



**REGULAR MEETING OF THE CITY COUNCIL
COUNCIL CHAMBERS MAY 6, 2014 1:30 P.M.**

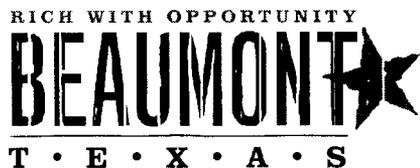
CONSENT AGENDA

- * Approval of minutes – April 29, 2014
- * Confirmation of committee appointments

- A) Approve a resolution authorizing the City Manager or his designee to execute all documents necessary, specifically a Memorandum of Understanding between the 373rd Combat Sustainment Support Battalion and the City of Beaumont Police Department

- B) Approve a resolution authorizing the City Manager to execute a lease agreement with the Beaumont Independent School District for the City's continued maintenance of a parcel of land fronting on College Street, between Neches and Trinity Streets

- C) Approve a resolution approving a change order to the contract with Allco for the construction of a new Tennis Clubhouse at the Athletic Complex



City Council Agenda Item

TO: City Council

FROM: Kyle Hayes, City Manager

PREPARED BY: Charles W. Jeffcoat, Assistant Chief of Police

MEETING DATE: May 6, 2014

REQUESTED ACTION: Consider a resolution authorizing the City Manager or his designee to execute all documents necessary, specifically a Memorandum of Understanding between the 373rd Combat Sustainment Support Battalion and the City of Beaumont Police Department.

BACKGROUND

This Memorandum of Understanding between the Beaumont Police Department and the 373rd Combat Sustainment Support Battalion will be a written coordination to ensure a response from local law enforcement to the Army's intrusion detection system or duress alarm activation in their arms room. Random security checks will be made.

FUNDING SOURCE

Not Applicable.

RECOMMENDATION

Approval of resolution.

RESOLUTION NO.

BE IT RESOLVED BY THE CITY COUNCIL OF THE

CITY OF BEAUMONT:

THAT the City Manager, or his designee, be and they are hereby authorized to execute a Memorandum of Understanding between the City of Beaumont and the 373rd Combat Sustainment Support Battalion to ensure a response from local law enforcement to the Army's intrusion detection system or duress alarm activation in their arms room.

PASSED BY THE CITY COUNCIL of the City of Beaumont this the 6th day of May, 2014.

- Mayor Becky Ames -



City Council Agenda Item

TO: City Council

FROM: Kyle Hayes, City Manager

MEETING DATE: May 6, 2014

REQUESTED ACTION: Council consider a resolution authorizing the City Manager to execute a lease agreement with the Beaumont Independent School District for the City's continued maintenance of a parcel of land fronting on College Street, between Neches and Trinity Streets.

BACKGROUND

The Beaumont Independent School District owns a small, irregularly-shaped parcel of land fronting on College Street, between Neches and Trinity Streets. The City has leased and maintained the property for many years, where an Italian Memorial has been constructed. The new lease will be for a five year period.

RECOMMENDATION

Approval of the resolution.



Beaumont Independent School District

April 21, 2014

Mr. Kyle Hayes
City Manager
P O Box 3827
Beaumont, Texas 77704-3827

Dear Mr. Hayes,

Enclosed you will find the lease renewal which was signed at the School Board meeting April 17, 2014. Please sign and return one copy and keep one copy for your files.

Thanks for your cooperation in this matter.

Sincerely,

Philip Brooks
Chief of Schools

RESOLUTION NO.

BE IT RESOLVED BY THE CITY COUNCIL

OF THE CITY OF BEAUMONT:

THAT the City Manager be and he is hereby authorized to execute a five (5) year Lease Agreement, with an option to extend in increments of five (5) years, with Beaumont Independent School District (BISD) for the continued maintenance of a parcel of land fronting College Street, between Neches and Trinity Street, adjoining the College/Wall Street Connector project, at an annual rental fee of \$10.00. The Lease Agreement is substantially in the form attached hereto as Exhibit "A" and made a part hereof for all purposes.

PASSED BY THE CITY COUNCIL of the City of Beaumont this the 6th day of May, 2014.

- Mayor Becky Ames -

THE STATE OF TEXAS **S**

COUNTY OF JEFFERSON **S**

LEASE AGREEMENT

EXHIBIT A

WHEREAS, BEAUMONT INDEPENDENT SCHOOL DISTRICT (BISD) owns a small, irregularly-shaped parcel of land in the College Square Block of the original town site of Beaumont, Jefferson County, Texas, Travis Abstract No. 52, fronting on College Street, between Neches and Trinity Streets, adjoining the College/Wall Street Connector project, which parcel is not presently needed for educational purposes, and

WHEREAS, THE CITY OF BEAUMONT, TEXAS (City) wishes to lease that parcel from BISD for a landscaping project, as part of its continuing effort to beautify its thoroughfares;

NOW, THEREFORE, pursuant to the authority granted to the undersigned by the governing bodies of the respective political entities, BISD and City enter into the following lease agreement referable to subject property:

1. Term. The initial term of this lease will be five (5) years from date of execution. City may apply in writing to BISD for extensions of the lease in additional increments of five (5) years.

