar disclosure instrument that contains, at a minimum, the following information:

(1) the types of investments in which money is allowed to be invested;

(2) the maximum average dollar-weighted maturity allowed, based on the stated maturity date, of the pool;

- (3) the maximum stated maturity date any investment security within the portfolio has;
- (4) the objectives of the pool;
- (5) the size of the pool;
- (6) the names of the members of the advisory board of the pool and the dates their terms expire;
- (7) the custodian bank that will safekeep the pool's assets;
- (8) whether the intent of the pool is to maintain a net asset value of one dollar and the risk of

market price fluctuation;

(9) whether the only source of payment is the assets of the pool at market value or whether there is a secondary source of payment, such as insurance or guarantees, and a description of the secondary source of payment;

(10) the name and address of the independent auditor of the pool;

(11) the requirements to be satisfied for an entity to deposit funds in and withdraw funds from the pool and any deadlines or other operating policies required for the entity to invest funds in and withdraw funds from the pool; and

(12) the performance history of the pool, including yield, average dollar-weighted maturities, and expense ratios.

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

(1) investment transaction confirmations; and

(2) a monthly report that contains, at a minimum, the following information:

(A) the types and percentage breakdown of securities in which the pool is invested;

(B) the current average dollar-weighted maturity, based on the stated maturity date, of the pool;

(C) the current percentage of the pool's portfolio in investments that have stated maturities of more than one year;

(D) the book value versus the market value of the pool's portfolio, using amortized cost valuation;

(E) the size of the pool;

(F) the number of participants in the pool;

- (G) the custodian bank that is safekeeping the assets of the pool;
- (H) a listing of daily transaction activity of the entity participating in the pool;
- (I) the yield and expense ratio of the pool, including a statement regarding how yield is calculated;
- (J) the portfolio managers of the pool; and
- (K) any changes or addenda to the offering circular.

(d) An entity by contract may delegate to an investment pool the authority to hold legal title as custodian of investments purchased with its local funds.

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

(f) To be eligible to receive funds from and invest funds on behalf of an entity under this chapter, a public funds investment pool created to function as a money market mutual fund must mark its portfolio to market daily, and, to the extent reasonably possible, stabilize at a \$1 net asset value. If the ratio of the market value of the portfolio divided by the book value of the portfolio is less than 0.995 or greater than 1.005, portfolio holdings shall be sold as necessary to maintain the ratio between 0.995 and 1.005. In addition to the requirements of its investment policy and any other forms of reporting, a public funds investment pool created to function as a money market mutual fund shall report yield to its investors in accordance with regulations of the federal Securities and Exchange Commission applicable to reporting by money market funds.

(g) To be eligible to receive funds from and invest funds on behalf of an entity under this chapter, a public funds investment pool must have an advisory board composed:

(1) equally of participants in the pool and other persons who do not have a business relationship with the pool and are qualified to advise the pool, for a public funds investment pool created under Chapter 791 and managed by a state agency; or

(2) of participants in the pool and other persons who do not have a business relationship with the pool and are qualified to advise the pool, for other investment pools.

(h) To maintain eligibility to receive funds from and invest funds on behalf of an entity under this chapter, an investment pool must be continuously rated no lower than AAA or AAA-m or at an equivalent rating by at least one nationally recognized rating service.

(i) If the investment pool operates an Internet website, the information in a disclosure instrument or report described in Subsections (b), (c)(2), and (f) must be posted on the website.

(j) To maintain eligibility to receive funds from and invest funds on behalf of an entity under this chapter, an investment pool must make available to the entity an annual audited financial statement of the investment pool in which the entity has funds invested.

(k) If an investment pool offers fee breakpoints based on fund balances invested, the investment pool in advertising investment rates must include either all levels of return based on the breakpoints provided or state the lowest possible level of return based on the smallest level of funds invested.

Amended by Acts 1995, 74th Leg., ch. 402, Sec. 1, eff. Sept. 1, 1995; Acts 1997, 75th Leg., ch. 1421, Sec. 9, eff. Sept. 1, 1997.

Amended by:

Acts 2011, 82nd Leg., R.S., Ch. [1004](#), Sec. 7, eff. June 17, 2011.

Sec. 2256.017. EXISTING INVESTMENTS. An entity is not required to liquidate investments that were authorized investments at the time of purchase.

Added by Acts 1995, 74th Leg., ch. 76, Sec. 5.46(a), eff. Sept. 1, 1995; Acts 1995, 74th Leg., ch. 402, Sec. 1, eff. Sept. 1, 1995. Amended by Acts 1997, 75th Leg., ch. 1421, Sec. 10, eff. Sept. 1, 1997.

Sec. 2256.019. RATING OF CERTAIN INVESTMENT POOLS. A public funds investment pool must be continuously rated no lower than AAA or AAA-m or at an equivalent rating by at least one nationally recognized rating service.

Added by Acts 1995, 74th Leg., ch. 402, Sec. 1, eff. Sept. 1, 1995. Amended by Acts 1997, 75th Leg., ch. 1421, Sec. 11, eff. Sept. 1, 1997.

Amended by:

Acts 2011, 82nd Leg., R.S., Ch. [1004](#), Sec. 8, eff. June 17, 2011.

Sec. 2256.020. AUTHORIZED INVESTMENTS: INSTITUTIONS OF HIGHER EDUCATION. In addition to the authorized investments permitted by this subchapter, an institution of higher education may purchase, sell, and invest its funds and funds under its control in the following:

(1) cash management and fixed income funds sponsored by organizations exempt from federal income taxation under Section 501(f), Internal Revenue Code of 1986 (26 U.S.C. Section 501(f));

(2) negotiable certificates of deposit issued by a bank that has a certificate of deposit rating of at least 1 or the equivalent by a nationally recognized credit rating agency or that is associated with a holding company having a commercial paper rating of at least A-1, P-1, or the equivalent by a nationally recognized credit rating agency; and

(3) corporate bonds, debentures, or similar debt obligations rated by a nationally recognized investment rating firm in one of the two highest long-term rating categories, without regard to gradations within those categories.

Added by Acts 1995, 74th Leg., ch. 402, Sec. 1, eff. Sept. 1, 1995.

Sec. 2256.0201. AUTHORIZED INVESTMENTS; MUNICIPAL UTILITY. (a) A municipality that owns a municipal electric utility that is engaged in the distribution and sale of electric energy or natural gas to the public may enter into a hedging contract and related security and insurance agreements in relation to fuel oil, natural gas, coal, nuclear fuel, and electric energy to protect against loss due to price fluctuations. A hedging transaction must comply with the regulations of the Commodity Futures Trading Commission and the Securities and Exchange Commission. If there is a conflict between the municipal charter of the municipality and this chapter, this chapter prevails.

(b) A payment by a municipally owned electric or gas utility under a hedging contract or related agreement in relation to fuel supplies or fuel reserves is a fuel expense, and the utility may credit any amounts it receives under the contract or agreement against fuel expenses.

(c) The governing body of a municipally owned electric or gas utility or the body vested with power to manage and operate the municipally owned electric or gas utility may set policy regarding hedging transactions.

(d) In this section, "hedging" means the buying and selling of fuel oil, natural gas, coal, nuclear fuel, and electric energy futures or options or similar contracts on those commodities and related transportation costs as a protection against loss due to price fluctuation.

Added by Acts 1999, 76th Leg., ch. 405, Sec. 48, eff. Sept. 1, 1999.

Amended by:

Acts 2007, 80th Leg., R.S., Ch. [Z](#), Sec. 1, eff. April 13, 2007.

Sec. 2256.0202. AUTHORIZED INVESTMENTS: MUNICIPAL FUNDS FROM MANAGEMENT AND DEVELOPMENT OF MINERAL RIGHTS. (a) In addition to other investments authorized under this subchapter, a municipality may invest funds received by the municipality from a lease or contract for the management and development of land owned by the municipality and leased for oil, gas, or other mineral development in any investment authorized to be made by a trustee under Subtitle B, Title 9, Property Code (Texas Trust Code).

(b) Funds invested by a municipality under this section shall be segregated and accounted for separately from other funds of the municipality.

Added by Acts 2009, 81st Leg., R.S., Ch. [1371](#), Sec. 1, eff. September 1, 2009.

Sec. 2256.0203. AUTHORIZED INVESTMENTS: PORTS AND NAVIGATION DISTRICTS. (a) In this section, "district" means a navigation district organized under Section 52, Article III, or Section 59, Article XVI, Texas Constitution.

(b) In addition to the authorized investments permitted by this subchapter, a port or district may purchase, sell, and invest its funds and funds under its control in negotiable certificates of deposit issued by a bank that has a certificate of deposit rating of at least 1 or the equivalent by a nationally recognized credit rating agency or that is associated with a holding company having a commercial paper rating of at least A-1, P-1, or the equivalent by a nationally recognized credit rating agency.

Added by Acts 2011, 82nd Leg., R.S., Ch. [804](#), Sec. 1, eff. September 1, 2011.

Sec. 2256.0204. AUTHORIZED INVESTMENTS: INDEPENDENT SCHOOL DISTRICTS. (a) In this section, "corporate bond" means a senior secured debt obligation issued by a domestic business entity and rated not lower than "AA-" or the equivalent by a nationally recognized investment rating firm. The term does not include a debt obligation that:

(1) on conversion, would result in the holder becoming a stockholder or shareholder in the entity, or any affiliate or subsidiary of the entity, that issued the debt obligation; or

(2) is an unsecured debt obligation.

(b) This section applies only to an independent school district that qualifies as an issuer as defined by Section 1371.001.

(c) In addition to authorized investments permitted by this subchapter, an independent school district subject to this section may purchase, sell, and invest its funds and funds under its control in corporate bonds that, at the time of purchase, are rated by a nationally recognized investment rating firm "AA-" or the equivalent and have a stated final maturity that is not later than the third anniversary of the date the corporate bonds were purchased.

(d) An independent school district subject to this section is not authorized by this section to:

(1) invest in the aggregate more than 15 percent of its monthly average fund balance, excluding bond proceeds, reserves, and other funds held for the payment of debt service, in corporate bonds; or

(2) invest more than 25 percent of the funds invested in corporate bonds in any one domestic business entity, including subsidiaries and affiliates of the entity.

(e) An independent school district subject to this section may purchase, sell, and invest its funds and funds under its control in corporate bonds if the governing body of the district:

(1) amends its investment policy to authorize corporate bonds as an eligible investment;

(2) adopts procedures to provide for:

(A) monitoring rating changes in corporate bonds acquired with public funds; and

(B) liquidating the investment in corporate bonds; and

(3) identifies the funds eligible to be invested in corporate bonds.

(f) The investment officer of an independent school district, acting on behalf of the district, shall sell corporate bonds in which the district has invested its funds not later than the seventh day after the date a nationally recognized investment rating firm:

(1) issues a release that places the corporate bonds or the domestic business entity that issued the corporate bonds on negative credit watch or the equivalent, if the corporate bonds are rated "AA-" or the equivalent at the time the release is issued; or

(2) changes the rating on the corporate bonds to a rating lower than "AA-" or the equivalent.

(g) Corporate bonds are not an eligible investment for a public funds investment pool.

Added by Acts 2011, 82nd Leg., R.S., Ch. [1347](#), Sec. 1, eff. June 17, 2011.

Sec. 2256.0205. AUTHORIZED INVESTMENTS; DECOMMISSIONING TRUST. (a) In this section:

(1) "Decommissioning trust" means a trust created to provide the Nuclear Regulatory Commission assurance that funds will be available for decommissioning purposes as required under 10 C.F.R. Part 50 or other similar regulation.

(2) "Funds" includes any money held in a decommissioning trust regardless of whether the money is considered to be public funds under this subchapter.

(b) In addition to other investments authorized under this subchapter, a municipality that owns a municipal electric utility that is engaged in the distribution and sale of electric energy or natural gas to the public may invest funds held in a decommissioning trust in any investment authorized by Subtitle B, Title 9, Property Code.

Added by Acts 2005, 79th Leg., Ch. [121](#), Sec. 1, eff. September 1, 2005.

Sec. 2256.021. EFFECT OF LOSS OF REQUIRED RATING. An investment that requires a minimum rating under this subchapter does not qualify as an authorized investment during the period the investment does not have the minimum rating. An entity shall take all prudent measures that are consistent with its investment policy to liquidate an investment that does not have the minimum rating.

Added by Acts 1995, 74th Leg., ch. 402, Sec. 1, eff. Sept. 1, 1995.

Sec. 2256.022. EXPANSION OF INVESTMENT AUTHORITY. Expansion of investment authority granted by this chapter shall require a risk assessment by the state auditor or performed at the direction of the state auditor, subject to the legislative audit committee's approval of including the review in the audit plan under Section 321.013.

Added by Acts 1995, 74th Leg., ch. 402, Sec. 1, eff. Sept. 1, 1995. Amended by Acts 2003, 78th Leg., ch. 785, Sec. 42, eff. Sept. 1, 2003.

Sec. 2256.023. INTERNAL MANAGEMENT REPORTS. (a) Not less than quarterly, the investment officer shall prepare and submit to the governing body of the entity a written report of investment transactions for all funds covered by this chapter for the preceding reporting period.

(b) The report must:

- (1) describe in detail the investment position of the entity on the date of the report;
- (2) be prepared jointly by all investment officers of the entity;
- (3) be signed by each investment officer of the entity;

(4) contain a summary statement of each pooled fund group that states the:

(A) beginning market value for the reporting period;

(B) ending market value for the period; and

(C) fully accrued interest for the reporting period;

(5) state the book value and market value of each separately invested asset at the end of the reporting period by the type of asset and fund type invested;

(6) state the maturity date of each separately invested asset that has a maturity date;

(7) state the account or fund or pooled group fund in the state agency or local government for which each individual investment was acquired; and

(8) state the compliance of the investment portfolio of the state agency or local government as it relates to:

(A) the investment strategy expressed in the agency's or local government's investment policy; and

(B) relevant provisions of this chapter.

(c) The report shall be presented not less than quarterly to the governing body and the chief executive officer of the entity within a reasonable time after the end of the period.

(d) If an entity invests in other than money market mutual funds, investment pools or accounts offered by its depository bank in the form of certificates of deposit, or money market accounts or similar accounts, the reports prepared by the investment officers under this section shall be formally reviewed at least annually by an independent auditor, and the result of the review shall be reported to the governing body by that auditor.

Added by Acts 1995, 74th Leg., ch. 402, Sec. 1, eff. Sept. 1, 1995. Amended by Acts 1997, 75th Leg., ch. 1421, Sec. 12, eff. Sept. 1, 1997.

Amended by:

Acts 2011, 82nd Leg., R.S., Ch. [1004](#), Sec. 9, eff. June 17, 2011.

Sec. 2256.024. SUBCHAPTER CUMULATIVE. (a) The authority granted by this subchapter is in addition to that granted by other law. Except as provided by Subsection (b), this subchapter does not:

(1) prohibit an investment specifically authorized by other law; or

(2) authorize an investment specifically prohibited by other law.

(b) Except with respect to those investing entities described in Subsection (c), a security described in Section 2256.009(b) is not an authorized investment for a state agency, a local government, or another investing entity, notwithstanding any other provision of this chapter or other law to the contrary.

(c) Mortgage pass-through certificates and individual mortgage loans that may constitute an investment described in Section 2256.009(b) are authorized investments with respect to the housing bond programs operated by:

(1) the Texas Department of Housing and Community Affairs or a nonprofit corporation created to act on its behalf;

(2) an entity created under Chapter 392, Local Government Code; or

(3) an entity created under Chapter 394, Local Government Code.

Added by Acts 1995, 74th Leg., ch. 402, Sec. 1, eff. Sept. 1, 1995.

Sec. 2256.025. SELECTION OF AUTHORIZED BROKERS. The governing body of an entity subject to this subchapter or the designated investment committee of the entity shall, at least annually, review, revise, and adopt a list of qualified brokers that are authorized to engage in investment transactions with the entity.

Added by Acts 1997, 75th Leg., ch. 1421, Sec. 13, eff. Sept. 1, 1997.

Sec. 2256.026. STATUTORY COMPLIANCE. All investments made by entities must comply with this subchapter and all federal, state, and local statutes, rules, or regulations.

Added by Acts 1997, 75th Leg., ch. 1421, Sec. 13, eff. Sept. 1, 1997.

SUBCHAPTER B. MISCELLANEOUS PROVISIONS

Sec. 2256.051. ELECTRONIC FUNDS TRANSFER. Any local government may use electronic means to transfer or invest all funds collected or controlled by the local government.

Amended by Acts 1995, 74th Leg., ch. 402, Sec. 1, eff. Sept. 1, 1995.

Sec. 2256.052. PRIVATE AUDITOR. Notwithstanding any other law, a state agency shall employ a private auditor if authorized by the legislative audit committee either on the committee's initiative or on request of the governing body of the agency.

Amended by Acts 1995, 74th Leg., ch. 402, Sec. 1, eff. Sept. 1, 1995.

Sec. 2256.053. PAYMENT FOR SECURITIES PURCHASED BY STATE. The comptroller or the disbursing officer of an agency that has the power to invest assets directly may pay for authorized securities purchased from or through a member in good standing of the National Association of Securities Dealers or from or through a national or state bank on receiving an invoice from the seller of the securities showing that the securities have been purchased by the board or agency and that the amount to be paid for the securities is just, due, and unpaid. A purchase of securities may not be made at a price that exceeds the existing market value of the securities.

Amended by Acts 1995, 74th Leg., ch. 402, Sec. 1, eff. Sept. 1, 1995; Acts 1997, 75th Leg., ch. 1423, Sec. 8.67, eff. Sept. 1, 1997.

Sec. 2256.054. DELIVERY OF SECURITIES PURCHASED BY STATE. A security purchased under this chapter may be delivered to the comptroller, a bank, or the board or agency investing its funds. The delivery shall be made under normal and recognized practices in the securities and banking industries, including the book entry procedure of the Federal Reserve Bank.

Amended by Acts 1995, 74th Leg., ch. 402, Sec. 1, eff. Sept. 1, 1995; Acts 1997, 75th Leg., ch. 1423, Sec. 8.68, eff. Sept. 1, 1997.

Sec. 2256.055. DEPOSIT OF SECURITIES PURCHASED BY STATE. At the direction of the comptroller or the agency, a security purchased under this chapter may be deposited in trust with a bank or federal reserve bank or branch designated by the comptroller, whether in or outside the state. The deposit shall be held in the entity's name as evidenced by a trust receipt of the bank with which the securities are deposited.

Amended by Acts 1995, 74th Leg., ch. 402, Sec. 1, eff. Sept. 1, 1995; Acts 1997, 75th Leg., ch. 1423, Sec. 8.69, eff. Sept. 1, 1997.

APPENDIX B
COUNCIL RESOLUTION
September 28, 2016

September 28, 2016

WHEREAS, in 1987 the City Council adopted the City's Investment Policy which was in compliance with the federal and state law and the City Charter; and

WHEREAS, in 1995 and 1997 through 2015, the City Council amended the City's Investment Policy to incorporate amendments to the Public Funds Investment Act, improve management of the City's investments and reflect organizational changes; and

WHEREAS, the Public Funds Investment Act requires that the investment shall be made in accordance with written policies approved, at least annually, by the governing body; and

WHEREAS, investment policies must address safety of principal, liquidity, yield, diversification and maturity, with primary emphasis on safety of principal. **Now, Therefore,**

BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF DALLAS:

Section 1. That the attached City of Dallas Investment Policy has been reviewed by the City Council and shall be adopted as the guiding policy in the ongoing management of the specified funds in accordance with federal and state law and the City Charter.

Section 2. That this resolution shall be take effect immediately from and after its passage in accordance with the provisions of the Charter of the City of Dallas and it is accordingly so resolved.

KEY FOCUS AREA: E-Gov
AGENDA DATE: September 28, 2016
COUNCIL DISTRICT(S): N/A
DEPARTMENT: City Controller
CMO: Jeanne Chipperfield, 670-7804
MAPSCO: N/A

SUBJECT

Authorize the execution of an interlocal agreement for participation in a Public Funds Investment Cooperative between City and TexasTERM Local Government Investment Pool ("TexasTERM"), and a resolution appointing authorized representatives and designating investment officers to conduct transactions for the investment of City funds in the TexasTERM – Financing: No cost consideration to the City

BACKGROUND

The City's investment policy permits investment in local government investment pools which are organized in conformity with Chapter 791, Texas Government Code (Interlocal Cooperation Act) and meet the requirements of the Public Funds Investment Act, Texas Government Code, Chapter 2256, (the "Act"). The TexasTERM Local Government Investment Pool ("TexasTERM") meets these criteria, which include maintaining a rating not less than Aaa by at least one nationally recognized rating service.

TexasTERM is administered by the PFM Asset Management LLC. Standard & Poor's provides the highest rating, possible, which underscores the portfolios' high credit quality, daily liquidity and relative safety. The execution of the Agreement and appointment of authorized representatives between the City and TexasTERM provides additional diversification, and a greater opportunity for higher return on investment.

PRIOR ACTION/REVIEW (COUNCIL, BOARDS, COMMISSIONS)

Information about this item was provided to the Budget, Finance & Audit Committee on September 6, 2016.