2. Termination. Either party may terminate the lease agreement upon 120 days notice in writing to the other.

In the event of termination, City agrees to remove at its cost from subject premises all improvements and to restore the site to its general condition as it was prior to execution of this lease.

3. Rental. City shall pay BIRD an annual rental of Ten Dollars (\$10.00). due and payable in advance on the anniversary date of execution of the lease agreement, which amount is deemed by the parties to be good and valuable consideration.

4. Purpose and Uses. City intends to use subject premises as a landscaping project, as part of its continuing effort to beautify its thoroughfares. City may install fences, monuments, memorials, shrubs and other plantations, and such other decorative fixtures as may be consistent with its thoroughfare beautification project.

City may not erect any permanent buildings or other structures on subject premises without prior written approval of BIRD.

5. Assumption of Risks of Liability. City assumes all risks of liability associated with its leasing of subject premises, as set forth more specifically in the letter to BIRD from Kyle Hayes, its City Manager attached hereto and incorporated by reference for all purposes.

6. Assignment. This lease agreement may not be assigned, or subject premises sublet by City, without the prior written permission of BIRD.

7. Insurance. City shall furnish to BIRD a standard letter of assumption of responsibility referable to the City's activities on or use of subject premises.

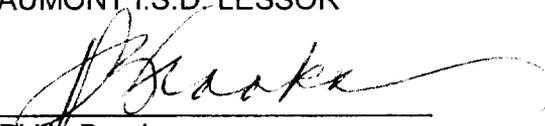
8. Notices. All notice requirements hereunder shall be deemed to have been met if made by certified mail, return receipt requested, and addressed to:

a. Chief of Operations
Beaumont I.S.D.
3395 Harrison Ave.
Beaumont, Tx. 77706

b. City Manager's Office
City of Beaumont
P O Box 3827
Beaumont, Tx. 77704

Executed in duplicate originals on the 21st day of April, 2014

BEAUMONT I.S.D. LESSOR

By: 

Philip Brooks
Chief of Operations

CITY OF BEAUMONT, LESSEE

By: _____

Kyle Hayes
City Manager



City Council Agenda Item

TO: City Council

FROM: Kyle Hayes, City Manager
PD

PREPARED BY: Patrick Donart, Public Works Director

MEETING DATE: May 6, 2014

REQUESTED ACTION: Council consider a resolution approving a change order to the contract with Allco for the construction of a new Tennis Clubhouse at the Athletic Complex.

BACKGROUND

On December 17, 2013, City Council approved a contract to Allco for the construction of a new tennis clubhouse. The 8,760 sq. ft. building includes 4,460 sq. ft. of interior space and 4,300 sq. ft. of outdoor covered space. The building is being constructed on College Street south of the existing tennis court's parking lot. The clubhouse is part of the tennis center's master plan that includes four new covered courts and four new open courts in addition to the existing sixteen courts in service.

Change Order No. 1 includes a revision to the electrical service including a new concrete transformer pad and additional electrical and data in the clubhouse. Also included in the change order is an additional hub drain for the countertop ice machine and hardware revisions to three doors to meet Texas Department of Insurance code. An additional 5 days is being requested to the contract time. If approved the contract time would end on September 1, 2014.

The amount requested for Change Order No. 1 is \$32,656.72 and result in a 2.85% increase in the total contract amount. The resultant total contract amount will become \$1,177,356.72.

FUNDING SOURCE

Capital Program.

RECOMMENDATION

Approval of resolution.

CHANGE ORDER

PROJECT: City of Beaumont Athletic Complex CHANGE ORDER NO: 1
Tennis Clubhouse- Pro
Shop/Restroom Building
CONTRACTOR: Allco DATE: 04.29.14
P.O. Box 3827 ARCHITECT'S PROJECT # 12006
Beaumont, Texas 77704 CONTRACT DATE: 01.17.14
CONTRACT FOR: New Construction /Additions

The Contract is changed as follows:

1. Hardware Revisions to doors 117, 118, and 119 as requested..... \$1,014.30

See attached documentation on Contractor's Change Proposal #1

2. Additional Work as shown on Drawings ME-1.0R1, ME-2.0R1, ME-2.1R1, ME-4.0R1, ME-4.1R1, ME-6.0R1.
This Work includes a revised electrical service including a new concrete transformer pad, additional
electrical and data in the clubhouse, and an additional hub drain for the countertop ice
machine.....\$31,642.42

See attached documentation and below additional 5 calendar days on Contractor's Change Proposal #2

Total Change Order\$32,656.72

Not valid until signed by the Owner, Architect, and Contractor.

The original Contract Sum was \$1,144,700.00
Net change by previously authorized Change Orders..... \$0.00
The Contract Sum prior to this Change Order was \$1,144,700.00
The Contract sum will be increased by this Change Order in the amount of\$32,656.72
The new Contract Sum including this Change Order will be \$1,177,356.72

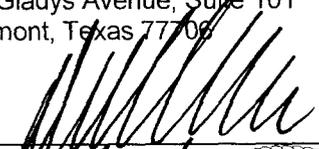
The Contract Time will be increased by **five (05) days**.
The date of Substantial Completion as of the date of this Change Order therefore is **September 01, 2014**.