FISCAL INFORMATION

No cost consideration to the City

OWNER

City

September 28, 2016

WHEREAS , the City of Dallas, Texas (“Participant”) is a local government of the State of Texas and is empowered to delegate to a public funds investment pool the authority to invest funds and to act as custodian of investments purchased with local investment funds; and

WHEREAS, it is in the best interest of the Participant to invest local funds in investments that provide for the preservation and safety of principal, liquidity, and yield consistent with the Public Funds Investment Act; and

WHEREAS, the TexasTERM Local Government Investment Pool, referred to as TexasTERM, a public funds investment pool, consisting of separate pooled investment funds, was created pursuant to the provisions of Chapter 791, Texas Government Code, on behalf of entities to provide governmental functions and services, specifically public funds investment, whose investment objectives in order of priority are preservation and safety of principal, liquidity, and yield consistent with the Public Funds Investment Act; and

WHEREAS, the terms of the “Common Investment Contract” establishing TexasTERM are incorporated by reference into this Participation Agreement.

NOW THEREFORE,

BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF DALLAS

Section 1. That the City Manager is hereby authorized to enter into a Participation Agreement with the TexasTERM Local Government Investment Pool to establish one or more accounts for the City of Dallas, for the purpose of transmitting local funds for investment in TexasTERM, after it has been approved as to form by the City Attorney.

Section 2. That the Chief Financial Officer shall designate one or more individuals to act as “Authorized Representatives” of the City of Dallas, in the manner provided in the form attached to the Participation Agreement, to transmit funds for investment in the TexasTERM Pool and to withdraw funds from the TexasTERM Pool from time to time, to issue letters of instruction, and take such other actions deemed necessary or appropriate for the investment of local funds.

Section 3. That this resolution shall take effect immediately from and after its passage in accordance with the provisions of the Charter of the City of Dallas, and its authorization shall continue in full force and effect until amended or revoked by the City Manager or the Manager’s designee and until TexasTERM receives a copy of any such amendment or revocation, and it is accordingly so resolved.

CERTIFIED CITY COUNCIL RESOLUTION

WHEREAS , the City of Dallas, Texas (“Participant”) is a local government of the State of Texas and is empowered to delegate to a public funds investment pool the authority to invest funds and to act as custodian of investments purchased with local investment funds; and

WHEREAS, it is in the best interest of the Participant to invest local funds in investments that provide for the preservation and safety of principal, liquidity, and yield consistent with the Public Funds Investment Act; and

WHEREAS, the TexasTERM Local Government Investment Pool, referred to as TexasTERM, a public funds investment pool, consisting of separate pooled investment funds, was created pursuant to the provisions of Chapter 791, Texas Government Code, on behalf of entities to provide governmental functions and services, specifically public funds investment, whose investment objectives in order of priority are preservation and safety of principal, liquidity, and yield consistent with the Public Funds Investment Act; and

WHEREAS, the terms of the “Common Investment Contract” establishing TexasTERM are incorporated by reference into this Participation Agreement.

NOW THEREFORE,

BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF DALLAS

Section 1. That the City Manager is hereby authorized to enter into a Participation Agreement with the TexasTERM Local Government Investment Pool to establish one or more accounts for the City of Dallas, for the purpose of transmitting local funds for investment in TexasTERM, after it has been approved as to form by the City Attorney.

Section 2. That the Chief Financial Officer shall designate one or more individuals to act as “Authorized Representatives” of the City of Dallas, in the manner provided in the form attached to the Participation Agreement, to transmit funds for investment in the TexasTERM Pool and to withdraw funds from the TexasTERM Pool from time to time, to issue letters of instruction, and take such other actions deemed necessary or appropriate for the investment of local funds.

Section 3. That this resolution shall take effect immediately from and after its passage in accordance with the provisions of the Charter of the City of Dallas, and its authorization shall continue in full force and effect until amended or revoked by the City Manager or the Manager’s designee and until TexasTERM receives a copy of any such amendment or revocation, and it is accordingly so resolved.

ATTEST: _____

Signature

Printed Name

Title: City Secretary

Seal:

Participation Agreement Authorizing Participation in TexasTERM

THIS PARTICIPATION AGREEMENT is made and entered into by and between the CITY OF DALLAS, a Texas municipal corporation, located in Dallas County, Texas ("Participant") and the TEXASTERM LOCAL GOVERNMENT INVESTMENT POOL ("TexasTERM" or the "Pool"), a public funds investment pool created pursuant to the provisions of Chapter 791, Texas Government Code and Chapter 2256, Public Funds Investment Act, of the Texas Government Code , with offices at 221 West Sixth Street, Suite 1900, Austin, Texas 78701.

WHEREAS , Participant is a local government of the State of Texas and is empowered to delegate to a public funds investment pool the authority to invest funds and to act as custodian of investments purchased with local investment funds; and

WHEREAS, it is in the best interest of the Participant to invest local funds in investments that provide for the preservation and safety of principal, liquidity, and yield consistent with the Public Funds Investment Act; and

WHEREAS, the TexasTERM, a public funds investment pool, consisting of separate pooled investment funds, was created pursuant to the provisions of Chapter 791, Texas Government Code, on behalf of entities to provide governmental functions and services, specifically public funds investment, whose investment objectives in order of priority are preservation and safety of principal, liquidity, and yield consistent with the Public Funds Investment Act; and

WHEREAS, the terms of the "Common Investment Contract" establishing TexasTERM, attached as Exhibit A to this Agreement, are incorporated by reference into this Participation Agreement.

NOW THEREFORE, the parties agree as follows:

- A. Participant is entering into this Participation Agreement to establish one or more accounts in its name in TexasTERM, for the purpose of transmitting local funds for investment in TexasTERM.
- B. Participant shall designate one or more individuals to act as "Authorized Representatives" of the Participant, in the manner provided in the form attached to this Participation Agreement, as Exhibit B, to transmit funds for investment in the Pool and to withdraw funds from the Pool from time to time, to issue letters of instruction, and take such other actions deemed necessary or appropriate for the investment of local funds.
- C. This Participation Agreement shall continue in full force and effect until amended or revoked by the Participant and until TexasTERM receives a copy of any such amendment or revocation.

EXECUTED this the ___ day of _____, 2016, by City, signing by and through its City Manager, duly authorized to execute same by Resolution No. 16-_____, adopted by the City Council on _____, 2016, and by TexasTERM, acting through its duly authorized official.

PARTICIPANT: CITY OF DALLAS, TEXAS

APPROVED AS TO FORM:
CHRISTOPHER D. BOWERS
Interim City Attorney

CITY OF DALLAS
A. C. GONZALEZ
City Manager

BY _____
Assistant City Attorney

BY _____
Assistant City Manager

TEXASTERM LOCAL GOVERNMENT INVESTMENT POOL

By: _____
Title: _____

Exhibit A



NEW INVESTOR APPLICATION

Questions? Call 1-866-839-8376

Instructions: Complete this application to become a new investor in TexasTERM. This application must be included with all other required documentation and certifications in order to be accepted and processed by TexasTERM. Please fax or mail this completed application to your account representative at the fax number or address listed at the bottom of this application.

INVESTOR INFORMATION: (All fields in this section must contain Investor information ONLY.)

<p>Investor Name: _____ (Name to appear on Pool records)</p> <p>Legal Name: _____ (Name as filed with the IRS, if different from above)</p> <p>Street Address: _____ Street Address (A P.O. Box is not acceptable)</p> <p>_____ City _____ State _____ Zip</p> <p>Mailing Address: _____ (If different from Street Address) Mailing Address (If different from Street Address)</p> <p>_____ City _____ State _____ Zip</p>	<p>TIN # _____ (Taxpayer Identification Number)</p> <p>Phone #: _____</p> <p>Fax #: _____</p> <p>Entity Type: _____ (City, County, School District, etc.)</p> <p>Fiscal Year End: _____ (Month and Day)</p> <p>Contact Name: _____ <input type="checkbox"/> Mr. <input type="checkbox"/> Ms. <input type="checkbox"/> Mrs.</p>
--	--

INVESTOR CERTIFICATION: (A representative of the Investor should read, complete, sign and date this section.)

- I. The undersigned represents and warrants that he/she has the full power and authority to make investments on behalf of the Investor listed above.
- II. The undersigned certifies that the Investor named on this application adopted or enacted the attached **Ordinance/Resolution** at a duly convened meeting of the governing body of the Investor held on the _____ day of _____, 20____, and that such Ordinance/Resolution is in full force and effect on the date of this application, and that such Ordinance/Resolution has not been modified, amended or rescinded since its adoption or enactment. (Please attach the Ordinance/Resolution to this document.)
- III. The undersigned further certifies that the Investor has received a copy of the Pool's **Information Statement**, and agrees that the Investor will be bound by the terms of such documents.
- IV. The establishment of an account is subject to acceptance by the Pool and is subject to the conditions under the provisions contained in the Information Statement.
- V. Under penalty of perjury, the undersigned below certifies that the tax identification number provided for this Investor is true, correct and complete.
- VI. The information, authorizations, and certifications set forth in or attached to this New Investor Application shall remain in full force and effect until the Pool receives written notification of change.

X			Seal:
Authorized Signature	Date		
Print or Type Name of Authorized Signatory	Title/Position		

REQUIRED DOCUMENTATION: (Please include the following documents with this application.)

- W-9 (Name on W-9 must match IRS records)
- Ordinance/Resolution
- Investment Policy

POOL USE ONLY: (Please fax or mail this document to your account representative for their signature below.)

X		X	
TexasTERM Account Representative Signature	Date	Principal Approval Signature	Date

Any document received by email will not be accepted. Please send by fax or mail.

FAX TO: TexasTERM Client Services Group 1-800-252-9551	MAIL TO: TexasTERM Client Services Group P.O. Box 11760 Harrisburg, PA 17108-1760
--	--

POOL USE ONLY		
V2014.10	DATE	INITIALS
Processed		
Confirmed		

Exhibit B



CONTACT RECORD

Questions? Call 1-866-839-8376

Instructions: Complete this form to establish a new contact and/or EON User with the Pool.

CONTACT TYPE: (Please select a contact type.)

Contact Type: Person *Individual to be established as a contact.
 Group _____ *Group of individuals that can only be established as a Statement Recipient.
(Group Name)

CONTACT INFORMATION: (Please fill this section out completely. If this contact is a group, please fill out the second line of this section only.)

First Name: _____ Last Name: _____ Title: _____
 Mr. Ms. Mrs.
Email: _____ Phone: _____ Ext. _____ Mobile: _____ Fax: _____

TRUSTEE INFORMATION: (If applicable, please enter the name of the Trustee.)

Trustee Name: _____

EON USER INFORMATION: (Please fill this section out completely.) *Group contacts will not be permitted EON access.

Preferred/Current EON Username: _____ (Client Services will contact you if your preferred Username is unavailable.)

Please select and answer **one** of the security questions below. Your answer to the selected question will be required to reset your password.

- What is the name of your first pet?
- What was the color of your first car?
- In what city was your Mother born?
- What is the middle name of your oldest child?
- What is your Mother's maiden name?
- What is the name of the street you grew up on?
- What was your childhood nickname?

**Note: Your access to the Easy Online Network (EON) will be completed by the Client Services Group. You will receive an email from the EON Administrator (eonadministrator@pfm.com) confirming when your access is setup. The email will contain a temporary password for your initial login. You can login by visiting the TexasTERM website at www.texasterm.net. You will be prompted to change the temporary password after you login. If you have any questions, please contact the Client Services Group at 1-866-839-8376.*

Your answer: _____

SIGNATURE: (Please sign inside the box below for future verification purposes.)

Contact Signature

Print or Type Name of Contact _____

Date _____

**This form only establishes the individual or group above as a Contact in the records of the Pool. It does not give access to Investor accounts or establish a statement recipient. Please submit the TexasTERM Permissions Form to associate the Contact above to an Investor, assign permissions, and establish the individual or group as a statement recipient.*

Any document received by email will not be accepted. Please send by fax or mail.

FAX TO: TexasTERM Client Services Group
1-800-252-9551

MAIL TO: TexasTERM Client Services Group
P.O. Box 11760
Harrisburg, PA 17108-1760

POOL USE ONLY		
V2014.12	DATE	INITIALS
Processed		
Confirmed		

KEY FOCUS AREA: E-Gov
AGENDA DATE: September 28, 2016
COUNCIL DISTRICT(S): N/A
DEPARTMENT: City Controller
CMO: Jeanne Chipperfield, 670-7804
MAPSCO: N/A

SUBJECT

Authorize the execution of an interlocal agreement for participation in a Public Funds Investment Cooperative between City and Texas CLASS Local Government Investment Pool ("Texas CLASS"), and a resolution appointing authorized representatives and designating investment officers to conduct transactions for the investment of City funds in the Texas CLASS – Financing: No cost consideration to the City

BACKGROUND

The City's investment policy permits investment in local government investment pools which are organized in conformity with Chapter 791, Texas Government Code (Interlocal Cooperation Act) and meet the requirements of the Public Funds Investment Act, Texas Government Code, Chapter 2256, (the "Act"). The Texas CLASS Local Government Investment Pool ("Texas CLASS") meets these criteria, which include maintaining a rating not less than Aaa by at least one nationally recognized rating service.

Texas CLASS is administered by the Public Trust Advisors, LLC. Standard & Poor's provides the highest rating, possible, which underscores the portfolios' high credit quality, daily liquidity and relative safety. The execution of the Agreement and appointment of authorized representatives between the City and Texas CLASS provides additional diversification, and a greater opportunity for higher return on investment.

PRIOR ACTION/REVIEW (COUNCIL, BOARDS, COMMISSIONS)

Information about this item was provided to the Budget, Finance & Audit Committee on September 6, 2016.

FISCAL INFORMATION

No cost consideration to the City

OWNER

City

September 28, 2016

WHEREAS , the City of Dallas, Texas (“Participant”) is a local government of the State of Texas and is empowered to delegate to a public funds investment pool the authority to invest funds and to act as custodian of investments purchased with local investment funds; and

WHEREAS, it is in the best interest of the Participant to invest local funds in investments that provide for the preservation and safety of principal, liquidity, and yield consistent with the Public Funds Investment Act; and

WHEREAS, the Texas CLASS Local Government Investment Pool, referred to as Texas CLASS, a public funds investment pool, consisting of separate pooled investment funds, was created pursuant to the provisions of Chapter 791, Texas Government Code, on behalf of entities to provide governmental functions and services, specifically public funds investment, whose investment objectives in order of priority are preservation and safety of principal, liquidity, and yield consistent with the Public Funds Investment Act; and

WHEREAS, the terms of the “Common Investment Contract” establishing Texas CLASS are incorporated by reference into this Participation Agreement.

NOW THEREFORE,

BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF DALLAS

Section 1. That the City Manager is hereby authorized to enter into a Participation Agreement with the Texas CLASS Local Government Investment Pool to establish one or more accounts for the City of Dallas, for the purpose of transmitting local funds for investment in Texas CLASS, after it has been approved as to form by the City Attorney.

Section 2. That the Chief Financial Officer shall designate one or more individuals to act as “Authorized Representatives” of the City of Dallas, in the manner provided in the form attached to the Participation Agreement, to transmit funds for investment in the Texas CLASS Pool and to withdraw funds from the Texas CLASS Pool from time to time, to issue letters of instruction, and take such other actions deemed necessary or appropriate for the investment of local funds.

Section 3. That this resolution shall take effect immediately from and after its passage in accordance with the provisions of the Charter of the City of Dallas, and its authorization shall continue in full force and effect until amended or revoked by the City Manager or the Manager’s designee and until Texas CLASS receives a copy of any such amendment or revocation, and it is accordingly so resolved.

CERTIFIED CITY COUNCIL RESOLUTION

WHEREAS , the City of Dallas, Texas (“Participant”) is a local government of the State of Texas and is empowered to delegate to a public funds investment pool the authority to invest funds and to act as custodian of investments purchased with local investment funds; and

WHEREAS, it is in the best interest of the Participant to invest local funds in investments that provide for the preservation and safety of principal, liquidity, and yield consistent with the Public Funds Investment Act; and

WHEREAS, the Texas CLASS Local Government Investment Pool, referred to as Texas CLASS, a public funds investment pool, consisting of separate pooled investment funds, was created pursuant to the provisions of Chapter 791, Texas Government Code, on behalf of entities to provide governmental functions and services, specifically public funds investment, whose investment objectives in order of priority are preservation and safety of principal, liquidity, and yield consistent with the Public Funds Investment Act; and

WHEREAS, the terms of the “Common Investment Contract” establishing Texas CLASS are incorporated by reference into this Participation Agreement.

NOW THEREFORE,

BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF DALLAS

Section 1. That the City Manager is hereby authorized to enter into a Participation Agreement with the Texas CLASS Local Government Investment Pool to establish one or more accounts for the City of Dallas, for the purpose of transmitting local funds for investment in Texas CLASS, after it has been approved as to form by the City Attorney.

Section 2. That the Chief Financial Officer shall designate one or more individuals to act as “Authorized Representatives” of the City of Dallas, in the manner provided in the form attached to the Participation Agreement, to transmit funds for investment in the Texas CLASS Pool and to withdraw funds from the Texas CLASS Pool from time to time, to issue letters of instruction, and take such other actions deemed necessary or appropriate for the investment of local funds.

Section 3. That this resolution shall take effect immediately from and after its passage in accordance with the provisions of the Charter of the City of Dallas, and its authorization shall continue in full force and effect until amended or revoked by the City Manager or the Manager’s designee and until Texas CLASS receives a copy of any such amendment or revocation, and it is accordingly so resolved.

ATTEST: _____

Signature

Printed Name

Title: City Secretary

Seal:

Resolution to Participate

WHEREAS, the Public Funds Investment Act, Texas Government Code, Section 2256.001 et seq. (the "Act"), requires the governing body of each local government in this State to adopt investment policies in accordance with the terms of the Act; and

WHEREAS, pursuant to the requirements of the Act, the City Council (the "Governing Body") of the CITY OF DALLAS (the "Local Government") has previously reviewed and adopted an investment policy (the "Policy") that provides in part that the funds of the local government will be invested in investments permitted by the Act in order to: (i) invest only in investments legally permitted under Texas law; (ii) minimize risk by managing portfolio investments so as to preserve principal and maintain a stable asset value; (iii) manage portfolio investments to ensure that cash will be available as required to finance operations; and (iv) maximize current income to the degree consistent with legality, safety and liquidity; and

WHEREAS, pursuant to the Policy and the Act, the Local Government has appointed _____ (the "Investment Officer") to act as the investment officer of the Local Government; and

WHEREAS, the Act provides that funds under the control of a Local Government may be invested through investment pools meeting the standards of Section 2256.016 of the Act; and

WHEREAS, the Local Government has received and reviewed the Information Statement, dated October 1, 2013 (the "Information Statement"), of Texas Cooperative Liquid Assets Securities System, an investment pool administered by Public Trust Advisors, LLC, (the "Program"), which sets forth the information required by Section 2256.016(b) of the Act; and

WHEREAS, the Local Government has determined that the investments proposed to be acquired by the Program are of a type that are permitted by the Act and are consistent with the Policy; and

WHEREAS, the Local Government has determined that an investment in the Program will assist the Local Government in achieving the goals set forth in the Policy, and will tend to preclude imprudent investment activities arising out of investment transactions conducted between the Local Government and the Program; and

WHEREAS, the Local Government understands that the Program operates through the Sixth Amended and Restated Trust Agreement dated as of August 16, 2013 (the "Trust Agreement"), which provides the terms on which the Program will operate and the rights of the participants in the Program and sets forth the responsibilities of Public Trust Advisors, LLC, as the administrator of the Program (the "Administrator"), and of Wells Fargo Bank as custodian (the "Custodian");

NOW THEREFORE, BE IT RESOLVED BY THE GOVERNING BODY OF THE LOCAL GOVERNMENT:

That the form, terms and provisions of the Trust Agreement, a draft of which was presented and reviewed at this meeting, providing for the creation of the Program and for the rights of the Program participants and the duties and responsibilities of the Administrator, be and the same are hereby approved and adopted; and that the Investment Officer be and he or she is hereby authorized and directed to execute and deliver to the Administrator and the Custodian in the name and on behalf of the Local Government, a participation certificate evidencing the agreement of the Local Government to be bound by the Trust Agreement substantially in the form of the Trust Agreement reviewed and approved at this meeting, together with such changes therein as may be approved by the said officer, such approval to be conclusively evidenced by the execution thereof; and be it further

Resolved, that the investment program established by the Trust Agreement is hereby found and determined to be consistent with the Policy, and to preclude imprudent investment activities arising out of investment transactions conducted between the Local Government and the Program; and be it further

Resolved, that the Governing Body hereby officially finds and determines that the facts and recitations contained in the preamble of this Resolution are true and correct; and be it further

Resolved, that the Governing Body hereby finds and declares that written notice of the date, hour, place and subject of the meeting at which this Resolution was adopted was posted for the time required by law preceding this meeting, and that such meeting was open to the public as required by law at all times during which this Resolution and the subject matter thereof were discussed, considered and formally acted upon, all as required by the Open Meetings Act, Chapter 551, Texas Government Code, as amended, and the Act; and be it further

Resolved, that the officers of the Local Government, and each of them, shall be and each is expressly authorized, empowered and directed from time to time to do and perform all acts and things and to execute, acknowledge and deliver in the name and under the corporate seal and on behalf of the Local Government all certificates, instruments and other papers, whether or not herein mentioned, as they may determine to be necessary or desirable in order to carry out the terms and provisions of this Resolution and of the Trust Agreement hereby authorized and approved, such determination to be conclusively evidenced by the performance of such acts and things and the execution of any such certificate, financing statement, instrument or other paper; and be it further



EXECUTED this the ___ day of _____, 2016, by the City, signing by and through its City Manager, duly authorized to execute same by Resolution No. 16-_____, adopted by the City Council on _____, 2016, and by Contractor, acting through its duly authorized official.