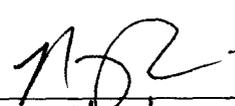
NOTE: The summary does not reflect changes in the Contract Sum or Contract Time which have been authorized by Construction Change Directive.

The LaBiche Architectural Group
7999 Gladys Avenue, Suite 101
Beaumont, Texas 77706

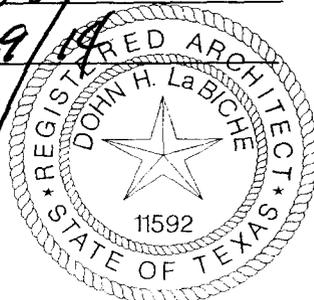
Allco
P.O. Box 3684
Beaumont, Texas 77704

City of Beaumont
P.O. Box 3827
Beaumont, Texas 77704

By: 
Date: 4/29/14

By: 
Date: 4/29/14

By: _____
Date: _____



RESOLUTION NO.

WHEREAS, on December 17, 2013, the City Council of the City of Beaumont, Texas passed Resolution No. 13-284 awarding a contract in the amount of \$1,144,700 to Allco, Ltd., Beaumont, Texas, for the construction of a new Tennis Clubhouse at the Athletic Complex; and,

WHEREAS, Change Order No. 1, in the amount of \$32,656.72, is required to revise the electrical service to include a new concrete transformer pad; additional electrical and data in the clubhouse; an additional hub drain for the countertop ice machine; and, door hardware revisions, thereby increasing the contract amount to \$1,177,356.72;

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

THAT the City Manager be and he is hereby authorized to execute Change Order No. 1, in the amount of \$32,656.72, thereby increasing the contract amount to \$1,177,356.72 for the construction of a new Tennis Clubhouse at the Athletic Complex.

PASSED BY THE CITY COUNCIL of the City of Beaumont this the 6th day of May 2014.

- Mayor Becky Ames -



**REGULAR MEETING OF THE CITY COUNCIL
COUNCIL CHAMBERS MAY 6, 2014 1:30 P.M.**

AGENDA

CALL TO ORDER

- * Invocation Pledge Roll Call
- * Presentations and Recognition
- * Public Comment: Persons may speak on scheduled agenda items 1-2/Consent Agenda
- * Consent Agenda

GENERAL BUSINESS

1. Consider approving a resolution authorizing the award of a three-year contract to Patriot Security, Inc., of Nederland, for Security Guard and Event Staff Services
2. Consider approving a resolution approving the City of Beaumont Investment Policy

COMMENTS

- * Councilmembers/City Manager comment on various matters
- * Public Comment (Persons are limited to 3 minutes)

EXECUTIVE SESSION

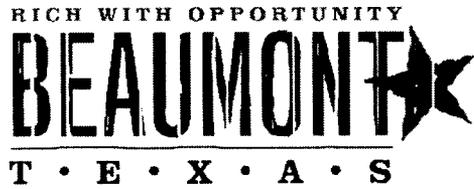
- * Consider matters related to contemplated or pending litigation in accordance with Section 551.071 of the Government Code:

Robert "Bobby" Lorraine vs. City of Beaumont, Texas; Cause No. 122490

Persons with disabilities who plan to attend this meeting and who may need auxiliary aids or services are requested to contact Mitchell Normand at 880-3777 three days prior to the meeting.

May 6, 2014

Consider approving a resolution authorizing the award of a three-year contract to Patriot Security, Inc., of Nederland, for Security Guard and Event Staff Services



City Council Agenda Item

TO: City Council

FROM: Kyle Hayes, City Manager

PREPARED BY: Laura Clark, Chief Financial Officer

MEETING DATE: May 6, 2014

REQUESTED ACTION: Council consider authorizing the award of a three-year contract to Patriot Security, Inc., of Nederland, for Security Guard and Event Staff Services.

BACKGROUND

Temporary staffing services are required by the Events Facilities Department for events held at various locations including the Civic Center, Julie Rogers and Jefferson Theaters, and the Event Centre. These temporary staff services include security guards, ushers, ticket takers, and temporary staff supervisors that aid in equipment and property security as well as citizen safety and enjoyment. Each event has a unique set of staffing requirements. Factors including location and type of event being held, the size of the expected crowd and event promoter's specific needs dictate the number of temporary staff positions to be filled as well as the number of hours to be worked at each event. Security guards are also utilized at City Hall, the Health Department and Municipal Court.

Bids were solicited from five (5) staffing and security companies. Two (2) companies responded with bids indicating the hourly rate for typical staff positions. The quoted hourly rates were applied to five (5) model events at various venues, as well as Security Guard positions within City departments. The contract has an option of two (2) one (1) year extensions with annual percentage increases of hourly rates based on the Consumer Price Index for all Urban Consumers (CPI-U) for the Houston-Galveston-Brazoria areas. A bid tabulation of the results is attached.

FUNDING SOURCE

The cost of Security Guard and Event Staff services utilized within the Event Facilities Department are reimbursed by event promoters. All other City Department usage is funded through the General Fund or grant funds as budgeted by individual departments.

RECOMMENDATION

Approval of resolution.