APPROVED AS TO FORM:
CHRISTOPHER D. BOWERS
Interim City Attorney

CITY OF DALLAS
A. C. GONZALEZ
City Manager

BY _____
Interim City Attorney

BY _____
Assistant City Manager

Exhibit D – Participation Certificate

The undersigned _____ (the "Local Government") does hereby request that it be admitted as a Participant pursuant to Section 2.3 of the Sixth Amended and Restated Trust Agreement (the "Agreement") dated as of August 16, 2013 by and between the Participants, Wells Fargo Bank, as Custodian, and Public Trust Advisors, LLC. By executing this Participation Certificate, the undersigned agrees that, upon the execution hereof by the Program Administrator, it will become subject to the same obligations and shall have the same rights as if it had executed the Agreement.

The undersigned hereby certifies that _____ (the "Investment Officer") is the duly designated Representative of the undersigned as required by the Agreement.

The undersigned hereby certifies that its governing body has taken all actions required by Section 2256.016 of the Public Funds Investment Act, Texas Government Code, in order for it to participate in the Trust created by the Agreement.

Entity Name

Signature

Date

Title

Accepted by Administrator (to be completed by Texas CLASS):

Signature

Date

Title

Trust Registration

Entity Information

Entity Name (Participant) _____

Entity Type City/Town County School District Special District Other (Specify) _____

Mailing Address _____

City _____ Zip _____ County _____

Tax ID _____ Fiscal Year (Month/Day) _____

Texas CLASS is hereby authorized to honor any telephone, faxed or electronic request, believed to be authentic, for withdrawal of funds. The withdrawal proceeds can be sent only to the bank(s) indicated below unless changed by written instructions. Each local government is responsible for notifying Texas CLASS of any changes to its account.

Banking Information

Bank Name _____ Bank Routing Number (ABA) _____

Account Title _____ Account Number _____

Bank Contact _____ Contact's Phone Number _____

Additional Banking Information (Optional)

Bank Name _____ Bank Routing Number (ABA) _____

Account Title _____ Account Number _____

Bank Contact _____ Contact's Phone Number _____

Authorized Contacts

Key Contact and Authorized Signer

Mr. Ms. _____
Print First and Last Name

_____ Title

_____ Signature Required

_____ Phone

_____ Email

_____ Fax

Permissions

Authorized Signer to Move Funds

Email Notifications

Monthly Statements

Transaction Confirmations

Online Account

Online User Access

Additional Contact (Optional)

Mr. Ms. _____
Print First and Last Name

_____ Title

_____ Signature (required if authorized signer)

_____ Phone

_____ Email

_____ Fax

Permissions

Authorized Signer to Move Funds

Email Notifications

Monthly Statements

Read Only Access

Transaction Confirmations

Online Account

Online User Access

Additional Contact (Optional)

Mr. Ms. _____
Print First and Last Name

_____ Title

_____ Signature (required if authorized signer)

_____ Phone

_____ Email

_____ Fax

Permissions

Authorized Signer to Move Funds

Email Notifications

Monthly Statements

Read Only Access

Transaction Confirmations

Online Account

Online User Access

Accounts to be Established

Entity Name _____

Desired Texas CLASS Subaccount Name(s)

Account Number (assigned by Texas CLASS)

TX-01- _____

Memorandum



CITY OF DALLAS

DATE September 2, 2016

TO Members of the Budget, Finance & Audit Committee: Jennifer S. Gates (Chair), Philip T. Kingston (Vice Chair), Erik Wilson, Rickey D. Callahan, Scott Griggs, Lee M. Kleinman

SUBJECT June 30, 2016 Quarterly Investment Report

The City of Dallas Investment Policy, in accordance with the Texas Public Funds Investment Act, requires that the City Council and City Manager receive quarterly investment reports. The purpose of this report is to provide a means for Council members, Council committee members and staff to regularly review and monitor the City's investment position and to demonstrate compliance with the City's Investment Policy and the Public Funds Investment Act. Summary reports on each of the City's portfolios are included as well as summary information on the portfolio as a whole.

For the quarter ended June 30, 2016 the City's individual portfolios and the combined portfolio are in compliance with the relevant provisions of the Public Funds Investment Act and the investment strategies adopted in Sec. 17.0 of the City's Investment Policy.

Please let me know if you need additional information.


Jeanne Chipperfield
Chief Financial Officer

Attachment

c: Honorable Mayor and Members of City Council
A.C. Gonzalez, City Manager
Christopher D. Bowers, Interim City Attorney
Craig D. Kinton, City Auditor
Rosa A. Rios, City Secretary
Daniel F. Solis, Administrative Judge

Ryan S. Evans, First Assistant City Manager
Eric D. Campbell, Assistant City Manager
Jill A. Jordan, P.E., Assistant City Manager
Mark McDaniel, Assistant City Manager
Joey Zapata, Assistant City Manager
Sana Syed, Public Information Officer
Elsa Cantu, Assistant to the City Manager – Mayor & Council



CITY OF DALLAS

June 30, 2016

QUARTERLY INVESTMENT REPORT



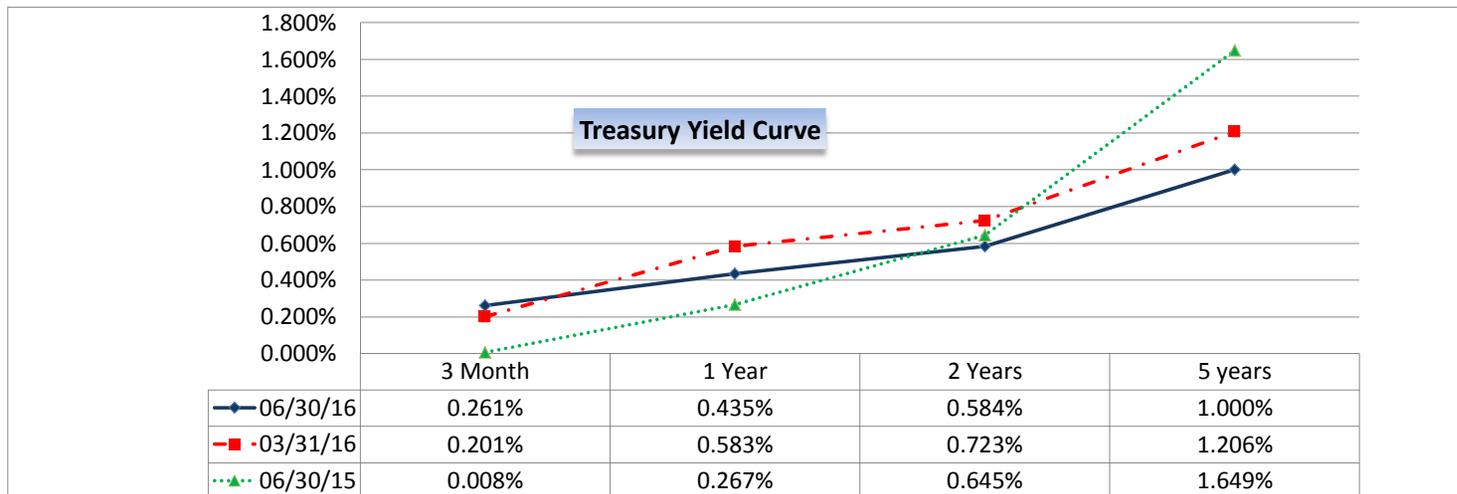
Quarterly National Economic and Market Update
 Quarter Ended June 30, 2016

- The pace of improvement in the labor market had slowed while growth in economic activity appeared to have picked up. Although the unemployment rate had declined, job gains had diminished. Growth in household spending had strengthened. Business fixed investment had been soft.
- Inflation had continued to run below the Federal Open Market Committee's (FOMC's) 2 percent long-term objective, partly reflecting declines in energy prices and in prices of non-energy imports.
- The FOMC decided to maintain the target range for the federal funds rate at 0.25 to 0.50 percent. Further increases will depend upon changes in labor market conditions and inflation.

Source: FOMC June 15, 2016 Statement

National Economic Data	6/30/2015	6/30/2016
Fed Funds Effective Rate Target	0.00% -0.25%	0.25% -0.50%
2 Years Treasury Note	0.645%	0.584%
10 Years Treasury Note	2.354%	1.471%
Monthly Unemployment Rate	5.30%	4.90%
Weekly Initial Jobless Claims	282,000	270,000
Monthly Change in Nonfarm Payrolls	231,000	287,000
Monthly New Housing Starts	1,204,000	1,189,000

Source: Bloomberg



Source: Bloomberg

City of Dallas
Portfolio Holdings
Combined Investment Summary
As of 6/30/2016

Portfolio Description	Face Amount	Book Value	Market Value	Accrued Interest	Market Value + Accrued Interest	*Unrealized Gain/(Loss)	Weighted Average Yield To Maturity
01 The City's Investment Pool	1,744,254,000	1,744,463,155	1,749,498,606	2,884,460	1,752,383,066	5,035,451	0.91%
02 Convention Center Reserve	23,000,000	23,000,000	23,015,314	62,492	23,077,806	15,314	1.39%
03 Water Reserve	90,000,000	89,949,585	90,187,655	284,931	90,472,586	238,070	1.28%
04 Art Endowment	2,235,000	2,235,000	2,236,466	9,909	2,246,375	1,466	1.20%
05 Ida Green Library Fund	1,000,000	1,000,000	1,003,059	799	1,003,858	3,059	1.25%
10 DWU Commercial Paper Program	11,244	11,244	11,244	0	11,244	-	0.24%
11 GO Commercial Paper	244	244	244	0	244	-	0.22%
14 Trinity Parkway Escrow	547,784	547,784	547,784	0	547,784	-	0.40%

*Unrealized gain/loss is the difference between the market value and book value and does not represent an actual gain or loss. Gains and losses are realized only when a security is sold prior to maturity. Since it is the City's practice to hold investments until they mature, the temporary gains and losses are unlikely to be realized.

City of Dallas
Trade Activity by Portfolio
As of: 03/31/2016 - 06/30/2016

Portfolio Description	Beginning Face Amount	Beginning Weighted Average Yield To Maturity	Purchased/Deposited	Matured/Called/ Redeemed	Ending Face Amount	Ending Weighted Average Yield To Maturity
City's Investment Pool*						
Federal Agricultural Mortgage Corp.	252,270,000	0.93%	-	-	252,270,000	0.93%
Federal Farm Credit Bank	235,000,000	0.95%	30,000,000	-	265,000,000	0.93%
Federal Home Loan Bank	408,445,000	1.01%	-	130,000,000	278,445,000	0.96%
Federal Home Loan Mortgage Corp.	499,039,000	1.07%	-	50,000,000	449,039,000	1.04%
Federal National Mortgage Assoc.	241,480,000	0.96%	-	5,000,000	236,480,000	0.95%
Treasury Note	10,000,000	-	-	-	10,000,000	0.56%
Total Portfolio	1,646,234,000	1.00%	30,000,000	185,000,000	1,491,234,000	0.97%
<i>*Trade activity excludes local government investment pools and money market mutual funds.</i>						
Convention Center Reserve						
Federal Home Loan Mortgage Corp.	15,000,000	1.45%	4,000,000	-	19,000,000	1.41%
Federal National Mortgage Assoc.	7,900,000	1.27%	-	3,900,000	4,000,000	1.30%
Total Portfolio	22,900,000	1.39%	4,000,000	3,900,000	23,000,000	1.39%
Water Reserve						
Federal Home Loan Bank	60,000,000	1.24%	-	15,000,000	45,000,000	1.28%
Federal Home Loan Mortgage Corp.	30,000,000	1.22%	-	-	30,000,000	1.22%
Federal National Mortgage Assoc.	-	-	15,000,000	-	15,000,000	1.42%
Total Portfolio	90,000,000	1.24%	15,000,000	15,000,000	90,000,000	1.28%
Art Endowment						
Federal Home Loan Bank	2,235,000	1.20%	-	-	2,235,000	1.20%
Total Portfolio	2,235,000	1.20%	-	-	2,235,000	1.20%
Ida Green Library Endowment						
Federal Agricultural Mortgage Corp.	-	-	1,000,000	-	1,000,000	1.25%
Federal Home Loan Bank	1,000,000	1.20%	-	1,000,000	-	-
Total Portfolio	1,000,000	1.20%	1,000,000	1,000,000	1,000,000	1.25%
DWU Commercial Paper						
Money Market - Tax Exempt	8,463	0.16%	2,781	-	11,244	0.24%
Total Portfolio	8,463	0.16%	2,781	-	11,244	0.24%
GO Commercial Paper						
Money Market - Tax Exempt	244	0.26%	244	244	244	0.22%
Total Portfolio	244	0.26%	244	244	244	0.22%
Trinity Parkway Escrow						
Money Market	547,205	0.40%	579	-	547,784	0.40%
Total Portfolio	547,205	0.40%	579	-	547,784	0.40%

City of Dallas
 Summary Statement by Portfolio
 As of: 03/31/2016 - 06/30/2016

Portfolio Description	Beginning Face Amount	Ending Face Amount	Beginning Book Value	Ending Book Value	Beginning Market Value	Ending Market Value	Deposits/ (Redemptions)	Change in Market Value	Accrued Interest	Ending Weighted Average Yield To Maturity
City's Investment Pool¹										
Local Govt. Investment Pool	203,020,000	237,020,000	203,020,000	237,020,000	203,020,000	237,020,000	34,000,000	-	-	0.57%
Money Market	42,000,000	16,000,000	42,000,000	16,000,000	42,000,000	16,000,000	(26,000,000)	-	-	0.45%
US Agency	1,636,234,000	1,481,234,000	1,636,505,746	1,481,443,625	1,640,585,687	1,486,476,056	(155,000,000)	890,368	2,863,719	0.97%
US Treasury	10,000,000	10,000,000	9,998,149	9,999,530	10,003,710	10,002,550	-	(1,160)	20,742	0.56%
*Total Portfolio	1,891,254,000	1,744,254,000	1,891,523,895	1,744,463,155	1,895,609,397	1,749,498,606	(147,000,000)	889,208	2,884,460	0.91%
Convention Center Reserve²										
US Agency	22,900,000	23,000,000	22,900,000	23,000,000	22,907,515	23,015,314	100,000	7,799	62,492	1.39%
Total Portfolio	22,900,000	23,000,000	22,900,000	23,000,000	22,907,515	23,015,314	100,000	7,799	62,492	1.39%
Water Reserve²										
US Agency	90,000,000	90,000,000	89,933,845	89,949,585	90,224,545	90,187,655	-	(36,890)	284,931	1.28%
Total Portfolio	90,000,000	90,000,000	89,933,845	89,949,585	90,224,545	90,187,655	-	(36,890)	284,931	1.28%
Art Endowment³										
US Agency	2,235,000	2,235,000	2,235,000	2,235,000	2,237,783	2,236,466	-	(1,316)	9,909	1.20%
Total Portfolio	2,235,000	2,235,000	2,235,000	2,235,000	2,237,783	2,236,466	-	(1,316)	9,909	1.20%
Ida Green Library Endowment⁴										
US Agency	1,000,000	1,000,000	1,000,000	1,000,000	1,000,318	1,003,059	-	2,741	799	1.25%
Total Portfolio	1,000,000	1,000,000	1,000,000	1,000,000	1,000,318	1,003,059	-	2,741	799	1.25%
DWU Commercial Paper⁵										
Money Market - Tax Exempt	8,463	11,244	8,463	11,244	8,463	11,244	2,781	-	-	0.24%
Total Portfolio	8,463	11,244	8,463	11,244	8,463	11,244	2,781	-	-	0.24%
GO Commercial Paper⁵										
Money Market - Tax Exempt	244	244	244	244	244	244	-	-	-	0.22%
Total Portfolio	244	244	244	244	244	244	-	-	-	0.22%
Trinity Parkway Escrow⁵										
Money Market	547,205	547,784	547,205	547,784	547,205	547,784	579	-	-	0.40%
Total Portfolio	547,205	547,784	547,205	547,784	547,205	547,784	579	-	-	0.40%

Notes 1-6: See Page 6 for Strategy Statement by Portfolio.

*Numbers may not sum due to rounding

City of Dallas
Strategy Statement and Compliance by Portfolio
As of: 03/31/2016 - 06/30/2016

STRATEGY COMPLIANCE STATEMENT

For the quarter ended June 30, 2016 the portfolios are in compliance with the relevant provisions of the Public Fund Investment Act and the investment strategies adopted in Sec. 17.0 of the City's Investment Policy.

STRATEGY STATEMENT BY PORTFOLIO

1) City's Investment Pool

The City's Investment Pool is an aggregation of the majority of City funds that includes tax receipts, enterprise fund revenues, fine and fee revenues, as well as some, but not all, bond proceeds, grants, gifts and endowments. This portfolio is maintained to meet anticipated daily cash needs for City of Dallas operations, capital projects and debt service. In order to ensure the ability of the City to meet obligations and to minimize potential liquidation losses, the dollar-weighted average stated maturity of the Investment Pool shall not exceed 1.5 years.

2) Convention Center Bond Reserve and Water Bond Reserve

Non-pooled reserve funds for outstanding revenue bonds (Convention Center and Water) are set at levels required by their respective bond ordinances. These funds will be used to pay principal and/or interest at final maturity or if called prior to final maturity.

3) Art Endowment

The Art Endowment Fund was created by the City from a \$1,285,026 repayment to the General Fund from the Convention Center. Pursuant to Resolution No. 84-311 dated September 26, 1984, this endowment fund was created to provide additional monies for the arts, not to replace the current level of support. Funds received as gifts to the City with instructions that the income generated by the investment of said funds be used for specified purposes are invested as separate non-pooled portfolios in order to maximize return.

4) Ida Green Library Endowment

The Ida M. Green Endowment Fund was created with the proceeds from the sale of stock from the estate of Ms. Green pursuant to Resolution No. 87-0836. Its purpose is to provide funds for the operating and capital expenses of the library's Texas Center for the Book and Children's Center. Funds received as gifts to the City with instructions that the income generated by the investment of said funds be used for specified purposes are invested as separate non-pooled portfolios in order to maximize return.

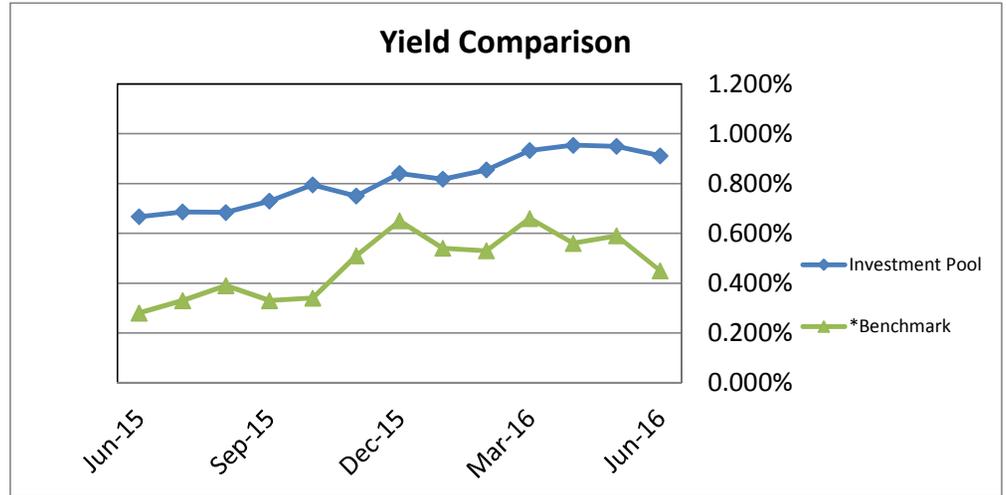
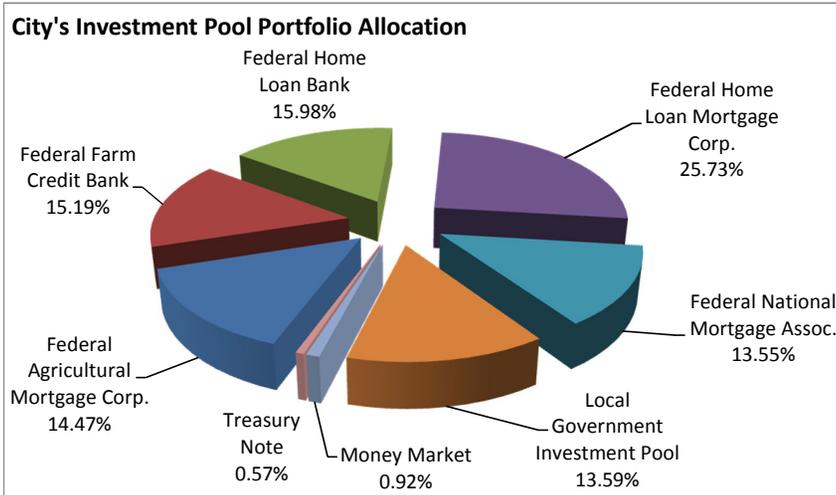
5) DWU Commercial Paper Program and GO Commercial Paper Program

The City issues tax-exempt commercial paper notes as an interim financing tool for construction and capital projects. Proceeds from the issuance of commercial paper debt must be liquid in order to fund periodic payments to contractors and may be invested in tax-exempt securities in order to avoid costly and complex arbitrage rebate computations. In order to meet these objectives, commercial paper proceeds may either be invested in tax-exempt securities or expended subject to a reimbursement program.