RESOLUTION NO.

WHEREAS, bids were received for a three (3) year contract, with an option of two (2) one (1) year extensions, for security guard and event staff services for the Event Facilities Department; and,

WHEREAS, Patriot Security, Inc., of Nederland, Texas, submitted a bid for an estimated annual amount of \$290,494.74 as shown in Exhibit "A," attached hereto; and,

WHEREAS, City Council is of the opinion that the bid submitted by Patriot Security, Inc., of Nederland, Texas, should be accepted;

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

THAT the bid submitted by Patriot Security, Inc., of Nederland, Texas, for a three (3) year contract, with an option of two (2) one (1) year extensions, for security guard and event staff services for the Event Facilities Department in the amounts shown in Exhibit "A," attached hereto, for an estimated annual amount of \$290,494.74, be accepted by the City of Beaumont; and,

BE IT FURTHER RESOLVED THAT the City Manager be and he is hereby authorized to execute a contract with Patriot Security, Inc., of Nederland, Texas, for the purposes described herein.

PASSED BY THE CITY COUNCIL of the City of Beaumont this the 6th day of May, 2014.

- Mayor Becky Ames -



CITY OF BEAUMONT, BEAUMONT, TEXAS
PURCHASING DIVISION BID TABULATION

Bid Name: Tri-Annual Contract for Guard Services
 Bid Number: TF1114-04
 Bid Opening: Thursday, April 24, 2014

Contact Person: Terry Welch, Buyer III
 Email: twelch@ci.beaumont.tx.us
 Phone: 409-880-3107

Item	DESCRIPTION	Events Per Year	Per Event	Total	Per Event	Total
1	Concert Staff	10	\$1,525.84	\$15,258.40	\$2,190.15	\$21,901.50
2	Julie Rogers Staff	40	\$1,267.00	\$50,680.00	\$2,070.32	\$82,812.80
3	Jefferson Theater	20	\$1,338.00	\$26,760.00	\$2,158.62	\$43,172.40
4	Civic Center	40	\$674.50	\$26,980.00	\$828.21	\$33,128.40
5	Events Centre	50	\$1,058.34	\$52,917.00	\$1,153.49	\$57,674.50
Locations Below Currently Have Daily Guard Service		Total Estimated Annual Hours	Cost Per Hour	Total Annual Cost	Cost Per Hour	Total Annual Cost
6	City Hall	2,470	\$17.68	\$43,669.60	\$17.66	\$43,620.20
7	Municipal Court	1,198	\$19.37	\$23,205.26	\$17.66	\$21,156.68
8	Public Health	2,886	\$17.68	\$51,024.48	\$17.66	\$50,966.76
Total Bid:			\$290,494.74		\$354,433.24	

Vendor	City / State	Fax No.	Patriot Security, Inc Nederland, Tx 77627 409-722-8689	Global Elite Group Garden City, NY 11530 832-201-6715
--------	--------------	---------	--	---

May 6, 2014

Consider approving a resolution approving the City of Beaumont Investment Policy



City Council Agenda Item

TO: City Council

FROM: Kyle Hayes, City Manager

PREPARED BY: Laura Clark, Chief Financial Officer

MEETING DATE: May 6, 2014

REQUESTED ACTION: Council consider a resolution approving the City of Beaumont Investment Policy.

BACKGROUND

State law mandates the City Council to review the Investment Policy and approve modifications, if any, on an annual basis. The City has a contract with Valley View Consulting, LLC, for investment management services, including oversight of the investment policy. Due to the current earnings environment, the investment strategy has included laddering certificates of deposits with staggered maturity dates. The attached policy proposes increasing the maximum allowable maturity to three years from two years. This maturity will only be increased for funds other than debt service and debt service reserve funds and where cash flow requirements allow for it.

In addition the Broker/Dealer list is reorganized with Capital One being removed and Oppenhiemer being added.

The City last made amendments to the investment policy on May 14, 2013.

FUNDING SOURCE

Not Applicable.

RECOMMENDATION

Administration recommends approval.

RESOLUTION NO.

BE IT RESOLVED BY THE CITY COUNCIL

OF THE CITY OF BEAUMONT:

THAT the City of Beaumont Investment Policy, substantially in the form attached hereto as Exhibit "A," has been reviewed and is hereby in all things adopted. All changes to the policy are reflected therein.

PASSED BY THE CITY COUNCIL of the City of Beaumont this the 6th day of May, 2014.

- Mayor Becky Ames -

City of Beaumont



Investment Policy

Adopted by
City Council
May 14, 2013

**City of Beaumont - Investment Policy
Table of Contents**

Field Code Changed

I.	Introduction.....	1
II.	Scope.....	1
III.	Prudence.....	1
IV.	Objectives.....	1
	A. Safety of Principal.....	2
	B. Liquidity.....	2
	C. Public Trust.....	2
	D. Yield.....	2
V.	Delegation of Authority.....	2
VI.	Ethics and Conflicts of Interest.....	3
VII.	Training.....	3
VIII.	Selection of Financial Dealers, Institutions and Investments Pools.....	3
	A. Broker/Dealers.....	4
	B. Public Depositories.....	4
	C. Investment Pools.....	5
IX.	Authorized and Suitable Investments.....	5
X.	Competitive Environment.....	7
XI.	Collateralization.....	7
XII.	Safekeeping and Custody.....	8
XIII.	Diversification.....	9
XIV.	Investment Strategies.....	9

A. Pooled Fund Groups 10
B. Debt Service Funds 11
C. Debt Service Reserve Funds 12
XV. Internal Control 12
XVI. Performance Standards 13
XVII. Reporting..... 13
XVIII. Investment Policy Adoption..... 13

Exhibits

Exhibit A - Approved List Broker/Dealers.....15
Exhibit B - Certification By Business Organization16

**City of Beaumont
Investment Policy**

Field Code Changed

I. Introduction

Field Code Changed

It is the policy of the City of Beaumont to invest public funds in a manner that will ensure that the investments are duly authorized, properly managed, adequately protected and fully collateralized. The City shall seek the optimum investment return with the maximum security while meeting daily cash needs and conforming to the City Charter, the Public Funds Investment Act (Chapter 2256, Government Code as amended) and all other state and local statutes governing the investment of public funds.

II. Scope

This Investment Policy applies to all financial assets of the City as accounted for in the City's Comprehensive Annual Financial Report. These include General, Special Revenue, Debt Service, Capital Projects, Enterprise, Internal Service, and Permanent Funds. All are pooled for investment purposes except debt service and debt service reserve funds, and the natural gas account. Interest is allocated monthly to each fund based on its individual cash balance.

III. Prudence

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. The "prudent person" standard shall be applied in the context of managing the total portfolio rather than a single investment providing that the decision was consistent with this Investment Policy.

Investment Officers acting in accordance with written procedures and the Investment Policy and exercising due diligence shall be relieved of responsibility for an individual investment's credit risk or market price changes provided that deviations from exceptions are reported in a timely fashion and appropriate action is taken to control adverse developments.

IV. Objectives

The primary objectives, in priority order, of the City's investment activities shall be safety of principal, liquidity, public trust, and yield.

A. Safety of principal

The City has as its foremost objective to ensure the safety of principal. Investments of the City shall be undertaken in a manner that seeks to ensure the preservation of principal in the overall portfolio. To attain this objective, diversification is required in order to eliminate an over-concentration of assets in one institution, maturity or type of investment, where appropriate.

B. Liquidity

The City's investment portfolio will remain sufficiently liquid to enable the City to meet all operating requirements that might be reasonably anticipated. The portfolio shall be constructed so that investment maturities are matched with forecasted cash flow requirements and limited by investments with an active secondary market or convertible to cash with little or no penalty.

C. Public Trust

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

D. Yield

The City's investment portfolio shall be designed with the objective of attaining a rate of return that is consistent with risk limitations and cash flow characteristics of the City's investments.

V. **Delegation of Authority**

Authority to manage the City's investment program is derived from the City Charter (article VII, section 1-2). The Charter designates the City Manager as Director of Finance who shall have custody of all public funds, investments, bonds and notes of the City and be responsible for their safekeeping. The City Manager shall establish written procedures for the operation of the investment program consistent with this Investment Policy that include explicit delegation of authority to persons responsible for investment transactions. The City Manager shall be responsible for all transactions undertaken and shall establish a system of controls to regulate the activities of subordinate officials.

The City Manager, the Chief Financial Officer, and the City Controller are approved as Investment Officers of the City. Such approval of specific persons shall remain in effect until rescinded by the City Council or until termination of the person's

employment by the City. Investment Officers shall not deposit, withdraw, transfer or manage the funds of the City in a manner that is not consistent with the “prudent person” standard as described in section III of this Policy.

The City Council maintains the right to hire Investment Advisers to assist City staff in the investment of funds. Investment Advisers shall adhere to the spirit, philosophy and specific terms of this Policy and shall invest within the same objectives. The City Manager shall establish criteria to evaluate Investment Advisers, including:

1. Adherence to the City’s policies and strategies;
2. Investment strategy recommendations within accepted risk constraints;
3. Responsiveness to the City’s request for services and information;
4. Understanding of the inherent fiduciary responsibility of investing public funds; and
5. Similarity in philosophy and strategy with the City’s objectives.

Selected Investment Advisers must be registered under the Investment Advisers Act of 1940 or with the State Securities Board. A contract with an Investment Adviser may not be for a term longer than two years and any contract, renewal or extension must be approved by the City Council.

VI. Ethics and Conflicts of Interest

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

Investment Officers shall disclose any personal business relationships with business organizations approved to conduct investment transactions with the City. They shall also disclose any specific individuals who seek to sell investments to the City and are related to the Investment Officer within the second degree by affinity or consanguinity, as determined under Chapter 573. Disclosure shall be filed with the Texas Ethics Commission and the City Council.

VII. Training

In order to ensure qualified and capable investment management, each Investment Officer shall attend at least ten (10) hours of training relating to investment responsibilities within 12 months after assuming such duties and shall continue to attend an investment training session consisting of at least ten (10) hours of instruction not less than once every two years thereafter. The two-year period shall begin on the first day of the City’s fiscal year and consist of the two consecutive fiscal years after that date.