6) Trinity Parkway Escrow

The Trinity Parkway Escrow portfolio was created with the deposit of \$5,000,000 on November 16, 1999 in an escrow account in accordance with an agreement dated as of January 1, 1999 between the City and the North Texas Tollway Authority ("NTTA") pertaining to development of the Trinity Parkway. A subsequent deposit of \$4,500,000 was made in June 2009. These funds will be used to reimburse NTTA for specified payment related to project feasibility. Permitted investments for this account are defined in the Escrow Agreement as those that are consistent with the Public Funds Investment Act.

City of Dallas
City's Investment Pool Portfolio Allocation
Investment Summary
As of 6/30/2016



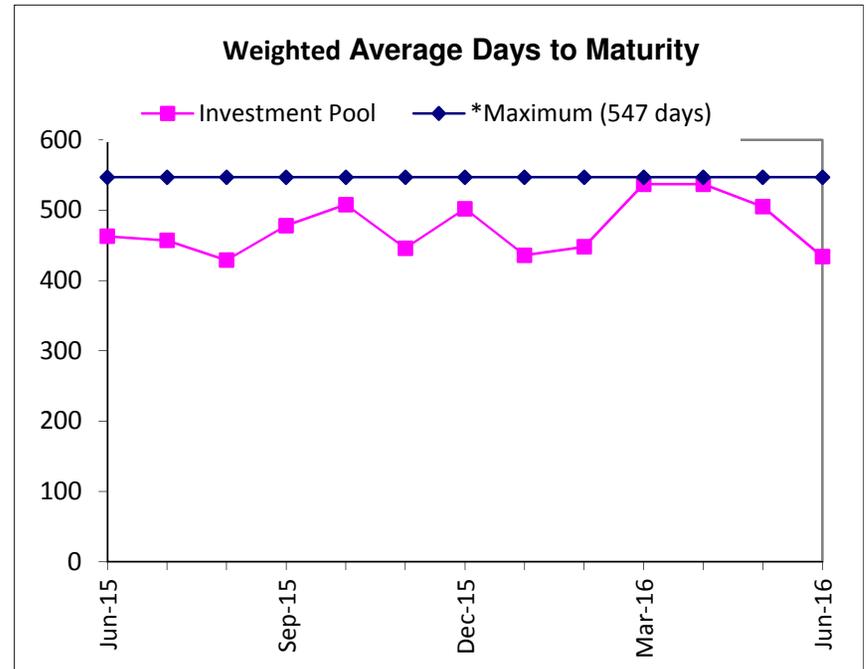
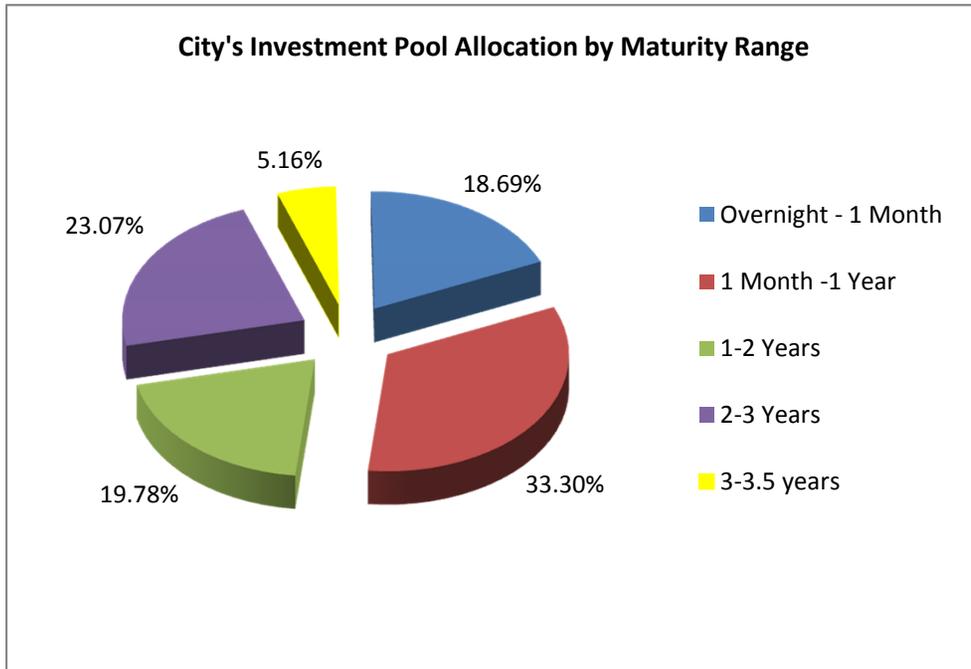
Description	Face Amount	Book Value	Market Value	**Unrealized Gain/(Loss)	Weighted Average Days To Maturity	Weighted Average Yield To Maturity	% of Portfolio
Federal Agricultural Mortgage Corp.	252,270,000	252,453,818	253,381,767	927,950	424	0.93%	14.47%
Federal Farm Credit Bank	265,000,000	264,962,428	266,098,960	1,136,532	571	0.93%	15.19%
Federal Home Loan Bank	278,445,000	278,717,841	279,592,798	874,958	515	0.96%	15.98%
Federal Home Loan Mortgage Corp.	449,039,000	448,912,975	450,231,524	1,318,549	555	1.04%	25.73%
Federal National Mortgage Assoc.	236,480,000	236,396,565	237,171,006	774,441	444	0.96%	13.55%
Local Government Investment Pool	237,020,000	237,020,000	237,020,000	-	1	0.57%	13.59%
Money Market	16,000,000	16,000,000	16,000,000	-	1	0.45%	0.92%
Treasury Note	10,000,000	9,999,530	10,002,550	3,020	31	0.56%	0.57%
***Total Portfolio	1,744,254,000	1,744,463,155	1,749,498,606	5,035,451	434	0.91%	100.00%

*As per Section 17.1 of the City's Investment Policy, the benchmark for the Investment Pool is the 12-month moving average yield on treasury 1-year constant maturities as reported by Federal Reserve Statistical Release H.15.

** Unrealized gain/loss is the difference between the market value and book value and does not represent an actual gain or loss. Gains and losses are realized only when a security is sold prior to maturity. Since it is the City's strategy to hold investments until they mature, the temporary gains and losses are unlikely to be realized.

*** Numbers may not sum due to rounding

City of Dallas
City's Investment Pool Allocation by Maturity Range
As of 6/30/2016



Description	Face Amount/Shares	Book Value	Market Value	Weighted Average Yield To Maturity	Weighted Average Days To Maturity	% of Portfolio
Overnight - 1 Month	326,109,000	326,095,387	326,105,873	0.56%	4	18.69%
1 Month - 1 Year	580,695,000	580,879,826	581,580,294	0.72%	161	33.30%
1-2 Years	345,150,000	345,114,665	347,096,109	1.08%	549	19.78%
2-3 Years	402,300,000	402,375,829	404,512,710	1.20%	909	23.07%
3-3.5 years	90,000,000	89,997,448	90,203,620	1.50%	1,187	5.16%
**Total Portfolio	1,744,254,000	1,744,463,155	1,749,498,606	0.91%	434	100%

*As per Section 17.1 of the City's Investment Policy, the dollar-weighted average stated maturity of the Investment Pool shall not exceed 1.5 years (547 days).

** Numbers may not sum due to rounding

City of Dallas
Date To Date
Broker/Dealer Activity
As of: FY 15-16 Year to Date

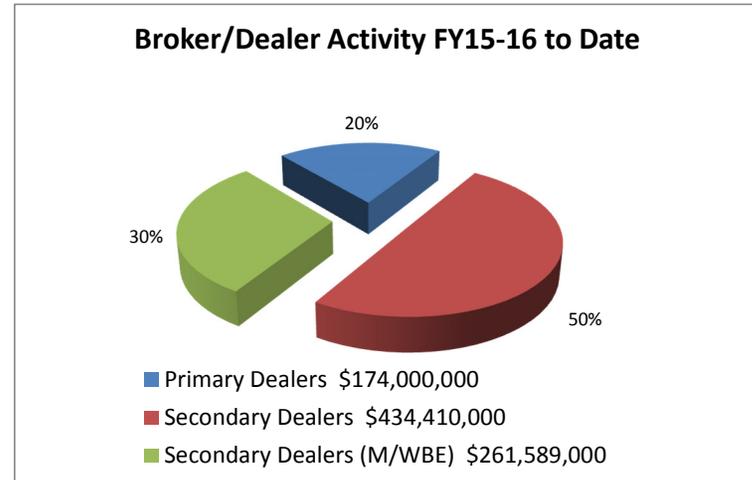
FY 15-16 Year to Date		
Description	Awarded	%
Primary Dealers		
Bank of America	\$38,000,000	4.37%
Daiwa Capital Markets	20,000,000	2.30%
Morgan Stanley	50,000,000	5.75%
Jefferies & Co.	30,000,000	3.45%
Wells Fargo	36,000,000	4.14%
Secondary Dealers		
Coastal Securities	102,010,000	11.73%
Hilltop Securities Inc.	85,000,000	9.77%
Mutual Securities	20,000,000	2.30%
Piper Jaffray & Co.	40,000,000	4.60%
Samco Capital Market	90,000,000	10.34%
SunTrust Robinson Humphrey, Inc.	30,000,000	3.45%
Vining Sparks	67,400,000	7.75%
Secondary Dealers - M/WBE		
Bonwick Capital - M/WBE	119,539,000	13.74%
Loop Capital - M/WBE	35,000,000	4.02%
Ramirez & Co. - M/WBE	40,000,000	4.60%
Rice Financial - M/WBE	37,050,000	4.26%
Stern Brothers & Co. - M/WBE	30,000,000	3.45%
Total	\$869,999,000	100.00%

Notes:

Section 9 of the City's investment Policy requires the investment committee to annually review and adopt a list of qualified broker/dealers. These firms represent the broker dealer firms that are currently approved by the Investment Committee as of January 2016.

It is the City's Practice to solicit three or more competitive bids/offers each trade except for agency securities purchased at issue.

Q3 FY 15-16		
Description	Awarded	%
Bonwick Capital - M/WBE	\$25,000,000	50.00%
Hilltop Securities Inc.	5,000,000	10.00%
Ramirez & Co. - M/WBE	1,000,000	2.00%
Samco Capital Market	15,000,000	30.00%
Wells Fargo	4,000,000	8.00%
Total	\$50,000,000	100.00%



CITY OF DALLAS
QUARTERLY INVESTMENT REPORT

June 30, 2016

For the quarter ended June 30, 2016 the portfolios are in compliance with the relevant provisions of the Public Funds Investment Act and the investment strategies adopted in Sec. 17.0 of the City's Investment Policy.

Chief Financial Officer: 

City Controller: 

Treasury Manager: 

KEY FOCUS AREA: Clean, Healthy Environment

AGENDA DATE: September 14, 2016

COUNCIL DISTRICT(S): All

DEPARTMENT: Business Development & Procurement Services
Aviation
Code Compliance
Convention and Event Services
Equipment & Building Services
Fire
Housing/Community Services
Office of Economic Development
Office of Environmental Quality
Park & Recreation
Police
Public Works Department
Sanitation Services
Street Services
Sustainable Development and Construction
Trinity Watershed Management
Water Utilities

CMO: Jeanne Chipperfield, 670-7804
Ryan S. Evans, 671-9837
Joey Zapata, 670-3009
Jill A. Jordan, P.E., 670-5299
Eric Campbell, 670-3255
Alan Sims, Chief of Neighborhood Plus, 670-1611
Willis Winters, 670-4071
Mark McDaniel, 670-3256

MAPSCO: N/A

SUBJECT

Authorize a four-year service contract for non-engineering environmental consulting, investigative and remediation services with twenty-nine vendors selected as most qualified respondent of thirty-seven (list attached) - Not to exceed \$17,156,124 - Financing: Current Funds (\$9,958,124), Aviation Current Funds (\$2,400,000), Stormwater Drainage Management Current Funds (\$1,900,000), Water Utilities Current Funds (\$1,290,000), Sanitation Current Funds (\$1,220,000) and Convention and Event Services Current Funds (\$388,000) (subject to annual appropriations)

BACKGROUND

This action does not encumber funding; the purpose of a service contract is to establish firm pricing for services, for a specific term, which are ordered on an as needed basis.

This service contract will provide non-engineering environmental consulting, investigative and remediation services as needed for City projects, including future Bond construction projects.

Services under this contract include but are not limited to, evaluating environmental and financial risk associated with property transactions and improvements, and maintaining compliance with state and federal regulations including Texas Risk Reduction Program (TRRP), The Clean Water Act (CWA), Clean Air Act (CAA), Comprehensive Environmental Response, Compensation and Liability Act (CERCLA), Resource Conservation and Recovery Act (RCRA), and Solid Waste Disposal Act (SWDA). Specific services under this contract include Phase I and II Environmental Site Assessment to investigate potential or known soil/groundwater contamination prior to property transactions. Additional services include remediation of contaminated soil or groundwater, investigation and removal of underground storage tanks on City property, investigation of soil during utility line installation, air quality services, and asbestos consulting and abatement services. These services will assist the City in protecting human health and the environment while ensuring that the City appropriately considers and manages environmental risks.

The awarded vendors will also provide analytical laboratory testing as needed to support the environmental consulting, investigation, and remediation services. Analytical laboratory testing includes, but is not limited to, analysis of samples for compliance with state and federal regulations.

Departments will manage the vendor utilization according to specialization, demand and capacity of each vendor for each service required through project specific work orders. Office of Environmental Quality will provide internal consulting services to assist and support departments in the management of this contract.

A five member evaluation committee was selected from the following departments:

- Office of Environmental Quality (1)
- Water Utilities (1)
- Code Compliance (1)
- Trinity Watershed Management (1)
- Business Development and Procurement Services (1)*

*Business Development and Procurement Services only evaluated the Business Inclusion and Development Plan.

BACKGROUND (Continued)

The successful proposers were selected by the committee on the basis of the following criteria:

- Quality of past performance 15 Points
- Municipal contracting experience 20 Points
- Business Inclusion and Development Plan 15 Points
- Firm qualifications 5 Points
- Personnel qualifications 10 Points
- Current workload 5 Points
- Service area specific evaluation criteria 25 Points
- Specialized service provider 5 Points

As part of the solicitation process and in an effort to increase competition, Business Development and Procurement Services (BDPS) used its procurement system to send out 2,373 email bid notifications to vendors registered under respective commodities. To further increase competition, BDPS uses the internet, and vendor contact information obtained from user departments to contact additional vendors by phone. Additionally, in an effort to secure more bids, notifications were sent by the BDPS' ResourceLINK Team (RLT) to 25 chambers of commerce, the DFW Minority Business Council and the Women's Business Council – Southwest, to ensure maximum vendor outreach.

The recommended vendor meets the wage floor rate of \$10.37 approved by City Council on November 10, 2015, by Resolution No. 15-2141.

PRIOR ACTION/REVIEW (COUNCIL, BOARDS, COMMISSIONS)

Information about this item will be provided to the Budget, Finance and Audit Committee on September 6, 2016.

FISCAL INFORMATION

- \$9,958,124.00 - Current Funds (subject to annual appropriations)
- \$2,400,000.00 - Aviation Current Funds (subject to annual appropriations)
- \$1,900,000.00 - Stormwater Drainage Management Current Funds (subject to annual appropriations)
- \$1,290,000.00 - Water Utilities Current Funds (subject to annual appropriations)
- \$1,220,000.00 - Sanitation Current Funds (subject to annual appropriations)
- \$ 388,000.00 - Convention and Event Services Current Funds (subject to annual appropriations)

M/WBE INFORMATION

796 - Vendors contacted
 789 - No response
 7 - Response (Bid)
 0 - Response (No bid)
 7 - Successful

2,373- M/WBE and non-M/WBE vendors were contacted

This contract has an estimated 12% M/WBE participation. Business Development and Procurement Services will work with each of the vendors to obtain additional M/WBE utilization on future project specific work orders equal or greater than \$50,000.

Firms

Certification Numbers

Walker Consultants, Inc. dba Benchmark Environmental Consultants	WFDB53444Y0517
Cox McLain Environmental Consulting, Inc.	WFWB08414N0418
Dougherty Sprague Environmental, Inc.	WFDB77096Y0916
Lynn Clark Associates, Inc. dba LCA Environmental, Inc.	WFDB32636Y0717
Resource Environmental Consulting, Inc.	WFDB322751Y0217
Sigma Environmental Solutions, Inc.	BMDB28526N0517
VRX, Inc.	WFDB30224Y0317

ETHNIC COMPOSITION

AECOM Technical Services, Inc.

White Male	19	White Female	10
Black Male	0	Black Female	1
Hispanic Male	3	Hispanic Female	0
Other Male	15	Other Female	1

Alpha Testing, Inc.

White Male	114	White Female	17
Black Male	8	Black Female	2
Hispanic Male	45	Hispanic Female	3
Other Male	16	Other Female	1

Apex TITAN, Inc.

White Male	72	White Female	43
Black Male	3	Black Female	0
Hispanic Male	2	Hispanic Female	5
Other Male	3	Other Female	1

ETHNIC COMPOSITION (Continued)ATC Group Services, LLC dba Cardno ATC

White Male	13	White Female	4
Black Male	0	Black Female	0
Hispanic Male	0	Hispanic Female	1
Other Male	1	Other Female	0

Burns & McDonnell Engineering Co, Inc.

White Male	3,084	White Female	878
Black Male	123	Black Female	61
Hispanic Male	156	Hispanic Female	46
Other Male	261	Other Female	69

CB & I Environmental & Infrastructure, Inc.

White Male	111	White Female	407
Black Male	58	Black Female	35
Hispanic Male	80	Hispanic Female	30
Other Male	110	Other Female	59

Cox McLain Environmental Consulting, Inc.

White Male	7	White Female	11
Black Male	0	Black Female	1
Hispanic Male	1	Hispanic Female	0
Other Male	0	Other Female	0

Dougherty Sprague Environmental, Inc.

White Male	7	White Female	4
Black Male	0	Black Female	1
Hispanic Male	1	Hispanic Female	0
Other Male	0	Other Female	0

Enercon Services, Inc.

White Male	945	White Female	258
Black Male	49	Black Female	20
Hispanic Male	30	Hispanic Female	16
Other Male	183	Other Female	37

ETHNIC COMPOSITION (Continued)**ENSAFE**

White Male	179	White Female	83
Black Male	6	Black Female	9
Hispanic Male	8	Hispanic Female	2
Other Male	3	Other Female	0

Environmental Management Resources, Inc.

White Male	60	White Female	18
Black Male	1	Black Female	0
Hispanic Male	1	Hispanic Female	0
Other Male	0	Other Female	1

Freese and Nichols, Inc.

White Male	39	White Female	15
Black Male	2	Black Female	1
Hispanic Male	5	Hispanic Female	1
Other Male	1	Other Female	0

GME Consulting Services, Inc.

White Male	6	White Female	3
Black Male	1	Black Female	1
Hispanic Male	2	Hispanic Female	0
Other Male	0	Other Female	0

Gresham Smith and Partners

White Male	378	White Female	204
Black Male	13	Black Female	12
Hispanic Male	16	Hispanic Female	6
Other Male	18	Other Female	8

Half Associates, Inc.

White Male	298	White Female	81
Black Male	9	Black Female	17
Hispanic Male	68	Hispanic Female	1
Other Male	13	Other Female	7

ETHNIC COMPOSITION (Continued)**KBA EnviroScience, Ltd**

White Male	3	White Female	3
Black Male	0	Black Female	0
Hispanic Male	1	Hispanic Female	0
Other Male	0	Other Female	0

Kleinfelder, Inc.

White Male	26	White Female	12
Black Male	3	Black Female	0
Hispanic Male	7	Hispanic Female	0
Other Male	5	Other Female	0

Lynn Clark Associates, Inc. dba LCA Environmental, Inc.

White Male	9	White Female	4
Black Male	0	Black Female	0
Hispanic Male	0	Hispanic Female	0
Other Male	0	Other Female	0

Modern Geosciences, LLC

White Male	7	White Female	4
Black Male	0	Black Female	1
Hispanic Male	0	Hispanic Female	0
Other Male	1	Other Female	1

Providence Engineering & Environmental Group LLC

White Male	102	White Female	83
Black Male	8	Black Female	19
Hispanic Male	3	Hispanic Female	1
Other Male	9	Other Female	7

Reliance Engineering & Environmental Services, Inc.