Training shall be in accordance with the Public Funds Investment Act and include education in investment controls, security risks, strategy risks, market risks, and compliance with State statutes governing the investment of public funds. All training shall be conducted by an independent source that has been approved by City Council. The approved "independent sources" to provide such training are: the Government Treasurers Organization of Texas, the Government Finance Officers Association, the Government Finance Officers Association of Texas, the Texas Municipal League, and the University of North Texas.

VIII. Selection of Broker/ Dealers, Financial Institutions and Investment Pools

Authorized investments shall only be purchased from those institutions selected and approved in accordance with this Policy.

Any business organization which seeks to execute investment transactions with the City shall provide a written instrument certifying that they have received and thoroughly reviewed the City's Investment Policy and have implemented reasonable procedures and controls in an effort to preclude investment transactions that are not authorized by this Policy. The certification, as shown by example in *Exhibit B*, must be signed by a qualified representative of the business organization. Investment Officers shall not buy any securities from a firm or make deposits with a fund, pool or financial institution that has not filed this instrument or a similar statement that is acceptable to the City. ***Each time City Council approves a material revision to the Investment Policy, the certification should be sent to the approved business organizations along with the newly revised Investment Policy.***

A. Broker/Dealers

The City shall select broker/dealers by their ability to provide effective market access and may include "Primary Government Securities Dealers" or regional dealers that qualify under Securities and Exchange Commission (SEC) Rule 15C3-1 (uniform net capital rule). Broker/dealers selected must be members in good standing of the Financial Industry Regulatory Authority ("FINRA"), and be licensed by the State of Texas. Each broker/dealer will be reviewed by the Investment Officers and a recommendation will be made for approval by the City Council.

An "approved broker/dealer list", as shown in *Exhibit A*, shall be maintained by the Investment Officers at all times and approved by the City Council on an annual basis.

The City shall not enter into transactions with a broker/dealer until official City Council approval.

B. Public Depositories/Financial Institutions

The City Council shall select a primary depository as required by law. The primary depository as authorized by the City Council shall meet all requirements of the state law concerning depositories for municipal funds (Chapter 105, Government Code). The primary depository shall be selected through the City's banking services procurement process, including a formal Request for Application (RFA) issued in compliance with applicable State law, and offers the most favorable terms and conditions for the handling of City funds.

The City may also establish agreements with other financial institutions under separate contract for additional services that are necessary in the administration, collection, investment, and transfer of municipal funds. Such deposits will only be made after the financial institution has completed and returned the required written instruments and depository pledge agreements. No deposit shall be made except in a qualified public depository as established by State Law.

C. Investment Pools

Investment Officers may invest funds of the City through an eligible investment pool with specific approval by resolution of City Council and execution of a written agreement. To become eligible, investment pools must first meet all requirements of State Law. They shall provide the City with an offering circular that contains specific and detailed information, *investment transaction confirmations*, and detailed monthly transaction and performance reports. Pools shall have advisory boards composed of qualified members representing participants and non-participants who do not have a business relationship with the pool. Before selection, pools shall be thoroughly reviewed and evaluated by the Investment Officers.

IX. Authorized and Suitable Investments

Authorized investments for municipal governments in the state of Texas are set forth in the Public Funds Investment Act, as amended. Suitable investments for the City are limited to the following:

- ◆ Direct Obligations of the United States or its agencies and instrumentalities that have a maximum stated maturity date of 5 years or less.
- ◆ Financial institution deposits placed with approved financial institutions as described above (section VIII-B) which have a maximum stated maturity date of 5 years or less and are insured by the Federal Deposit Insurance Corporation, or their successors; or secured as described in section XI Collateralization. Additionally, the City may execute certificates of deposit, and other forms of deposit, in any manner authorized by the Public Funds Investment Act.
- ◆ Fully collateralized direct repurchase agreements with a defined termination date of 90 days or less which are secured by cash or obligations of the United States or its agencies and instrumentalities and pledged with a third party other than an agent for the pledgor. Investment Officers may invest in repurchase agreements through an approved primary government securities dealer or an approved depository bank as described above (section VIII-A, B). Each issuer of repurchase agreements shall be required to sign a master repurchase agreement. For flexible repurchase agreements executed with bond proceeds, the defined termination date of 90 days or less may be waived to allow the term of the flexible repurchase agreement to more closely match the expected term of the bond project.
- ◆ No load money market mutual funds registered with and regulated by the Securities and Exchange Commission whose investment objectives include the maintenance of a stable net asset value of \$1 per share. Money market mutual funds must maintain a AAAM, or equivalent rating from at least one nationally recognized rating agency; and provide the City with a prospectus and other information required by the Securities and Exchange Act of 1934 and be specifically approved by City Council or purchased through the City's primary depository as an overnight investment tool. *The City may not own more than 10% of the money market mutual fund's total assets.*
- ◆ Approved investment pools as described above (section VIII-C) which are continuously rated no lower than AAA, AAA-m or an equivalent rating by at least one nationally recognized rating agency .