White Male	3	White Female	0
Black Male	0	Black Female	0
Hispanic Male	0	Hispanic Female	0
Other Male	0	Other Female	0

ETHNIC COMPOSITION (Continued)Resource Environmental Consulting, Inc.

White Male	1	White Female	3
Black Male	2	Black Female	0
Hispanic Male	0	Hispanic Female	0
Other Male	0	Other Female	0

Sigma Environmental Solutions, Inc.

White Male	4	White Female	0
Black Male	1	Black Female	0
Hispanic Male	0	Hispanic Female	0
Other Male	0	Other Female	0

Tait Environmental Services, Inc.

White Male	38	White Female	2
Black Male	1	Black Female	1
Hispanic Male	11	Hispanic Female	1
Other Male	0	Other Female	0

Terracon Consultants, Inc.

White Male	67	White Female	19
Black Male	6	Black Female	4
Hispanic Male	17	Hispanic Female	3
Other Male	10	Other Female	5

Texas Green Star Environmental, LLC

White Male	5	White Female	3
Black Male	0	Black Female	0
Hispanic Male	1	Hispanic Female	1
Other Male	0	Other Female	1

VRX, Inc.

White Male	14	White Female	9
Black Male	2	Black Female	1
Hispanic Male	5	Hispanic Female	2
Other Male	2	Other Female	2

ETHNIC COMPOSITION (Continued)**Walker Consultants, Inc. dba Benchmark Environmental Consultants**

White Male	9	White Female	6
Black Male	1	Black Female	0
Hispanic Male	0	Hispanic Female	0
Other Male	0	Other Female	2

WH-M Group, Inc. fka W&M Environmental Group, LLC

White Male	20	White Female	14
Black Male	1	Black Female	0
Hispanic Male	2	Hispanic Female	1
Other Male	0	Other Female	0

PROPOSAL INFORMATION

The following proposals were received from solicitation number BPZ1424 and were opened on October 15, 2014. This service contract is being awarded to the most advantageous proposers by group.

*Denotes most advantageous proposers

<u>Proposers</u>	<u>Address</u>	<u>Initial Score</u>
*AECOM Technical Services, Inc.	17300 Dallas Pkwy. Suite 1010 Dallas, TX 75248	92.25
*Alpha Testing, Inc.	2209 Wisconsin St. Suite 100 Dallas, TX 75243	87.00
*Apex TITAN, Inc.	12100 Ford Rd. Suite 401 Dallas, TX 75234	91.50
*ATC Group Services, LLC dba Cardno ATC	2270 Springlake Rd. Suite: 800 Farmers Branch, TX 75234	83.75
*Burns & McDonnell Engineering Co., Inc.	1700 W. Loop South Suite: 1500 Houston, TX 77027	86.25

PROPOSAL INFORMATION (Continued)

<u>Proposers</u>	<u>Address</u>	<u>Initial Score</u>
*CB & I Environmental & Infrastructure, Inc.	12005 Ford Rd Suite: 600 Dallas, TX 75234	88.75
*Cox McLain Environmental Consulting, Inc.	600 E. John Carpenter Fwy. Suite: 380 Irving, TX 75062	86.25
*Dougherty Sprague Environmental, Inc.	1236 Executive Dr. W. Richardson, TX 75081	87.75
*Enercon Services, Inc.	12100 Ford Rd. Suite 200 Dallas, TX 75234	89.50
*ENSAFE	4545 Fuller Dr. Suite: 342 Irving, TX 75238	91.75
*Environmental Management Resources, Inc.	2110 Delaware St. Lawrence, KS 66046	86.00
*Freese & Nichols, Inc.	2711 N. Haskell Ave. Suite: 3300 Dallas, TX 75204	92.00
*GME Consulting Services, Inc.	2530 Electronic Ln. Suite 710 Dallas, TX 75220	83.00
*Gresham Smith and Partners	2811 McKinney Ave. Suite 300 Dallas, TX 75204	88.00
*Halff Associates, Inc.	1201 N. Bowser Rd. Richardson, TX 75081	93.50

PROPOSAL INFORMATION (Continued)

<u>Proposers</u>	<u>Address</u>	<u>Initial Score</u>
*KBA EnviroScience, Ltd	101 E. Southwest Pkwy. Suite: 114 Lewisville, TX 75067	91.0
*Kleinfelder, Inc.	6850 Manhattan Blvd. Suite 300 Fort Worth, TX 76120	85.50
*Lynn Clark Associates, Inc. dba LCA Environmental, Inc.	13221 Bee St. Dallas, TX 75234	91.00
*Modern Geosciences, LLC	5100 Thompson Terrace Colleyville, TX 76034	96.25
*Providence Engineering & Environmental Group LLC	1201 Main St. Baton Rouge, LA 70802	85.75
*Reliance Engineering & Environmental Services, Inc.	10455 N. Central Expwy. Suite 109-441 Dallas, TX 75231	81.00
*Resource Environmental Consulting, Inc.	1138 Hidden Ridge Suite 1217 Irving, TX 75038	89.00
*Sigma Environmental Solutions, Inc.	5801 Marvin D. Love Frwy. Suite 310 Dallas, TX 75237	86.75
*Tait Environmental Services, Inc.	1819 Firman Dr. Suite: 115 Richardson, TX 75081	87.00
*Terracon Consultants, Inc.	8901 J. W. Carpenter Frwy. Suite 100 Dallas, TX 75247	91.00

PROPOSAL INFORMATION (Continued)

<u>Proposers</u>	<u>Address</u>	<u>Initial Score</u>
*Texas Green Star Environmental, LLC	354 McDonnell St. Suite: 9 Lewisville, TX 75057	92.50
*VRX, Inc.	2500 N. Dallas Pkwy. Suite: 450 Plano, TX 75093	88.75
*Walker Consultants, Inc. dba Benchmark Environmental Consultants	5307 East Mockingbird Ln. Suite 650 Dallas, TX 75206	93.50
*WH-M Group, Inc. fka W&M Environmental Group, LLC	906 East 18 th St. Plano, TX 75074	86.75
Arredono, Zepeda & Burns	11355 McCree Rd. Dallas, TX 75238	87.75
Civil Associates, Inc.	9330 LBJ Frwy. Suite: 1150 Dallas, TX 75243	82.00
Giles Engineering Associates, Inc.	10553 Olympic Dr. Suite 102 Dallas, TX 75220	82.00
HVJ Associates, Inc.	9200 King Arthur Dallas, TX 75247	86.50
Leggette, Brashears & Graham, Inc.	15305 N. Dallas Pkwy. Suite: 300 Addison, TX 75001	82.50
DTECH Services, Inc.	624 Six Flags Dr. Suite: 101 Arlington, TX 76011	66.75
Mazidji Group	11105 Fernald Ave. Dallas, TX 75218	74.00
TEAM Enterprise	1915 Peters Rd. Suite: 107 Irving, TX 75061	60.50

OWNERS

AECOM Technical Services, Inc.

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Leonard C. Albright, Vice President

VRX, Inc.

Noelle Ibrahim, President
Scott Brush, Erick Huff, Vice President
Noelle Ibrahim, Secretary

Walker Consultants, Inc. dba Benchmark Environmental Consultants

Kelly J. Walker, President
Saundra Horton, Secretary

OWNERS (Continued)

WH-M Group, Inc. fka W&M Environmental Group, LLC

Gene Murray, President
Nic Andreani, Vice President
Gene Murray, Secretary
Frank Clark, Treasurer

September 14, 2016

BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF DALLAS:

Section 1. That the City Manager is authorized to execute multiple vendor service contracts for non-engineering environmental consulting, investigative and remediation services for a term of four years in a total amount not to exceed \$17,156,214.00, upon approval as to form by the City Attorney. If the service was bid or proposed on an as needed, unit price basis for performance of specified tasks, payment to the below vendors shall be based only on the amount of the services directed to be performed by the City and properly performed by the below vendors under the contract.

AECOM Technical Services, Inc. (VC0000011194)
Alpha Testing, Inc. (134532)
Apex TITAN, Inc. (VS0000009931)
ATC Group Services, LLC dba Cardno ATC (VS0000041013)
Burns & McDonnell Engineering Co., Inc. (VS0000032646)
CB & I Environmental & Infrastructure, Inc. (VS0000011206)
Cox McLain Environmental Consulting, Inc. (VS0000027244)
Dougherty Sprague Environmental, Inc. (356555)
Enercon Services, Inc. (343932)
ENSAFE (VS85968)
Environmental Management Resources, Inc. (VS0000076884)
Freese and Nichols, Inc. (347200)
GME Consulting Services, Inc. (356975)
Gresham Smith and Partners (VS0000051722)
Halff Associates, Inc. (089861)
KBA EnviroScience, Ltd (VS0000057058)
Kleinfelder, Inc. (VC15559)
Lynn Clark Associates, Inc. dba LCA Environmental, Inc. (342318)
Modern Geosciences, LLC (VS0000063453)
Providence Engineering & Environmental Group LLC (VS0000020258)
Reliance Engineering & Environmental Services, Inc. (VC0000004365)
Resource Environmental Consulting, Inc. (335748)
Sigma Environmental Solutions, Inc. (VS0000016824)
Tait Environmental Services, Inc. (VS0000026355)
Terracon Consultants, Inc. (341409)
Texas Green Star Environmental, LLC (VS0000019219)
VRX, Inc. (VS0000017391)
Walker Consultants, Inc. dba Benchmark Environmental Consultants (508013)
WH-M Group, Inc. fka W&M Environmental Group, LLC (509461)

Section 2. That the Chief Financial Officer is hereby authorized to disburse funds in an amount not to exceed \$17,156,124.00 from Service Contract number BPZ1424 (subject to annual appropriations).

September 14, 2016

Section 3. That this resolution shall take effect immediately from and after its passage in accordance with the provisions of the Charter of the City of Dallas, and it is accordingly so resolved.

BUSINESS INCLUSION AND DEVELOPMENT PLAN SUMMARY

PROJECT: Authorize a four-year service contract for non-engineering environmental consulting, investigative and remediation services with twenty-nine vendors selected as most qualified respondent of thirty-seven (list attached) - Not to exceed \$17,156,124 - Financing: Current Funds (\$9,958,124), Aviation Current Funds (\$2,400,000), Stormwater Drainage Management Current Funds (\$1,900,000), Water Utilities Current Funds (\$1,290,000), Sanitation Current Funds (\$1,220,000) and Convention and Event Services Current Funds (\$388,000) (subject to annual appropriations)

This contract has an estimated 12% M/WBE participation. Business Development and Procurement Services will work with each of the vendors to obtain additional M/WBE utilization on future project specific work orders equal or greater than \$50K.

PROJECT CATEGORY: Other Services

LOCAL/NON-LOCAL CONTRACT SUMMARY

	<u>Amount</u>	<u>Percent</u>
Total local contracts	\$0.00	0.00%
Total non-local contracts	\$0.00	0.00%
TOTAL CONTRACT	\$0.00	0.00%

LOCAL/NON-LOCAL M/WBE PARTICIPATION

Local Contractors / Sub-Contractors

None

Non-Local Contractors / Sub-Contractors

None

TOTAL M/WBE CONTRACT PARTICIPATION

	<u>Local</u>	<u>Percent</u>	<u>Local & Non-Local</u>	<u>Percent</u>
African American	\$0.00	0.00%	\$0.00	0.00%
Hispanic American	\$0.00	0.00%	\$0.00	0.00%
Asian American	\$0.00	0.00%	\$0.00	0.00%
Native American	\$0.00	0.00%	\$0.00	0.00%
WBE	\$0.00	0.00%	\$0.00	0.00%
Total	\$0.00	0.00%	\$0.00	0.00%

KEY FOCUS AREA: Clean, Healthy Environment

AGENDA DATE: September 14, 2016

COUNCIL DISTRICT(S): All

DEPARTMENT: Business Development & Procurement Services
Aviation
Park & Recreation
Sanitation Services
Trinity Watershed Management
Water Utilities

CMO: Jeanne Chipperfield, 670-7804
Ryan S. Evans, 671-9837
Willis Winters, 670-4071
Joey Zapata, 670-3009
Mark McDaniel, 670-3256

MAPSCO: N/A

SUBJECT

Authorize a three-year service contract for the rental and maintenance of portable toilets - Pot-O-Gold Rentals, LLC, lowest responsible bidder of three - Not to exceed \$813,172 - Financing: Current Funds (\$773,077), Stormwater Drainage Management Current Funds (\$24,005), Water Utilities Current Funds (\$10,177), Sanitation Current Funds (\$4,020) and Aviation Current Funds (\$1,893) (subject to annual appropriations)

BACKGROUND

This action does not encumber funds; the purpose of a service contract is to establish firm pricing for services, for a specific term, which are ordered on an as needed basis.

This service contract will provide for the rental and maintenance of portable toilet units, ADA compliant toilet units, comfort stations and restroom trailers on a daily, weekly or monthly basis. Cleaning frequency of each unit will be maintained on a pre-established schedule for each location. This service contract will also provide units for use at parks, work sites, special events and emergency situations.

This solicitation was structured in a manner which required bidders to submit a response using unit pricing. This bid resulted in a decrease of 7.8% on comparable unit prices from the previous bid award in 2013.

BACKGROUND (Continued)

As part of the solicitation process and in an effort to increase competition, Business Development and Procurement Services (BDPS) used its procurement system to send out 166 email bid notifications to vendors registered under respective commodities. To further increase competition, BDPS uses historical solicitation information, the internet, and vendor contact information obtained from user departments to contact additional vendors by phone. Additionally, in an effort to secure more bids, notifications were sent by the BDPS' ResourceLINK Team (RLT) to 25 chambers of commerce, the DFW Minority Business Council and the Women's Business Council – Southwest, to ensure maximum vendor outreach.

The recommended vendor meets the wage floor rate of \$10.37 approved by City Council on November 10, 2015, by Resolution No. 15-2141.

PRIOR ACTION/REVIEW (COUNCIL, BOARDS, COMMISSIONS)

On December 11, 2013, City Council authorized a three-year service contract for the rental and maintenance of portable toilets by Resolution No. 13-2045.

The Park and Recreation Board was briefed on September 1, 2016.

Information about this item will be provided to the Budget, Finance and Audit Committee on September 6, 2016.

FISCAL INFORMATION

- \$773,077.00 - Current Funds (subject to annual appropriations)
- \$ 24,005.00 - Stormwater Drainage Management Current Funds (subject to annual appropriations)
- \$ 10,177.00 - Water Utilities Current Funds (subject to annual appropriations)
- \$ 4,020.00 - Sanitation Current Funds (subject to annual appropriations)
- \$ 1,893.00 - Aviation Current Funds (subject to annual appropriations)

M/WBE INFORMATION

- 32 - Vendors Contacted
- 32 - No Response
 - 0 - Response (Bid)
 - 0 - Response (No Bid)
 - 0 - Successful

M/WBE INFORMATION (Continued)

166 M/WBE and Non-MWBE vendors were contacted

The recommended awardee has fulfilled the good faith requirements set forth in the Business Inclusion and Development (BID) Plan adopted by Council Resolution No. 08-2826 as amended.

ETHNIC COMPOSITION

Pot-O-Gold Rentals, LLC

White Male	40	White Female	12
Black Male	30	Black Female	0
Hispanic Male	13	Hispanic Female	0
Other Male	0	Other Female	0

BID INFORMATION

The following bids were received from solicitation number BV1613 and were opened on June 24, 2016. This service contract is being awarded in its entirety to the lowest responsive and responsible bidder.

*Denotes successful bidder

<u>Bidders</u>	<u>Address</u>	<u>Amount of Bid</u>
*Pot-O-Gold Rentals, LLC	41248 East I-55 Service Road Hammond, LA 70403	\$ 813,172.00
MMG Building & Construction Services, LLC	6212 Anglin Drive Forest Hill, TX 76110	\$ 921,240.25
United Site Services	2617 Willowbrook Road Dallas, TX 75220	\$1,545,700.15

OWNER

Pot-O-Gold Rentals, LLC

Dennis G. Flynn, President

September 14, 2016

WHEREAS, on December 11, 2013, City Council authorized a three-year service contract for the rental and maintenance of portable toilets by Resolution No. 13-2045; and,

WHEREAS, on July 5, 2016, Administrative Action No. 16-6126 authorized additional funds in the amount of \$50,000.00, increasing the service contract amount from \$774,710.25 to \$824,710.25;

NOW, THEREFORE,

BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF DALLAS:

Section 1. That the City Manager is authorized to execute a service contract with Pot-O-Gold Rentals, LLC (VC14335) for the rental and maintenance of portable toilets for a term of three years in an amount not to exceed \$813,172.00, upon approval as to form by the City Attorney. If the service was bid or proposed on an as needed, unit price basis for performance of specified tasks, payment to Pot-O-Gold Rentals, LLC shall be based only on the amount of the services directed to be performed by the City and properly performed by Pot-O-Gold Rentals, LLC under the contract.

Section 2. That the Chief Financial Officer is hereby authorized to disburse funds in an amount not to exceed \$813,172.00 (subject to annual appropriations) from Service Contract number BV1613.

Section 3. That this resolution shall take effect immediately from and after its passage in accordance with the provisions of the Charter of the City of Dallas, and it is accordingly so resolved.

BUSINESS INCLUSION AND DEVELOPMENT PLAN SUMMARY

PROJECT: Authorize a three-year service contract for the rental and maintenance of portable toilets - Pot-O-Gold Rentals, LLC, lowest responsible bidder of three - Not to exceed \$813,172 - Financing: Current Funds (\$773,077), Stormwater Drainage Management Current Funds (\$24,005), Water Utilities Current Funds (\$10,177), Sanitation Current Funds (\$4,020) and Aviation Current Funds (\$1,893) (subject to annual appropriations)

Pot-O-Gold Rentals, LLC is a non-local, non-minority firm, has signed the "Business Inclusion & Development" documentation, and proposes to use their own workforce.

PROJECT CATEGORY: Other Services

LOCAL/NON-LOCAL CONTRACT SUMMARY

	<u>Amount</u>	<u>Percent</u>
Total local contracts	\$0.00	0.00%
Total non-local contracts	\$813,172.00	100.00%
TOTAL CONTRACT	\$813,172.00	100.00%

LOCAL/NON-LOCAL M/WBE PARTICIPATION

Local Contractors / Sub-Contractors

None

Non-Local Contractors / Sub-Contractors

None

TOTAL M/WBE CONTRACT PARTICIPATION

	<u>Local</u>	<u>Percent</u>	<u>Local & Non-Local</u>	<u>Percent</u>
African American	\$0.00	0.00%	\$0.00	0.00%
Hispanic American	\$0.00	0.00%	\$0.00	0.00%
Asian American	\$0.00	0.00%	\$0.00	0.00%
Native American	\$0.00	0.00%	\$0.00	0.00%
WBE	\$0.00	0.00%	\$0.00	0.00%
Total	\$0.00	0.00%	\$0.00	0.00%

KEY FOCUS AREA: Public Safety

AGENDA DATE: September 14, 2016

COUNCIL DISTRICT(S): 2

DEPARTMENT: Business Development & Procurement Services
Aviation

CMO: Jeanne Chipperfield, 670-7804
Ryan S. Evans, 671-9837

MAPSCO: 34N

SUBJECT

Authorize a five-year service contract, with two two-year renewal options, to provide maintenance and support for the existing airport access control system at Dallas Love Field - Convergent Technologies, LLC, most advantageous proposer of three - Not to exceed \$5,502,820 - Financing: Aviation Current Funds (subject to annual appropriations)

BACKGROUND

This action does not encumber funds; the purpose of a service contract is to establish firm pricing for services, for a specific term, which are ordered on an as needed basis.

This service contract will provide ongoing maintenance and support for five years, with two two-year renewal options, to cover full maintenance and support for the existing Airport Access Control System (AACS), which includes the closed circuit television subsystem, security intercom subsystem, video badging/credentialing subsystem (including physical identity and access management, and fingerprint processing components), AACS controlled doors and door hardware and other components at the Dallas Airport Facilities. This contract will also serve as the basis for implementing any future modifications to the existing AACS undertaken throughout the term of this agreement.

A seven member committee from the following departments reviewed and evaluated the proposals:

- Business Development and Procurement Services (2)*
- Police (1)
- Communication and Information Services (2)
- Aviation (2)

*Business Development and Procurement Services only evaluated the Business Inclusion and Development Plan and cost.

BACKGROUND (Continued)

The successful proposer was selected by the committee on the basis of demonstrated competence and qualifications under the following criteria:

- Experience and capability 40%
- Cost 30%
- Approach 15%
- Airport Concession Disadvantaged Business Enterprise 15%

As part of the solicitation process and in an effort to increase competition, Business Development and Procurement Services (BDPS) used its procurement system to send out 974 email bid notifications to vendors registered under respective commodities. To further increase competition, BDPS uses historical solicitation information, the internet, and vendor contact information obtained from user departments to contact additional vendors by phone. Additionally, in an effort to secure more bids, notifications were sent by the BDPS' ResourceLINK Team (RLT) to 25 chambers of commerce, the DFW Minority Business Council and the Women's Business Council – Southwest, to ensure maximum vendor outreach.