Investments Not Authorized - The following investments are not authorized under this section:

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

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

Not less than quarterly, the Investment Officers will monitor the credit rating for each held investment that has a Public Fund Investment Act required minimum rating. Any Authorized Investment that requires a minimum rating does not qualify during the period the investment does not have the minimum rating. Prudent measures will be taken to liquidate an investment that is downgraded to less than the required minimum rating. The City is not required to liquidate investments that were authorized investments at the time of purchase.

The purchase of stock is not an authorized investment for municipal governments. However, stock may be accepted as a donation, provided that it is held in accordance with the terms of the donation and sold as soon as it is advantageous to do so. Reinvestment of proceeds must be in accordance with authorized and suitable investments for the City as listed above.

X. Competitive Environment

It is the policy of the City to provide a competitive environment for all individual security purchases and sales, financial institution deposits, and money market mutual fund and local government investment pool selections. The Investment Officers shall develop and maintain procedures for ensuring competition in the investment of the City's funds.

XI. Collateralization

Collateralization will be required on all financial institution deposits and repurchase agreements. With the exception of deposits secured with irrevocable letters of credit at 100% of amount, the collateralization level shall be equal to at least one hundred two percent (102%) of the aggregate market value of the deposit or investment including accrued interest less an amount insured by the Federal Deposit Insurance Corporation. Evidence of the pledged collateral shall be documented by a custodial or a master repurchase agreement with the eligible collateral clearly listed in the agreement. Collateral shall be reviewed at least monthly to assure that the market value of the securities pledged equals or exceeds the related deposit or investment requirement.

Collateral requirements shall be in accordance with both the Public Funds Investment Act and the Public Funds Collateral Act. Collateral underlying repurchase agreements is limited to direct obligations of the United States or its agencies and instrumentalities.

The City shall accept a surety bond or the following investment securities as collateral on deposits and certificates of deposit:

- ◆ Direct obligations of the United States or its agencies and instrumentalities. Direct obligations of this state or its agencies and instrumentalities.
- ◆ Collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States and excluding those mortgage backed securities considered a high-risk mortgage security as described by Section 2257.0025 of the Government Code.
- ◆ Other obligations that are guaranteed or backed by the full faith and credit of this state or the United States or their respective agencies and instrumentalities.
- ◆ Obligations of states, agencies, counties, cities and other political subdivisions rated not less than A or its equivalent.
- ◆ Letters of credit issued by the United States or its agencies and instrumentalities.

Financial institutions serving as depositories will be required to sign a depository agreement with the City. The collateralized deposit portion of the agreement shall define the City's rights to the collateral in case of default, bankruptcy or closing and shall establish a perfected security interest in compliance with Federal and State regulations, including:

1. The agreement must be in writing;
2. The agreement has to be executed by the Depository and the City contemporaneously with the acquisition of the asset;
3. The agreement must be approved by the Board of Directors or designated committee of the Depository and a copy of the meeting minutes must be delivered to the City; and
4. The agreement must be part of the Depository's "Official Record" continuously since its execution.

XII. Safekeeping and Custody

Collateral shall be placed for safekeeping in a custodial account at the Federal Reserve Bank or at an institution not affiliated with a firm pledging collateral acceptable to the City. -All safekeeping arrangements shall clearly define the responsibilities of each party and outline the steps to be taken in order for the City to gain access to the collateral in the event of a "failure". The custodial agreement shall be executed between the City, the firm pledging the collateral and the custodial institution, as applicable. All safekeeping receipts shall be delivered to the City and all collateral

(whether a pledge or substitution) shall be formally accepted and released by Investment Officers.

All security transactions, including collateral for repurchase agreements, entered into by the City shall be conducted on a delivery-versus-payment (DVP) basis. That is, funds shall not be wired or paid until verification has been made that the correct security was received by the safekeeping institution. Financial institution deposits, pool funds, and mutual funds are excluded from this requirement. The investment shall be held in the name of the City or on behalf of the City.

XIII. Diversification

The City will diversify its investments to eliminate an over-concentration of assets in any one security type or institution.

- ◆ Up to ninety percent (90%) par of the portfolio may be invested in direct obligations of the United States (U.S. Treasury Securities).
- ◆ Up to seventy percent (70%) par of the portfolio may be invested in U.S. Agency or Instrumentalities.
- ◆ No more than thirty percent (30%) par of the portfolio may be invested with any one U.S. Agency or Instrumentality.
- ◆ Up to one hundred percent (100%) par of the portfolio may be invested in investment pools for liquidity purposes with no more than eighty percent (80%) par of the portfolio invested in any one pool.
- ◆ No more than fifty percent (50%) par of the portfolio may be invested in money market mutual funds.

XIV. Investment Strategies

The City shall maintain a separate investment strategy for each of the fund types represented in the portfolio.

A. Pooled Fund Groups

Suitability – Any investment eligible in the Investment Policy is suitable for Pooled Fund Groups.

Safety of Principal – All investments shall be of high quality with no perceived default risk. Market price fluctuations will occur. However, managing the weighted average days to maturity of each fund's portfolio to

less than 365 days and restricting the maximum allowable maturity to ~~threetwo~~ years using the final stated maturity dates of each investment will minimize the price volatility of the portfolio.