The recommended vendor meets the wage floor rate of \$10.37 approved by City Council on November 10, 2015, by Resolution No. 15-2141.

PRIOR ACTION/REVIEW (COUNCIL, BOARDS, COMMISSIONS)

On March 28, 2012, City Council authorized a four-year service contract, with two one-year renewal options for maintenance and support of automated access control systems by Resolution No. 12-0864.

Information about this item will be provided to the Budget, Finance and Audit Committee on September 6, 2016.

FISCAL INFORMATION

\$5,502,819.92 - Aviation Current Funds (subject to annual appropriations)

M/WBE INFORMATION

- 105 - Vendors contacted
- 105 - No response
 - 0 - Response (Bid)
 - 0 - Response (No Bid)
 - 0 - Successful vendor

974- M/WBE and Non-M/WBE vendors were contacted

The recommended awardee has fulfilled the good faith requirements set forth in the Business Inclusion and Development (BID) Plan adopted by Council Resolution No. 08-2826 as amended.

ETHNIC COMPOSITION

Convergint Technologies, LLC

White Male	49	White Female	11
Black Male	6	Black Female	0
Hispanic Male	24	Hispanic Female	1
Other Male	1	Other Female	1

PROPOSAL INFORMATION

The following proposals were received from solicitation number BHZ1601 and were opened on November 13, 2016. This service contract is being awarded in its entirety to the most advantageous proposer.

*Denotes successful proposer

<u>Proposers</u>	<u>Address</u>	<u>Score</u>	<u>Amount</u>
*Convergint Technologies, LLC	2304 Tarpley Road Suite 124 Carrollton, TX 75006	88.74%	\$5,502,819.92
Netronix Intergration, Inc.	2170 Paragon Drive San Jose, CA 95131	80.00%	\$4,975,383.92
Siemens Industry, Inc.	8600 N. Royal Lane Suite 100 Irving, TX 75063	65.87%	\$7,471,602.00

OWNER

Convergint Technologies, LLC

Ken Lochiatto, President
 Alan Bergschneider, Vice President
 Walter W. Winkel, Secretary
 Ted Nark, Treasurer

September 14, 2016

WHEREAS, on March 28, 2012, City Council authorized a four-year service contract, with two one-year renewal options for maintenance and support of automated access control systems by Resolution No. 12-0864;

NOW, THEREFORE,

BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF DALLAS:

Section 1. That the City Manager is authorized to execute a service contract with Convergent Technologies, LLC (VS0000028663) to provide maintenance and support for the existing airport access control system at Dallas Love Field for a term of five years, with two two-year renewal options, in an amount not to exceed \$5,502,819.92, upon approval as to form by the City Attorney. If the service was bid or proposed on an as needed, unit price basis for performance of specified tasks, payment to Convergent Technologies, LLC shall be based only on the amount of the services directed to be performed by the City and properly performed by Convergent Technologies, LLC under the contract.

Section 2. That the Chief Financial Officer is hereby authorized to disburse funds in an amount not to exceed \$5,502,819.92 (subject to annual appropriations) from Service Contract number BHZ1601.

Section 3. That this resolution shall take effect immediately from and after its passage in accordance with the provisions of the Charter of the City of Dallas, and it is accordingly so resolved.

BUSINESS INCLUSION AND DEVELOPMENT PLAN SUMMARY

PROJECT: Authorize a five-year service contract, with two two-year renewal options, to provide maintenance and support for the existing airport access control system at Dallas Love Field - Converjint Technologies, LLC, most advantageous proposer of three - Not to exceed \$5,502,820 - Financing: Aviation Current Funds (subject to annual appropriations)

Converjint Technologies, LLC is a local, non-minority firm, has signed the "Business Inclusion & Development" documentation, and proposes to use their own workforce.

PROJECT CATEGORY: Other Services

LOCAL/NON-LOCAL CONTRACT SUMMARY

	<u>Amount</u>	<u>Percent</u>
Total local contracts	\$5,502,819.92	100.00%
Total non-local contracts	\$0.00	0.00%
TOTAL CONTRACT	\$5,502,819.92	100.00%

LOCAL/NON-LOCAL M/WBE PARTICIPATION

Local Contractors / Sub-Contractors

None

Non-Local Contractors / Sub-Contractors

None

TOTAL M/WBE CONTRACT PARTICIPATION

	<u>Local</u>	<u>Percent</u>	<u>Local & Non-Local</u>	<u>Percent</u>
African American	\$0.00	0.00%	\$0.00	0.00%
Hispanic American	\$0.00	0.00%	\$0.00	0.00%
Asian American	\$0.00	0.00%	\$0.00	0.00%
Native American	\$0.00	0.00%	\$0.00	0.00%
WBE	\$0.00	0.00%	\$0.00	0.00%
Total	\$0.00	0.00%	\$0.00	0.00%

KEY FOCUS AREA: E-Gov

AGENDA DATE: September 14, 2016

COUNCIL DISTRICT(S): All

DEPARTMENT: Business Development & Procurement Services
Water Utilities

CMO: Jeanne Chipperfield, 670-7804
Mark McDaniel, 670-3256

MAPSCO: N/A

SUBJECT

Authorize **(1)** a contract for the purchase and five-years of maintenance for meter test bench system and portable meter testers - Ow Investors, LLC in the amount of \$439,415, most advantageous proposer of two; and **(2)** a contract for the purchase of a sandblaster and five-years of maintenance for new and existing sandblasters - Clemtex II, Inc. in the amount of \$85,830, most advantageous proposer of two - Total not to exceed \$525,245 - Financing: Water Utilities Current Funds (subject to annual appropriations)

BACKGROUND

This action does not encumber funds; the purpose of a contract is to establish firm pricing for goods and services, for a specific term, which are ordered on an as needed basis.

This item will allow for the purchase of a meter test bench system, portable meter testers, sandblaster and maintenance. The test bench is utilized by Dallas Water Utilities (DWU) to test the accuracy of small water meters that serve commercial, industrial and residential customers. Accurate water measurement prevents waste of water and enables DWU to charge each customer accurately. Testing is performed on new and reconditioned meters prior to being placed into service.

This item will also provide for the purchase of a sandblaster. Sandblasters are used to clean dirt and grime from meters that have been removed from service. Once cleaned and recalibrated the meters or placed back into service as needed.

Each purchase also has a service contract to provide preventive maintenance for the meter test bench and the sand blasters. DWU maintains approximately 310,000 water meters throughout the City.

BACKGROUND (Continued)

A five member evaluation committee was selected from the following departments:

- Business Development and Procurement Services (2)*
- Office of Management Services (1)
- Water Utilities (2)

*Business Development & Procurement Services only evaluated the Business Inclusion and Development Plan and cost.

The successful proposer was selected by the committee on the basis of the following criteria:

- Cost 40 points
- Approach 15 points
- Experience 15 points
- Functional Match 15 points
- Business Inclusion and Development Plan 15 points

As part of the solicitation process and in an effort to increase competition, Business Development and Procurement Services (BDPS) used its procurement system to send out 949 email bid notifications to vendors registered under respective commodities. To further increase competition, BDPS uses historical solicitation information, the internet, and vendor contact information obtained from user departments to contact additional vendors by phone. Additionally, in an effort to secure more bids, notifications were sent by the BDPS' ResourceLINK Team (RLT) to 25 chambers of commerce, the DFW Minority Business Council and the Women's Business Council – Southwest, to ensure maximum vendor outreach.

The recommended vendor meets the wage floor rate of \$10.37 approved by City Council on November 10, 2015, by Resolution No. 15-2141.

PRIOR ACTION/REVIEW (COUNCIL, BOARDS, COMMISSIONS)

Information about this item will be provided to the Budget, Finance and Audit Committee on September 6, 2016.

FISCAL INFORMATION

\$525,244.36 - Water Utilities Current Funds (subject to annual appropriations)

M/WBE INFORMATION

124 - Vendors contacted
 124 - No response
 0 - Response (Bid)
 0 - Response (No bid)
 0 - Successful

949 - M/WBE and Non-M/WBE vendors were contacted

The recommended awardees have fulfilled the good faith requirements set forth in the Business Inclusion and Development (BID) Plan adopted by Council Resolution No. 08-2826 as amended.

ETHNIC COMPOSITION

Ow Investors, LLC

White Male	22	White Female	3
Black Male	1	Black Female	0
Hispanic Male	1	Hispanic Female	1
Other Male	1	Other Female	0

Clemtex II, Inc.

White Male	18	White Female	7
Black Male	8	Black Female	0
Hispanic Male	14	Hispanic Female	4
Other Male	0	Other Female	0

PROPOSAL INFORMATION

The following proposals were received from solicitation number BMZ1617 and were opened on April 29, 2016. This contract is being awarded to the most advantageous proposer by group.

*Denotes successful proposers

<u>Proposers</u>	<u>Address</u>	<u>Score</u>	<u>Amount</u>
*Ow Investors, LLC	3925 SW 13 th St. Ocala, FL 34474	86.33	Group 1 - \$439,414.36 Group 2 - No Bid Group 3 - No Bid
*Clemtex II, Inc.	2565 W. Commerce Dallas, TX 75212	82.00 82.00	Group 1 - No Bid Group 2 - \$ 42,990.00 Group 3 - \$ 42,840.00

OWNERS

Ow Investors, LLC

David Corey, President

Clemtex II, Inc.

James Burke Bennett, President

Walter Standish, Vice President

BUSINESS INCLUSION AND DEVELOPMENT PLAN SUMMARY

PROJECT: Authorize **(1)** a contract for the purchase and five-years of maintenance for meter test bench system and portable meter testers - Ow Investors, LLC in the amount of \$439,415, most advantageous proposer of two; and **(2)** a contract for the purchase of a sandblaster and five-years of maintenance for new and existing sandblasters - Clemtex II, Inc. in the amount of \$85,830, most advantageous proposer of two - Total not to exceed \$525,245 - Financing: Water Utilities Current Funds (subject to annual appropriations)

Ow Investors, LLC is a non-local, non-minority firm, has signed the "Business Inclusion & Development" documentation, and proposes to use their own workforce. Clemtex II, Inc. is a local, non-minority firm, has signed the "Business Inclusion & Development" documentation, and proposes to use their own workforce.

PROJECT CATEGORY: Other Services

LOCAL/NON-LOCAL CONTRACT SUMMARY

	<u>Amount</u>	<u>Percent</u>
Total local contracts	\$85,830.00	16.34%
Total non-local contracts	\$439,414.36	83.66%
TOTAL CONTRACT	\$525,244.36	100.00%

LOCAL/NON-LOCAL M/WBE PARTICIPATION

Local Contractors / Sub-Contractors

None

Non-Local Contractors / Sub-Contractors

None

TOTAL M/WBE CONTRACT PARTICIPATION

	<u>Local</u>	<u>Percent</u>	<u>Local & Non-Local</u>	<u>Percent</u>
African American	\$0.00	0.00%	\$0.00	0.00%
Hispanic American	\$0.00	0.00%	\$0.00	0.00%
Asian American	\$0.00	0.00%	\$0.00	0.00%
Native American	\$0.00	0.00%	\$0.00	0.00%
WBE	\$0.00	0.00%	\$0.00	0.00%
Total	\$0.00	0.00%	\$0.00	0.00%

September 14, 2016

BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF DALLAS:

Section 1. That the City Manager is authorized to execute (1) a contract with Ow Investors, LLC (VS0000058314) in the amount of \$439,414.36 for the purchase and five-years of maintenance for meter test bench system and portable meter testers; and (2) a contract with Clemtex II, Inc. (VS87960) in the amount of \$85,830.00 for the purchase of a sandblaster and five-years of maintenance for new and existing sandblasters, upon approval as to form by the City Attorney. If the service was bid or proposed on an as needed, unit price basis for performance of specified tasks, payment to Ow Investors, LLC and Clemtex II, Inc. shall be based only on the amount of the services directed to be performed by the City and properly performed by Ow Investors, LLC and Clemtex II, Inc. under the respective contract.

Section 2. That the Purchasing Agent is authorized, upon appropriate requisition, to issue a purchase order for meter test bench system, portable meter testers and sandblasters. If a formal contract is required for this purchase instead of a purchase order, the City Manager is authorized to execute the contract upon approval as to form by the City Attorney.

Section 3. That the Chief Financial Officer is hereby authorized to disburse funds in an amount not to exceed \$525,244.36 (subject to annual appropriations) from Service Contract number BMZ1617 .

Section 4. That this resolution shall take effect immediately from and after its passage in accordance with the provisions of the Charter of the City of Dallas, and it is accordingly so resolved.

KEY FOCUS AREA: E-Gov

AGENDA DATE: September 14, 2016

COUNCIL DISTRICT(S): All

DEPARTMENT: Business Development & Procurement Services
Office of Risk Management

CMO: M. Elizabeth Reich, 670-7804
Jeanne Chipperfield, 670-7804

MAPSCO: N/A

SUBJECT

Authorize **(1)** a three-year contract, with two one-year renewal options, for broker of record and the purchase of an insurance policy for commercial property/boiler and machinery insurance, from October 1, 2016 through September 30, 2019 at a guaranteed rate of 0.03064; and risk management consulting services from January 8, 2017 through January 7, 2020 - Wells Fargo Insurance Services USA, Inc., in the amount of \$4,315,290, most advantageous proposer of three; **(2)** a one-year contract, with two one-year renewal options, for the purchase of aviation, crime, fine arts, flood, media and professional liability, and general liability insurance policies from October 1, 2016 through September 30, 2017 - Wells Fargo Insurance Services USA, Inc. in the amount of \$411,711, most advantageous proposer of three; and **(3)** a one-year contract, with two one year renewal options for brokerage fees and the purchase of cyber liability and privacy insurance from October 1, 2016 through September 30, 2017 - McGriff, Seibels & Williams of Texas, Inc., in the amount of \$245,225, most advantageous proposer of three - Total not to exceed \$4,972,226 - Financing: Current Funds (subject to annual appropriations)

BACKGROUND

These insurance policies will provide commercial property/boiler and machinery insurance (e.g. buildings, contents, business interruption, terrorism, extra expense, and debris removal), aviation, crime, fine arts, flood, media and professional liability, and general liability. The current policies will expire on September 30, 2016. The new property policy rate is guaranteed for three years. These policies will be renewed with the chosen broker.

The City's property values total approximately \$3.7 billion. The vendor will provide brokerage services to secure a blanket property loss limit of \$1.5 billion per occurrence insuring all risk of direct physical loss. Property claims are to be paid at replacement cost and a deductible of \$750,000 per occurrence.

BACKGROUND (Continued)

Commercial property insurance as well as broker services will include:

- Outlining a property structure
- Providing strategies and rationale for property program
- Providing engineering inspections
- Placing the City's commercial property, boiler & machinery, fine arts, crime, aviation, general liability, media professional liability and flood insurance policies

Consulting and technical assistance will encompass all phases of risk management services for the City's operations. The services include the review of coverage for:

- Property insurance program
- Excess workers' compensation insurance
- Excess liability insurance
- Risk transfer consulting
- Third party administration for worker's compensation, Medical Cost Containment and drug testing audits
- Market assistance with insurance requirements for contractors
- Reviews of insurance companies' financial stability

The cyber insurance policy will provide one year of cyber and privacy insurance coverage through September 30, 2017. Cyber and privacy insurance is a new coverage for the City of Dallas. This policy will include a cyber assessment and a loss limit of \$10,000,000 with a \$500,000 retention. This policy will include coverage for:

- Network breach events to include computer forensics, crises management and public relations expenses, consumer notification, forensic & legal expenses, credit monitoring services, etc.
- Systems failure business interruption
- Security and privacy liability to include coverage for defense costs and damages for financial loss suffered by others due to failure of computer security.
- Payment card industry data security standard fines & penalties
- Regulatory proceedings
- Cyber extortion

A two phase process was utilized for this RFCSP due to the complex nature of the service. Phase I requested vendors to provide proposals focused on service and an estimated cost. Phase I also provided the opportunity for a determination on the most qualified firms to go to market and obtain the most advantageous policy coverages. All firms were interviewed and provided additional information related to their company and proposal.

BACKGROUND (Continued)

The recommended insurance policies have the same limits and coverage as the expiring policies, but the property deductible will be lower than the expiring property policy deductible of \$1,000,000. The proposal to combine broker and consulting services with the awarded vendor will result in an estimated contracted cost savings of 19%.

The proposers were evaluated based on the following criteria:

- Cost 30 points
- Functional/Technical Match 20 points
- Capability and Expertise 15 points
- Overall Approach 10 points
- Insurer's A.M Best Rating 10 points
- Business Inclusion and Development Plan 15 points

A six member committee from the following departments reviewed and evaluated the proposals:

- Risk Management (1)
- Fire-Rescue (1)
- Human Resources (1)
- City Controller's Office (1)
- Business Development and Procurement Services (2) *

*Business Development and Procurement Services only evaluated the cost and the Business Inclusion and Development (BID) Plan.

As part of the solicitation process and in an effort to increase competition, Business Development and Procurement Services (BDPS) used its procurement system to send out 808 email bid notifications to vendors registered under respective commodities. To further increase competition, BDPS uses historical solicitation information, the internet, and vendor contact information obtained from user departments to contact additional vendors by phone. Additionally, in an effort to secure more bids, notifications were sent by the BDPS' ResourceLINK Team (RLT) to 25 chambers of commerce, the DFW Minority Business Council and the Women's Business Council - Southwest, to ensure maximum vendor outreach.

The recommended vendors meet the wage floor rate of \$10.37 approved by City Council on November 10, 2015, by Resolution No. 15-2141.

PRIOR ACTION/REVIEW (COUNCIL, BOARDS, COMMISSIONS)

On September 11, 2013, City Council authorized a three-year insurance policy for commercial property insurance for money and securities, boilers and machinery, property and fine arts by Resolution No. 13-1550.

On January 8, 2014, City Council authorized a three-year service contract, with two one-year renewal options, for consulting, technical assistance and actuarial services for Risk Management by Resolution No. 14-0104.

Information about this item will be provided to the Budget, Finance and Audit Committee on September 6, 2016.

FISCAL INFORMATION

\$4,972,226.00 - Current Funds (subject to annual appropriations)

M/WBE INFORMATION

- 153 - Vendors contacted
- 153 - No response
 - 0 - Response (Bid)
 - 0 - Response (No bid)
 - 0 - Successful

808 - M/WBE and Non-M/WBE vendors were contacted

The recommended awardee has fulfilled the good faith requirements set forth in the Business Inclusion and Development (BID) Plan adopted by Council Resolution No. 08-2826 as amended.

ETHNIC COMPOSITION

Wells Fargo Insurance Services USA, Inc.

White Male	77,512	White Female	94,447
Black Male	10,215	Black Female	23,156
Hispanic Male	14,610	Hispanic Female	25,454
Other Male	11,065	Other Female	16,194

McGriff, Seibels & Williams of Texas, Inc.

White Male	24	White Female	33
Black Male	2	Black Female	2
Hispanic Male	0	Hispanic Female	5
Other Male	2	Other Female	2

PROPOSAL INFORMATION

The following proposals were received from solicitation number BKZ1614 and read on May 27, 2016. This insurance policy is being awarded to the most advantageous proposers by group.

*Denotes successful proposers

<u>Proposers</u>	<u>Address</u>	<u>Score</u>	<u>Amount</u>
*Wells Fargo Insurance Services USA, Inc.	5151 Beltline Rd. Suite #200 Dallas, TX 75254	95%	Group 1 - \$4,727,001.00 Group 2 - No bid
*McGriff, Seibels & Williams of Texas, Inc.	5080 Spectrum Dr. Suite #900E Addison, TX 75001	71% 80%	Group 1 - \$6,398,129.00 Group 2 - \$ 245,225.00
Aon Risk Services Southwest, Inc. responsive**	2711 N. Haskell Ave. Suite #800 Dallas, TX 75204	86%	Group 1 - \$4,512,950.00 Group 2 - Non

**Aon Risk Services Southwest, Inc. was deemed non-responsive on Group 2 due to not meeting specifications.

OWNERS

Wells Fargo Insurance Services USA, Inc.

Laura Schupbach, President
Kevin Brogran, Vice President

McGriff, Seibels & Williams of Texas, Inc.

Tommy Ebner, President
Doug Hodo, Vice President

September 14, 2016

WHEREAS, on September 11, 2013, City Council authorized the purchase of a three-year insurance policy for commercial property insurance for money and securities, boilers and machinery, property and fine arts by Resolution No. 13-1550; and,

WHEREAS, on January 8, 2014, City Council authorized a three-year service contract, with two one-year renewal options, for consulting, technical assistance and actuarial services for Risk Management by Resolution No. 14-0104; and,

WHEREAS, on January 16, 2014, Administrative Action No. 14-5177 authorized supplemental agreement no. 1 to broaden the scope of services and add additional funding in an amount not to exceed \$50,000.00, increasing the policy amount from \$5,732,618.00 to \$5,782,618.00;

NOW, THEREFORE,

BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF DALLAS:

Section 1. That the City Manager is authorized to execute a service contract with Wells Fargo Insurance Services USA, Inc. (VC0000003978) for (1) broker of record and the purchase of an insurance policy for commercial property/boiler and machinery insurance, from October 1, 2016 through September 30, 2019 at a guaranteed rate of 0.03064; and risk management consulting services from January 8, 2017 through January 7, 2020 for a term of three years, with two one-year renewal options in an amount not to exceed \$4,315,290.00; and (2) a one-year contract, with two one-year renewal options, for the purchase of aviation, crime, fine arts, flood, media and professional liability, and general liability insurance policies from October 1, 2016 through September 30, 2017 - Wells Fargo Insurance Services USA, Inc. in the amount of \$411,711, upon approval as to form by the City Attorney. If the service was bid or proposed on an as needed, unit price basis for performance of specified tasks, payment to Wells Fargo Insurance Services USA, Inc. shall be based only on the amount of the services directed to be performed by the City and properly performed by Wells Fargo Insurance Services USA, Inc. under the policy.

Section 2. That the City Manager is authorized to execute a one-year contract, with two one-year renewal options for brokerage fees and the purchase of cyber liability and privacy insurance from October 1, 2016 through September 30, 2017 with McGriff, Seibels & Williams of Texas, Inc. (501836) in an amount not to exceed \$245,225.00, upon approval as to form by the City Attorney. If the service was bid or proposed on an as needed, unit price basis for performance of specified tasks, payment to McGriff, Seibels & Williams of Texas, Inc. shall be based only on the amount of the services directed to be performed by the City and properly performed by McGriff, Seibels & Williams of Texas, Inc. under the policy.

September 14, 2016

Section 3. That the Chief Financial Officer is hereby authorized to disburse funds in an amount not to exceed \$4,727,001.00 (subject to annual appropriations) from Service Contract number MASCWELLS3840.

Section 4. That the Chief Financial Officer is hereby authorized to disburse funds in an amount not to exceed \$245,225.00 (subject to appropriations) from Service Contract number MASCMCGRIFF3860.

Section 5. That this resolution shall take effect immediately from and after its passage in accordance with the provisions of the Charter of the City of Dallas, and it is accordingly so resolved.

BUSINESS INCLUSION AND DEVELOPMENT PLAN SUMMARY

PROJECT: Authorize **(1)** a three-year contract, with two one-year renewal options, for broker of record and the purchase of an insurance policy for commercial property/boiler and machinery insurance, from October 1, 2016 through September 30, 2019 at a guaranteed rate of 0.03064; and risk management consulting services from January 8, 2017 through January 7, 2020 - Wells Fargo Insurance Services USA, Inc., in the amount of \$4,315,290, most advantageous proposer of three; **(2)** a one-year contract, with two one-year renewal options, for the purchase of aviation, crime, fine arts, flood, media and professional liability, and general liability insurance policies from October 1, 2016 through September 30, 2017 - Wells Fargo Insurance Services USA, Inc. in the amount of \$411,711, most advantageous proposer of three; and **(3)** a one-year contract, with two one year renewal options for brokerage fees and the purchase of cyber liability and privacy insurance from October 1, 2016 through September 30, 2017 - McGriff, Seibels & Williams of Texas, Inc., in the amount of \$245,225, most advantageous proposer of three - Total not to exceed \$4,972,226 - Financing: Current Funds (subject to annual appropriations)

Wells Fargo Insurance Services USA, Inc. and McGriff, Seibels & Williams of Texas, Inc. are local, non-minority firms, have signed the "Business Inclusion & Development" documentation, and propose to use their own workforces.

PROJECT CATEGORY: Other Services

LOCAL/NON-LOCAL CONTRACT SUMMARY

	<u>Amount</u>	<u>Percent</u>
Total local contracts	\$4,972,226.00	100.00%
Total non-local contracts	\$0.00	0.00%
TOTAL CONTRACT	\$4,972,226.00	100.00%

LOCAL/NON-LOCAL M/WBE PARTICIPATION

Local Contractors / Sub-Contractors

None

Non-Local Contractors / Sub-Contractors

None

TOTAL M/WBE CONTRACT PARTICIPATION

	<u>Local</u>	<u>Percent</u>	<u>Local & Non-Local</u>	<u>Percent</u>
African American	\$0.00	0.00%	\$0.00	0.00%
Hispanic American	\$0.00	0.00%	\$0.00	0.00%
Asian American	\$0.00	0.00%	\$0.00	0.00%

Native American	\$0.00	0.00%	\$0.00	0.00%
WBE	\$0.00	0.00%	\$0.00	0.00%
	<hr/>	<hr/>	<hr/>	<hr/>
Total	\$0.00	0.00%	\$0.00	0.00%

KEY FOCUS AREA: Culture, Arts and Recreation and Educational Enhancements

AGENDA DATE: September 14, 2016

COUNCIL DISTRICT(S): All

DEPARTMENT: Business Development & Procurement Services
Park & Recreation

CMO: Jeanne Chipperfield, 670-7804
Willis Winters, 670-4071

MAPSCO: N/A

SUBJECT

Authorize a three-year master agreement for the purchase of recreation center and physical education supplies - S & S Worldwide, Inc. in the amount of \$269,630 and BSN Sports in the amount of \$60,500, lowest responsible bidders of three - Total not to exceed \$330,130 - Financing: Current Funds

BACKGROUND

This action does not encumber funds; the purpose of a master agreement is to establish firm pricing for goods, for a specific term, which are ordered on an as needed basis.

This master agreement will provide for the purchase of recreation center and physical education supplies for Park and Recreation (PKR) programs and activities to include the following:

- Mayor's Youth Fitness Initiative
- After school programs
- Active senior adult programs
- Summer camps
- Art programs

PKR manages free after school programs and summer programs at 20 Dallas Independent School District schools. Additionally, PKR offers eight weeks of day camps at 39 fitness centers throughout the City and also provides recreation and leisure activities to senior adults over 55 years of age.

BACKGROUND (Continued)

As part of the solicitation process and in an effort to increase competition, Business Development and Procurement Services (BDPS) used its procurement system to send out 1,686 email bid notifications to vendors registered under respective commodities. To further increase competition, BDPS uses historical solicitation information, the internet, and vendor contact information obtained from user departments to contact additional vendors by phone. Additionally, in an effort to secure more bids, notifications were sent by the BDPS' ResourceLINK Team (RLT) to 25 chambers of commerce, the DFW Minority Business Council and the Women's Business Council – Southwest, to ensure maximum vendor outreach.

PRIOR ACTION/REVIEW (COUNCIL, BOARDS, COMMISSIONS)

On August 13, 2014, City Council authorized a three-year master agreement for the purchase of athletic, recreation and sports equipment and supplies for use throughout the City by Resolution No. 14-1212.

The Park and Recreation Board was briefed on September 1, 2016.

Information about this item will be provided to the Budget, Finance and Audit Committee on September 6, 2016.

FISCAL INFORMATION

\$330,130.00 - Current Funds

M/WBE INFORMATION

175 - Vendors contacted
175 - No response
 0 - Response (Bid)
 0 - Response (No bid)
 0 - Successful

1,686 - M/WBE and Non-M/WBE vendors were contacted

The recommended awardees have fulfilled the good faith requirements set forth in the Business Inclusion and Development (BID) Plan adopted by Council Resolution No. 08-2826 as amended.

ETHNIC COMPOSITION

S & S Worldwide, Inc.

White Male	75	White Female	125
Black Male	3	Black Female	3
Hispanic Male	8	Hispanic Female	5
Other Male	5	Other Female	5

BSN Sports

White Male	705	White Female	199
Black Male	34	Black Female	32
Hispanic Male	62	Hispanic Female	61
Other Male	26	Other Female	12

BID INFORMATION

The following bids were received from solicitation number BA1614 and were opened on May 27, 2016. This master agreement is being awarded to the lowest responsible and responsive bidders by group. Information related to this solicitation is available upon request.

*Denotes successful bidders

<u>Bidders</u>	<u>Address</u>	<u>Amount</u>
*S & S Worldwide, Inc.	75 Mill St. Colchester, CT 06415	Multiple Groups
*BSN Sports	1901 Diplomat Dr. Farmers Branch, TX 75234	Multiple Groups
Econocrafts	29 Riverside Ave. Bldg. #2 Newark, NY 07104	Multiple Groups

OWNERS

S & S Worldwide, Inc.

Adam Schwartz, President
Hy Schwartz, Vice President
Carla Schwartz, Secretary
Vincent Pescosolido, Treasurer

OWNERS (Continued)

BSN Sports

Terrence Babilla, President
Kurt Hagen, Vice President
John Pitts, Treasurer

September 14, 2016

WHEREAS, on August 13, 2014, City Council authorized a three-year master agreement for the purchase of athletic, recreation and sports equipment and supplies for use throughout the City by Resolution No. 14-1212;

NOW, THEREFORE,

BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF DALLAS:

Section 1. That a master agreement for the purchase of recreation center and physical education supplies is authorized with S & S Worldwide, Inc. (003083) in the amount of \$269,630.00 and BSN Sports (355112) in the amount of \$60,500.00 for a term of three years in a total amount not to exceed \$330,130.00.

Section 2. That the Purchasing Agent is authorized, upon appropriate request and documented need by a user department, to issue a purchase order for recreation center and physical education supplies. If a written contract is required or requested for any or all purchases of recreation center and physical education supplies under the master agreement instead of individual purchase orders, the City Manager is authorized to execute the contract upon approval as to form by the City Attorney.

Section 3. That the Chief Financial Officer is hereby authorized to disburse funds in an amount not to exceed \$330,130.00 from Master Agreement number BA1614.

Section 4. That this resolution shall take effect immediately from and after its passage in accordance with the provisions of the Charter of the City of Dallas, and it is accordingly so resolved.

BUSINESS INCLUSION AND DEVELOPMENT PLAN SUMMARY

PROJECT: Authorize a three-year master agreement for the purchase of recreation center and physical education supplies - S & S Worldwide, Inc. in the amount of \$269,630 and BSN Sports in the amount of \$60,500, lowest responsible bidders of three - Total not to exceed \$330,130 - Financing: Current Funds

S & S Worldwide, Inc. is a non-local, non-minority firm, has signed the "Business Inclusion & Development" documentation, and proposes to use their own workforce. BSN Sports is a local, non-minority firm, has signed the "Business Inclusion & Development" documentation, and proposes to use their own workforce.

PROJECT CATEGORY: Goods

LOCAL/NON-LOCAL CONTRACT SUMMARY

	<u>Amount</u>	<u>Percent</u>
Total local contracts	\$60,500.00	18.33%
Total non-local contracts	\$269,630.00	81.67%
TOTAL CONTRACT	\$330,130.00	100.00%

LOCAL/NON-LOCAL M/WBE PARTICIPATION

Local Contractors / Sub-Contractors

None

Non-Local Contractors / Sub-Contractors

None

TOTAL M/WBE CONTRACT PARTICIPATION

	<u>Local</u>	<u>Percent</u>	<u>Local & Non-Local</u>	<u>Percent</u>
African American	\$0.00	0.00%	\$0.00	0.00%
Hispanic American	\$0.00	0.00%	\$0.00	0.00%
Asian American	\$0.00	0.00%	\$0.00	0.00%
Native American	\$0.00	0.00%	\$0.00	0.00%
WBE	\$0.00	0.00%	\$0.00	0.00%
Total	<u>\$0.00</u>	<u>0.00%</u>	<u>\$0.00</u>	<u>0.00%</u>

KEY FOCUS AREA: E-Gov

AGENDA DATE: September 14, 2016

COUNCIL DISTRICT(S): All

DEPARTMENT: Business Development & Procurement Services
Water Utilities
Aviation
Trinity Watershed Management

CMO: Jeanne Chipperfield, 670-7804
Mark McDaniel, 670-3256
Ryan S. Evans, 671-9837

MAPSCO: N/A

SUBJECT

Authorize a three-year master agreement for water meter castings, risers, cast iron inlet frames and covers - Accucast LTD in the amount of \$2,064,389, Fortiline, Inc. in the amount of \$1,231,033, Bass & Hays Foundry, Inc. in the amount of \$1,108,293, Johnson Enterprises in the amount of \$826,080, U.S.F. Fabrication, Inc. in the amount of \$362,240, ACT Pipe & Supply, Inc. in the amount of \$27,537 and DFW Plastics, Inc. in the amount of \$568, lowest responsible bidders of nine - Total not to exceed \$5,620,140 - Financing: Current Funds (\$1,222,623), Water Utilities Current Funds (\$4,393,216), Stormwater Drainage Management Current Funds (\$3,305) and Aviation Current Funds (\$996)

BACKGROUND

This action does not encumber funds; the purpose of a master agreement is to establish firm pricing for goods, for a specific term, which are ordered on an as needed basis.

This master agreement will allow for the purchase of water meter castings, risers, cast iron inlet frames and covers for the City. The cast iron inlet frames and covers are used to secure underground structures such as sewers and drains. The water meter castings and risers are used for raising manhole grades. Water Utilities maintains approximately 4,900 miles of water mains throughout the water distribution system. Street Services maintains, replaces and resets water meter castings and inlet covers as needed. Emergency crews respond to missing/damaged manhole and inlet lid covers to address roadway hazards.

BACKGROUND (Continued)

This solicitation was structured in a manner which required bidders to submit a response using unit pricing. This bid resulted in a 14.19% increase on comparable unit prices for the bids awarded in 2013.

As part of the solicitation process and in an effort to increase competition, Business Development and Procurement Services (BDPS) used its procurement system to send out 233 email bid notifications to vendors registered under respective commodities. To further increase competition, BDPS uses historical solicitation information, the internet, and vendor contact information obtained from user departments to contact additional vendors by phone. Additionally, in an effort to secure more bids, notifications were sent by the BDPS' ResourceLINK Team (RLT) to 25 chambers of commerce, the DFW Minority Business Council and the Women's Business Council – Southwest, to ensure maximum vendor outreach.

PRIOR ACTION/REVIEW (COUNCIL, BOARDS, COMMISSIONS)

On January 23, 2013, City Council authorized a three-year master agreement for water meter castings, risers and cast iron inlet frames and covers by Resolution No. 13-0172.

Information about this item will be provided to the Budget, Finance and Audit Committee on September 6, 2016.

FISCAL INFORMATION

\$1,222,622.43 - Current Funds
\$4,393,215.99 - Water Utilities Current Funds
\$ 3,304.86 - Stormwater Drainage Management Current Funds
\$ 996.00 - Aviation Current Funds

M/WBE INFORMATION

34 - Vendors contacted
34 - No response
0 - Response (Bid)
0 - Response (No bid)
0 - Successful vendor

233 - M/WBE and Non-M/WBE vendors were contacted

The recommended awardees have fulfilled the good faith requirements set forth in the Business Inclusion and Development (BID) Plan adopted by Council Resolution No. 08-2826 as amended.

ETHNIC COMPOSITION

Accucast LTD

White Male	3	White Female	1
Black Male	0	Black Female	0
Hispanic Male	4	Hispanic Female	1
Other Male	3	Other Female	0

Fortiline, Inc.

White Male	272	White Female	31
Black Male	33	Black Female	3
Hispanic Male	6	Hispanic Female	0
Other Male	10	Other Female	0

Bass & Hays Foundry, Inc.

White Male	7	White Female	0
Black Male	0	Black Female	0
Hispanic Male	8	Hispanic Female	0
Other Male	0	Other Female	0

Johnson Enterprises

White Male	0	White Female	1
Black Male	1	Black Female	0
Hispanic Male	0	Hispanic Female	0
Other Male	0	Other Female	0

U.S.F. Fabrication, Inc.

White Male	13	White Female	4
Black Male	0	Black Female	0
Hispanic Male	96	Hispanic Female	9
Other Male	0	Other Female	0

ACT Pipe & Supply, Inc.

White Male	7	White Female	3
Black Male	1	Black Female	0
Hispanic Male	2	Hispanic Female	0
Other Male	0	Other Female	0

ETHNIC COMPOSITION (Continued)

DFW Plastics, Inc.

White Male	12	White Female	2
Black Male	0	Black Female	0
Hispanic Male	82	Hispanic Female	1
Other Male	1	Other Female	0

BID INFORMATION

The following bids were received from solicitation number BM1622 and were opened on July 1, 2016. This master agreement is being awarded to the lowest responsive and responsible bidders by line. Information related to this solicitation is available upon request.

*Denotes successful bidders

<u>Bidders</u>	<u>Address</u>	<u>Amount</u>
*Accucast LTD	415 21 st St. Waco, TX 76706	Multiple Lines
*Fortiline, Inc.	11200 Seagoville Rd. Balch Springs, TX 75180	Multiple Lines
*Bass & Hays Foundry, Inc.	238 S. Bagdad Rd. Grand Prairie, TX 75050	Multiple Lines
*Johnson Enterprises 95662	8767 Country Creek Dr.	Multiple Lines Orangevale, CA
*U.S.F. Fabrication, Inc.	32 W 84 th St.	Multiple Lines Hialeah, FL 33018
*ACT Pipe & Supply, Inc.	1888 W. Northwest Hwy. Dallas, TX 75220	Multiple Lines
*DFW Plastics, Inc.	901 E. Industrial Rd. Saginaw, TX 76131	Multiple Lines
Nicor, Inc.	100 Commons Rd. 7-355 Dripping Springs, TX 78620	Multiple Lines
Doug Meadows Co., LLC	1290 S. Willis, Suite 214 Abilene, TX 79605	Multiple Lines

OWNERS

Accucast LTD

Kirit Daftary, President
Sharon Stapleton, Treasurer
Jo Anne Garcia, Treasure

Fortiline, Inc.

Tim Tysinger, President
James Cagle, Vice President
Jason Painter, Secretary

Bass & Hays Foundry, Inc.

David Hays, President
Paul D. Hays, Vice President
Matt Hays, Secretary

Johnson Enterprises

Samuel T. Johnson, President
Judith L. Johnson, Vice President

U.S.F. Fabrication, Inc.

Alex Lane DeBogory, President
David Brunswick, Vice President

ACT Pipe & Supply, Inc.

Andy Zizinia, President
Steve Haas Sr., Vice President
Mary Gagnow, Secretary
Harry Kirk, Treasurer

DFW Plastics, Inc.

Tom McKinnon, President
Jim McKinnon, Vice President
Tina Brooks, Secretary

September 14, 2016

WHEREAS, on January 23, 2013, City Council authorized a three-year master agreement for water meter castings, risers and cast iron inlet frames and covers by Resolution No. 13-0172;

NOW, THEREFORE,

BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF DALLAS:

Section 1. That a master agreement for the purchase of water meter castings, risers, cast iron inlet frames and covers is authorized with Accucast LTD (VS0000064006) in the amount of \$2,064,389.00, Fortiline, Inc. (VS0000073028) in the amount of \$1,231,033.12, Bass & Hays Foundry, Inc. (005946) in the amount of \$1,108,292.40, Johnson Enterprises (VS92166) in the amount of \$826,080.00, U.S.F. Fabrication, Inc. (503423) in the amount of \$362,240.00, ACT Pipe & Supply, Inc. (358157) in the amount of \$27,536.56 and DFW Plastics, Inc. (VS0000008232) in the amount of \$568.20, for a term of three years in a total amount not to exceed \$5,620,139.28.

Section 2. That the Purchasing Agent is authorized, upon appropriate request and documented need by a user department, to issue a purchase order for water meter castings, risers and cast iron inlet frames and covers. If a written contract is required or requested for any or all purchases of water meter castings, risers and cast iron inlet frames and covers under the master agreement instead of individual purchase orders, the City Manager is authorized to execute the contract upon approval as to form by the City Attorney.

Section 3. That the Chief Financial Officer is hereby authorized to disburse funds in an amount not to exceed \$5,620,139.28 from Master Agreement number BM1622.

Section 4. That this resolution shall take effect immediately from and after its passage in accordance with the provisions of the Charter of the City of Dallas, and it is accordingly so resolved.

BUSINESS INCLUSION AND DEVELOPMENT PLAN SUMMARY

PROJECT: Authorize a three-year master agreement for water meter castings, risers, cast iron inlet frames and covers - Accucast LTD in the amount of \$2,064,389, Fortiline, Inc. in the amount of \$1,231,033, Bass & Hays Foundry, Inc. in the amount of \$1,108,293, Johnson Enterprises in the amount of \$826,080, U.S.F. Fabrication, Inc. in the amount of \$362,240, ACT Pipe & Supply, Inc. in the amount of \$27,537 and DFW Plastics, Inc. in the amount of \$568, lowest responsible bidders of nine - Total not to exceed \$5,620,140 - Financing: Current Funds (\$1,222,623), Water Utilities Current Funds (\$4,393,216), Stormwater Drainage Management Current Funds (\$3,305) and Aviation Current Funds (\$996)

Accucast LTD, Johnson Enterprises, U.S.F. Fabrication, Inc. and DFW Plastics, Inc. are non-local, non-minority firms, have signed the "Business Inclusion & Development" documentation, and propose to use their own workforces. ACT Pipe & Supply, Inc., Bass & Hays Foundry, Inc. and Fortiline, Inc. are local, non-minority firms, have signed the "Business Inclusion & Development" documentation, and propose to use their own workforces.