Marketability – Investments with active and efficient secondary markets are necessary in the event of an unanticipated cash flow requirement. Historical market “spreads” between the bid and offer prices of a particular security-type of less than a quarter of a percentage point will define an efficient secondary market.

Liquidity – Pooled Fund Groups require the greatest short-term liquidity of any of the fund-types. Short-term financial institution deposits, investment pools and money market mutual funds will provide daily liquidity and may be utilized as a competitive yield alternative to fixed maturity investments.

Diversification – Investment maturities should be staggered throughout the budget cycle to provide cash flow based on the anticipated operating needs of the City. Diversifying the appropriate maturity structure up to the ~~two~~three-year maximum will reduce interest rate risk.

Yield – Attaining a competitive market yield for comparable investment-types and portfolio restrictions is the desired objective. The yield of an equally weighted, rolling three-month Treasury Bill portfolio will be the minimum yield objective.

B. Debt Service Funds

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

Safety of Principal – All investments shall be of high quality with no perceived default risk. Market price fluctuations will occur. However, by managing Debt Service Funds to not exceed the debt service payment schedule the market risk of the overall portfolio will be minimized. The stated final maturity date on investments purchased shall not exceed the debt service payment date unless excess funds are available. In that case, maximum maturities shall not exceed two (2) years from the date of purchase.

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

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

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

Yield – Attaining a competitive market yield for comparable investment-types and portfolio restrictions is the desired objective. The yield of an equally weighted, rolling three-month Treasury Bill portfolio shall be the minimum yield objective.

C. **Debt Service Reserve Funds**

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

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

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

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

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

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

D. Natural Gas Account

Suitability – Any investment eligible in the Investment Policy is suitable for the Natural Gas Account.

Safety of Principal – All investments shall be of high quality with no perceived default risk. Market price fluctuations will occur. However, managing the weighted average days to maturity to less than 365 days and restricting the maximum allowable maturity to ~~three~~two years using the final stated maturity dates of each investment will minimize the price volatility of the portfolio.

Marketability – Investments with active and efficient secondary markets are necessary in the event of an unanticipated cash flow requirement. Historical market “spreads” between the bid and offer prices of a particular security-type of less than a quarter of a percentage point will define an efficient secondary market.

Liquidity – Natural Gas Account funds require moderate short-term liquidity. Short-term financial institution deposits, investment pools and money market mutual funds will provide daily liquidity and may be utilized as a competitive yield alternative to fixed maturity investments.

Diversification – Investment maturities should be staggered throughout the anticipated expenditure schedule. Diversifying the appropriate maturity structure up to the ~~two~~three-year maximum will reduce interest rate risk.

Yield – Attaining a competitive market yield for comparable investment-types and portfolio restrictions is the desired objective. The yield of an equally weighted, rolling three-month Treasury Bill portfolio will be the minimum yield objective.

XV. Internal Control

The City, in conjunction with its annual financial audit, shall perform a compliance audit of management controls on investments and adherence to the City's Investment Policy.

XVI. Performance Standards

The City intends to pursue an active versus a passive portfolio management philosophy. That is, investments may be sold or redeemed before they mature if market conditions present an opportunity for the City to benefit from the trade.

The investment portfolio shall be designed with the objective of obtaining a rate of return throughout budgetary and economic cycles that is consistent with risk limitations and cash flow needs of the City. "Weighted average yield to maturity" shall be the portfolio performance measurement standard.

XVII. Reporting

Investment Officers shall submit a monthly report to City Council summarizing the results of the City's investment activity. This report shall include the status of the current portfolio position, performance, trading activity, interest earnings, and collateral.

A quarterly report shall be submitted to the City Manager, as Chief Executive Officer, and the City Council detailing investment transactions and performance for the reporting period in accordance with State law. The report shall be jointly prepared and signed by all Investment Officers. It shall include a summary statement prepared for each fund type and a detailed listing that states the beginning market value, ending market value and fully accrued interest for the period. In addition, Investment Officers shall report on adherence to the City's investment strategies as expressed in this Policy.

In conjunction with the annual audit, the quarterly reports shall be formally reviewed by the City's independent auditor on an annual basis and the results of the review shall be reported to City Council.

XVIII. Investment Policy Adoption

The City's Investment Policy is hereby adopted by resolution of the City Council. The City Council shall review and approve the Policy on an annual basis. This Policy serves to satisfy the statutory requirement to define and adopt a formal investment policy.

EXHIBITS

Exhibit A
CITY OF BEAUMONT
Approved List
Broker/Dealers

Business/Organizations

Broker/Dealers:

Coastal Securities

Duncan-Williams, Inc.

JP Morgan Chase Securities

Mutual Securities, Inc.

Oppenheimer & Co.

Rice Financial Products Company

Raymond James

~~Capital One Financial Corporation~~

Wells Fargo Brokerage Services, LLC

Certificate of Deposit Purchase Program:

PEM Asset Management LLC

Formatted: Font: Bold

Formatted: Left, Indent: Left:

Formatted: Font: Bold

Exhibit B

**City of Beaumont, Texas
Certification By Business Organization**

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

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

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

(Firm)

Qualified Representative of the Business Organization

(Signature)

(Name)

(Title)

(Date)