PROJECT CATEGORY: Goods

LOCAL/NON-LOCAL CONTRACT SUMMARY

	<u>Amount</u>	<u>Percent</u>
Total local contracts	\$2,366,862.08	42.11%
Total non-local contracts	\$3,253,277.20	57.89%
TOTAL CONTRACT	\$5,620,139.28	100.00%

LOCAL/NON-LOCAL M/WBE PARTICIPATION

Local Contractors / Sub-Contractors

None

Non-Local Contractors / Sub-Contractors

None

TOTAL M/WBE CONTRACT PARTICIPATION

	<u>Local</u>	<u>Percent</u>	<u>Local & Non-Local</u>	<u>Percent</u>
African American	\$0.00	0.00%	\$0.00	0.00%
Hispanic American	\$0.00	0.00%	\$0.00	0.00%
Asian American	\$0.00	0.00%	\$0.00	0.00%
Native American	\$0.00	0.00%	\$0.00	0.00%
WBE	\$0.00	0.00%	\$0.00	0.00%
Total	\$0.00	0.00%	\$0.00	0.00%

KEY FOCUS AREA: E-Gov

AGENDA DATE: September 14, 2016

COUNCIL DISTRICT(S): N/A

DEPARTMENT: Business Development & Procurement Services
Communication and Information Services

CMO: Jeanne Chipperfield, 670-7804
Mark McDaniel, 670-3256

MAPSCO: N/A

SUBJECT

Authorize supplemental agreement no. 4 to increase and extend the service contract to provide for maintenance and support of the City's financial and accounting system, from October 1, 2016 through September 30, 2019 - CGI Technologies and Solutions, Inc. through the Texas Department of Information Resources - Not to exceed \$1,509,565, from \$1,373,756 to \$2,883,321 - Financing: Current Funds (subject to annual appropriations)

BACKGROUND

This supplemental agreement will provide ongoing maintenance and technical support of the City's financial and accounting system, AMS Advantage System (AMS). Maintenance includes 24/7 technical support, patches, updates and a dedicated account manager.

The AMS system includes three key modules that are essential tools for the City to conduct day to day operations:

- Financial - allows for the creation, monitoring and managing of the City's budget, daily financial transactions as well as provides for the posting of solicitations for the procurement of goods and services
- Vendor Self-Service - provides a web portal for the vending community to view solicitations as well as respond electronically to solicitations for small dollar purchases
- InfoAdvantage - provides ad-hoc reporting capabilities

The Department of Information Resources conforms to the requirements of Texas Statutes that are applicable for competitive bids and proposals, in accordance with the Interlocal Cooperation Act, Chapter 791, Texas Government Code. In addition, the Department of Information Resources receives bids from manufacturers and dealers throughout the United States.

PRIOR ACTION/REVIEW (COUNCIL, BOARDS, COMMISSIONS)

On January 23, 2013, City Council authorized a contract to implement an upgrade to the City's financial and accounting system and maintenance and licensing for three years by Resolution No. 13-0241.

On January 21, 2014, this item was included as a briefing memo to the Budget, Finance and Audit Committee.

On January 22, 2014, City Council authorized supplemental agreement no. 1 to increase the contract with CGI Technologies and Solutions, Inc. through the State of Texas Department of Information Resources, to provide training services and material in support of the City's financial and accounting system upgrade by Resolution No. 14-0243.

Information about this item will be provide to the Budget, Finance and Audit Committee on September 6, 2016.

FISCAL INFORMATION

\$1,509,565.00 - Current Funds (subject to annual appropriations)

ETHNIC COMPOSITION

CGI Technologies and Solutions, Inc.

White Male	70	White Female	55
Black Male	6	Black Female	7
Hispanic Male	4	Hispanic Female	4
Other Male	34	Other Female	23

OWNER

CGI Technologies and Solutions, Inc.

David Hederson, President
John Roggemann, Senior Vice President
Michael Waple, Controller
Benoit Dubé, Corporate Secretary

September 14, 2016

WHEREAS, on January 23, 2013, City Council authorized a contract to implement an upgrade to the City's financial and accounting system and maintenance and licensing for three years by Resolution No. 13-0241; and,

WHEREAS, on January 22, 2014, City Council authorized supplemental agreement no. 1 to increase the contract with CGI Technologies and Solutions, Inc. through the State of Texas Department of Information Resources, to provide training services and material in support of the City's financial and accounting system upgrade in an amount not to exceed \$192,200.00, increasing the contract amount from \$1,130,411.00 to \$1,322,611.00, by Resolution No. 14-0243; and,

WHEREAS, on April 3, 2014, Administrative Action No. 14-7147 authorized supplemental agreement no. 2 to increase the contract for additional licenses and maintenance for the Advantage Financial system in an amount not to exceed \$23,453.24, increasing the contract amount from \$1,322,611.00 to \$1,346,064.24; and,

WHEREAS, on August 22, 2016, Administrative Action No. 16-6519 authorized supplemental agreement no. 3 to increase and extend the contract for maintenance of the Advantage Financial system through September 30, 2016, in an amount not to exceed \$27,692.00, increasing the contract amount from \$1,346,064.24 to \$1,373,756.24;

NOW, THEREFORE,

BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF DALLAS:

Section 1. That following approval as to form by the City Attorney, the City Manager is hereby authorized to execute supplemental agreement no. 4 to increase and extend the service contract with CGI Technologies and Solutions, Inc. through the Texas Department of Information Resources (VS0000013183) for maintenance and support of the City's financial and accounting system from October 1, 2016 through September 30, 2019, in an amount not to exceed \$1,509,565.00, increasing the service contract amount from \$1,373,756.24 to \$2,883,321.24.

Section 2. That the Chief Financial Officer is hereby authorized to disburse funds in an amount not to exceed \$1,509,565.00 (subject to annual appropriations) from Service Contract number MASCDV19ADVMANT.

Section 3. That this resolution shall take effect immediately from and after its passage in accordance with the provisions of the Charter of the City of Dallas, and it is accordingly so resolved.

KEY FOCUS AREA: E-Gov
AGENDA DATE: September 14, 2016
COUNCIL DISTRICT(S): N/A
DEPARTMENT: City Attorney's Office
CMO: Christopher D. Bowers, 670-3491
MAPSCO: N/A

SUBJECT

Authorize **(1)** acceptance of the 2016-17 Substance Abuse and Mental Health Services Administration grant from the U.S. Department of Health and Human Services for expansion of the South Dallas Community Court to include the South Dallas Treatment Drug Court for the Adult Treatment Drug Court Expansion project for the period September 30, 2016 through September 29, 2017; **(2)** approval to create one new full-time position to execute the proposed project; and **(3)** execution of the grant agreement - Not to exceed \$305,074 - Financing: U.S. Department of Health and Human Services, Substance Abuse and Mental Health Services Administration Grant Funds

BACKGROUND

This item will authorize the third year of the Substance Abuse and Mental Health Services Administration grant from the U.S. Department of Health and Human Services. The Substance Abuse and Mental Health Services Administration of the U.S. Department of Health and Human Services awarded the City a three-year grant with the project period from September 30, 2014 to September 29, 2017. The South Dallas Treatment Drug Court (SDTDC) seeks to identify adults with mental health issues and substance abuse addictions who have been referred to the South Dallas Community Court for adjudication and processing, and to offer those individuals alcohol/drug treatment, recovery support services, screening, assessment, case management and related services in lieu of jail time. The SDTDC is located in the Martin Luther King, Jr. Community Center at 2922 Martin Luther King, Jr. Boulevard, and serves South Dallas/Fair Park, Jubilee Park, and Pleasant Grove.

The U.S. Department of Health and Human Services, Substance Abuse and Mental Health Services Administration, has awarded the City \$305,074.00 in support of the SDTDC program for the third year. This includes the funding of one new full-time position (Coordinator I).

PRIOR ACTION/REVIEW (COUNCIL, BOARDS, COMMISSIONS)

City Council authorized the acceptance of the 2014-15 Substance Abuse and Mental Health Services Administration grant from the U.S. Department of Health and Human Services for expansion of the South Dallas Community Court to include the South Dallas Treatment Drug Court for the Adult Treatment Drug Expansion project for the period September 30, 2014 through September 29, 2015, on January 14, 2015, by Resolution No. 15-0142.

City Council authorized the acceptance of the 2015-16 Substance Abuse and Mental Health Services Administration grant from the U.S. Department of Health and Human Services for expansion of the South Dallas Community Court to include the South Dallas Treatment Drug Court for the Adult Treatment Drug Expansion project for the period September 30, 2015 through September 29, 2016, on January 27, 2016 by Resolution No. 16-0164.

Information about this item will be provided to the Budget, Finance & Audit Committee on September 6, 2016.

FISCAL INFORMATION

\$305,074.00 - U.S. Department of Health and Human Services, Substance Abuse and Mental Health Services Administration Grant Funds

September 14, 2016

WHEREAS, the City of Dallas established an Adult Treatment Drug Court Expansion project that seeks to expand the South Dallas Community Drug Court into a Treatment Drug Court that will incorporate alcohol/drug treatment, recovery support services, screening, assessment, case management, and program coordination; and

WHEREAS, the Substance Abuse and Mental Health Services Administration of the U.S. Department of Health and Human Services awarded the City a three-year grant with the project period from September 30, 2014 to September 29, 2017; and

WHEREAS, on January 14, 2015, the City Council authorized the acceptance of the 2014-15 Substance Abuse and Mental Health Services Administration grant from the U.S. Department of Health and Human Services for expansion of the South Dallas Community Court to include the South Dallas Treatment Drug Court for the Adult Treatment Drug Expansion project for the period September 30, 2014 through September 29, 2015, by Resolution No. 15-0142; and

WHEREAS, on January 27, 2016, the City Council authorized the acceptance of the 2015-16 Substance Abuse and Mental Health Services Administration grant from the U.S. Department of Health and Human Services for expansion of the South Dallas Community Court to include the South Dallas Treatment Drug Court for the Adult Treatment Drug Expansion project for the period September 30, 2015 through September 29, 2016, by Resolution No. 16-0164.

WHEREAS, the U.S. Department of Health and Human Services, Substance Abuse and Mental Health Services Administration, has made grant funds available during the 2016-17 fiscal year to offer individuals facing criminal charges for substance abuse and possession an opportunity to enter a substance abuse recovery program in lieu of jail time; and

WHEREAS, such grant funding was awarded to the City on July 22, 2016; and

WHEREAS, the grant funding would benefit the City in its endeavor to reduce crime and help affected individuals become drug free; and

WHEREAS, the City finds it in the best interest of the City's residents that the grant funds be accepted for the 2016-2017 fiscal year; and

WHEREAS, the City agrees that in the event of loss or misuse of the grant funds, the City will return the funds identified as ineligible to the U.S. Department of Health and Human Services; and

WHEREAS, the City designates the City Manager or his designee as the grantee's authorized official, who has the power to apply for, accept, reject, alter, or terminate the grant on behalf of the City; **Now, Therefore,**

September 14, 2016

BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF DALLAS:

Section 1. That the City Manager is hereby authorized to **(1)** accept the 2016-17 Substance Abuse and Mental Health Services Administration Grant (Grant No. 5H79TI 025045-03, CFDA No. 93.243) from the U.S. Department of Health and Human Services to be used in the Adult Treatment Drug Court Expansion project for the period September 30, 2016 through September 29, 2017, in an amount not to exceed \$305,074.00; **(2)** approve creating one new full-time position to execute the proposed project; and **(3)** execute the grant agreement.

Section 2. That the City Manager is hereby authorized to establish appropriations in the Adult Treatment Drug Court Expansion Project Fund F503, Department ATT, Unit 2051, various Object Codes per the attached Schedule, in an amount not to exceed \$305,074.00.

Section 3. That the Chief Financial Officer is hereby authorized to deposit grant funds in an amount not to exceed \$305,074.00 into Fund F503, Department ATT, Unit 2051, Revenue Source 6506.

Section 4. That the Chief Financial Officer is hereby authorized to disburse grant funds from Fund F503, Department ATT, Unit 2051, various Object Codes, in accordance to the attached Schedule, in an amount not to exceed \$305,074.00.

Section 5. That the City Manager is hereby authorized to create one new full-time position:

Coordinator I - who will 1) coordinate the onboarding and intake process for hundreds of individuals; 2) “walk-through” the program with participants to ensure program compliance; and 3) identify and build relationships with other service providers to ensure a smooth and viable transition for participants once they have completed the Drug Court program.

**This new position will come at no cost to the City during the grant period.*

Section 6. That the City Manager is hereby authorized to reimburse the U.S. Department of Health and Human Services, Substance Abuse and Mental Health Services Administration any expenditure identified as ineligible. The City Manager shall notify the appropriate City Council Committee of expenditures identified as ineligible not later than 30 days after the reimbursement.

Section 7. That the City Manager shall keep the appropriate City Council Committee informed of all final U.S. Department of Health and Human Services, Substance Abuse and Mental Health Services Administration monitoring reports not later than 30 days after the receipt of the report.

September 14, 2016

Section 8. That this resolution shall take effect immediately from and after its passage in accordance with the Charter of the City of Dallas, and it is accordingly so resolved.

KEY FOCUS AREA: E-Gov

AGENDA DATE: September 14, 2016

COUNCIL DISTRICT(S): All

DEPARTMENT: Business Development & Procurement Services
Aviation
Fire

CMO: Jeanne Chipperfield, 670-7804
Ryan S. Evans, 671-9837
Eric Campbell, 670-3255

MAPSCO: N/A

SUBJECT

Authorize the purchase of **(1)** one heavy duty snow blower with attachments for Aviation - M-B Companies, Inc. in the amount of \$1,241,368, through the National Joint Powers Alliance; and **(2)** four fleet vehicles for Fire-Rescue - Sam Pack's Five Star Ford in the amount of \$121,381 through Texas Smartbuy - Total not to exceed \$1,362,749 - Financing: Current Funds (\$121,381) and Aviation Current Funds (\$1,241,368)

BACKGROUND

This item will authorize the purchase of five fleet vehicles and equipment to include:

- Heavy duty snow blower with attachments
- Medium duty truck
- Heavy duty truck
- Compact sport utility vehicle (SUV)

Dallas Love Field is required to meet Federal Aviation Administration (FAA) Regulations Part 139.313 governing snow and ice control. This regulation, in part, requires any air carrier airport that is located where snow and icing conditions occur must prepare, maintain and carry out a snow and ice control plan that provides for the prompt removal or control of snow, ice and slush on the airports runways and taxiways. Currently, airport operations is responsible for approximately 15 million square feet of paved surfaces utilized by aircraft and other equipment, which are required by FAA regulations to be maintained. This purchase of one additional heavy duty snow blower with attachments will allow Aviation to continue to meet FAA regulations.

BACKGROUND (Continued)

The heavy duty truck will be utilized by the Emergency Medical Services (EMS) for multiple uses including moving large quantity of supplies and support trailers. The two compact sport utility vehicles are new fleet additions which will be utilized in EMS to travel to hospitals throughout the City to perform their daily tasks. The medium duty truck will be utilized by the Inspection & Life Safety and Education (I&LSE) Division to transport equipment and conduct inspections.

The National Joint Powers Alliance (NJPA) and Texas Smartbuy conform to the requirements of Texas Statutes that are applicable for competitive bids and proposals, in accordance with the Interlocal Cooperation Act, Chapter 791, Texas Government Code. In addition, the NJPA and Texas Smartbuy receive bids from manufacturers and dealers throughout the United States.

PRIOR ACTION/REVIEW (COUNCIL, BOARDS, COMMISSIONS)

On January 11, 2012, City Council authorized a one-year master agreement for the purchase of one hundred ninety-six pieces of fleet equipment and a one-year master agreement for the purchase of one hundred three pieces of fleet equipment by Resolution No. 12-0162.

On June 12, 2013, City Council authorized a one-year master agreement for the purchase of two hundred seventy-two pieces of fleet and equipment; a one-year master agreement for the purchase of eight pieces of fleet equipment; and a one-year master agreement for the purchase of four pieces of fleet equipment by Resolution No. 13-0936.

On December 11, 2013, City Council authorized a one-year master agreement for the purchase of two-hundred ten fleet vehicles and equipment; thirty-eight fleet vehicles and equipment; and eighty-eight fleet vehicles and equipment by Resolution No. 13-2055.

On March 25, 2015, City Council authorized a one-year master agreement for the purchase of eighty seven fleet vehicles and equipment; twenty fleet vehicles and equipment; and one-hundred nine fleet vehicles and equipment by Resolution No. 15-0478.

On December 9, 2015, City Council authorized a one-year master agreement for the purchase of one hundred fleet vehicles and equipment; one hundred eighty-one fleet vehicles; eighty-three Police fleet and equipment; and twenty-one fleet vehicles by Resolution No. 15-2199.

PRIOR ACTION/REVIEW (COUNCIL, BOARDS, COMMISSIONS) (Continued)

On May 11, 2016, City Council authorized the purchase of eleven pieces of fleet vehicles and equipment; four pieces of fleet vehicles; two pieces of fleet equipment; and two fleet vehicles by Resolution No. 16-0717.

On June 22, 2016, City Council authorized the purchase of twenty three pieces of fleet vehicles and equipment; one piece of fleet equipment; and one piece of equipment by Resolution No. 16-1053.

Information about this item will be provided to the Budget, Finance and Audit Committee on September 6, 2016.

FISCAL INFORMATION

\$ 121,380.68 - Current Funds
\$1,241,367.91 - Aviation Current Funds

ETHNIC COMPOSITION

M-B Companies, Inc.

White Male	188	White Female	19
Black Male	1	Black Female	0
Hispanic Male	2	Hispanic Female	0
Other Male	7	Other Female	0

Sam Pack's Five Star Ford

White Male	99	White Female	18
Black Male	22	Black Female	1
Hispanic Male	85	Hispanic Female	7
Other Male	0	Other Female	1

OWNERS

M-B Companies, Inc.

Terrence J. Cosgrove, President
Michael Shinnars, Vice President
Eldon L. Bohrofen, Secretary
Susan A. Torrison, Treasurer

Sam Pack's Five Star Ford

Sam Pack, President

September 14, 2016

WHEREAS, on January 11, 2012, City Council authorized a one-year master agreement for the purchase of one hundred ninety-six pieces of fleet equipment; and a one-year master agreement for the purchase of one hundred three pieces of fleet equipment by Resolution No. 12-0162; and,

WHEREAS, on June 12, 2013, City Council authorized a one-year master agreement for the purchase of two hundred seventy-two pieces of fleet and equipment; a one-year master agreement for the purchase of eight pieces of fleet equipment; and a one-year master agreement for the purchase of four pieces of fleet equipment by Resolution No. 13-0936; and,

WHEREAS, on December 11, 2013, City Council authorized a one-year master agreement for the purchase of two-hundred ten fleet vehicles and equipment; thirty-eight fleet vehicles and equipment; and eighty-eight fleet vehicles and equipment by Resolution No. 13-2055; and,

WHEREAS, on March 25, 2015, City Council authorized a one-year master agreement for the purchase of eighty seven fleet vehicles and equipment; twenty fleet vehicles and equipment; and one-hundred nine fleet vehicles and equipment by Resolution No. 15-0478; and,

WHEREAS, on December 9, 2015, City Council authorized a one-year master agreement for the purchase of one hundred fleet vehicles and equipment; one hundred eighty-one fleet vehicles; eighty-three Police fleet and equipment; and twenty-one fleet vehicles by Resolution No. 15-2199; and,

WHEREAS, on May 11, 2016, City Council authorized the purchase of eleven pieces of fleet vehicles and equipment; four pieces of fleet vehicles; two pieces of fleet equipment; and two fleet vehicles by Resolution No. 16-0717; and,

WHEREAS, on June 22, 2016, City Council authorized the purchase of twenty three pieces of fleet vehicles and equipment; one piece of fleet equipment; and one piece of equipment by Resolution No. 16-1053.

NOW, THEREFORE,

BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF DALLAS:

Section 1. That the purchase of **(1)** one heavy duty snow blower with attachments is authorized with M-B Companies, Inc. (177102) in the amount of \$1,241,367.91 through the National Joint Powers Alliance; and **(2)** four fleet vehicles is authorized with Sam Pack's Five Star Ford (113696) in the amount of \$121,380.68 through Texas Smartbuy, in a total amount not to exceed \$1,362,748.59.

September 14, 2016

Section 2. That the Purchasing Agent is authorized, upon appropriate requisition, to issue a purchase order for one heavy duty snow blower with attachments and four fleet vehicles. If a formal contract is required for this purchase instead of a purchase order, the City Manager is authorized to execute the contract upon approval as to form by the City Attorney.

Section 3. That the Chief Financial Officer is hereby authorized to disburse funds from the following appropriations in an amount not to exceed \$ 1,362,748.59:

<u>Fund</u>	<u>Dept</u>	<u>Unit</u>	<u>Obj</u>	<u>Amount</u>	<u>Encumbrance</u>
0001	DFD	ER90	4740	\$ 88,935.37	PODFD00000127145
0001	DFD	LS00	4740	\$ 32,445.31	PODFD00000127145
0130	AVI	7722	4720	\$1,241,367.91	POAVI00000127460

Section 4. That this resolution shall take effect immediately from and after its passage in accordance with the provisions of the Charter of the City of Dallas, and it is accordingly so resolved.