

**NOTICE OF A REGULAR MEETING
OF THE GOVERNING BODY
OF THE CITY OF MIDLOTHIAN, TEXAS
Tuesday, September 27, 2011**

Pursuant to the provisions of Chapter 551 VTCA Government Code, notice is hereby given of a Regular Meeting of the Midlothian City Council, to be held in the Council Chambers of City Hall, 104 West Avenue E, Midlothian, Texas

REGULAR AGENDA – 6:00 P.M.

Call to Order, Invocation and Pledge of Allegiance

2011-373 Announcements/Presentations

- a. Community Affairs calendar
- b. Recognition of ten-year-old Sammie Rodarte for alerting her family to a house fire
- c. Announcement of new ISO Public Protection Class rating
- d. Administrative announcements related to personnel

CONSENT AGENDA

All matters listed under Consent Agenda are considered to be routine by the City Council and will be enacted by one motion without separate discussion. If discussion is desired, that item will be removed from the Consent Agenda and will be considered separately.

2011-374 Consider and act upon minutes from City Council meeting of September 13, 2011

2011-375 Consider and take action upon a resolution to approve the City of Midlothian, the Corporation for the Economic Development of Midlothian (CEDM), the Midlothian Community Development Corporation (MCDC), and the Midlothian Development Authority's (MDA) Investment Policies

2011-376 Consider and act upon a one-year contract with Ellis County Emergency Services District No. 2 (ESD) to provide fire and EMS response

2011-377 Consider and act upon a Resolution authorizing the Midlothian Chamber of Commerce Fall Festival/Christelle Moser Memorial 5K Run/Walk, an event hosted by the Midlothian Chamber of Commerce and scheduled for Saturday, October 15, 2011, in accordance with a Special Event Permit as established by the City of Midlothian Zoning Ordinance 89-13 as amended, Section 4.4 (Case No. M13-2010-63)

2011-378 Consider and act upon approving an auction to sell miscellaneous items that are outdated, broken or beyond economical repair

2011-379 Consider and act upon approval of an Administrative Services Contract between the City of Midlothian and the Corporation for the Economic Development of Midlothian

2011-380 Consider and act upon approval of an Administrative Services Contract between the City of Midlothian and the Midlothian Community Development Corporation

WORKSHOP

2011-381 Receive a Zoning Ordinance update and direct staff accordingly

PUBLIC HEARING

- 2011-382 Conduct a Public Hearing and act upon an Ordinance regarding amendments to the City of Midlothian Comprehensive Plan, Ordinance 2007-15, as amended, specifically to amend by adding and revising certain road segments on the Thoroughfare Plan Map, including but not limited to: (1) the capacity revision of Plainview Road; (2) the realignment of FM 1387 future extension; or any other revisions or deletions; providing a severability clause; and providing an effective date (Case No. CP03-2010-60)
- 2011-383 Conduct a Public Hearing to consider and act upon a request to rezone property at 3261 FM 663, being out of the M. Brenan Survey, Abstract Number 43 from its current Agricultural (A) District to a Commercial (C) District. Property contains ±1.0869 acres and is located ±531 feet south of Belmont Street and west of FM 663, in the City of Midlothian, Texas (Case No. OZ07-2010-64)
- 2011-384 Conduct a Public Hearing to consider and act upon a request for a Specific Use Permit (SUP), to allow a convenience store on property zoned Commercial (C) District. Property is located at 3261 FM 663, being out of the M. Brenan Survey, Abstract 43, containing ±1.0869 acres and is located ±531 feet south of Belmont Street and west of FM 663, in the City of Midlothian, Texas (Case No. SUP01-2010-65)
- 2011-385 Conduct a Public Hearing to consider and act upon a request to rezone property at 114 South 6th Street and being in Original Town, Block 22, Lots 11 and 12 from its current Commercial (C) District to a proposed Single Family Four (SF-4) District (single family residential use). Property is located ±187 feet south of Main Street and east of South 6th Street, in the City of Midlothian, Texas. (Case No. OZ08-2011-67)

REGULAR AGENDA

- 2011-386 Citizens to be heard
- 2011-387 Consider and act upon approval of a proposal to replace the fence and lighting at Kimmel Park in an amount not to exceed \$57,000
- 2011-388 Consider and act upon authorizing Amendment No. Four to the agreement for Construction Manager at Risk Services for Water Treatment Plant No. 2 with Garney Companies, Inc. to award a portion of the Bid Set One packages in a total amount not to exceed \$1,832,384
- 2011-389 Consider and act upon authorizing the City Manager to execute a contract with Siemens Industry, Inc. for supplying the necessary equipment, chemicals, preventative maintenance and monitoring services for the generation of chlorine dioxide used in the treatment process at the Tayman Water Treatment Plant.
- 2011-390 Consider and act upon an ordinance amending the Midlothian Conference Center's fiscal year 2010-2011 budget appropriations in an amount not to exceed \$125,086 to be paid from excess revenue collections to cover increased operating expenses resulting from a significant increase in event activity, in accordance with Chapter 102, Local Government Code; appropriating various amounts thereof; providing for a cumulative effect; providing for a severability clause; and establishing an effective date
- 2011-391 Consider and act upon a resolution approving adoption of GASB 54 standards and application
- 2011-392 Consider and act upon a Resolution to nominate five candidates to the 2012-2013 Board of Directors for the Ellis Central Appraisal District

EXECUTIVE SESSION

Executive Session items are discussed in closed session but any and all action is taken in regular open session. Executive Session is not open to the public because there is a compelling need of confidentiality (e.g., certain real estate, litigation, or personnel matters).

1. Section 551.071 Legal: Consultation with attorney regarding City of Midlothian v. Randall Denton, MidTexas International Center, Inc., Texas Properties Trust and Trade Zone Operations, Inc.
2. Section 551.071 Legal: Consultation with attorney regarding Cause No. 3-07-CV-1351-N, Texas Central Business Lines Corporation v. City of Midlothian
3. Section 551.071 Legal: Consultation with attorney regarding Cause No. 3:10-cv-01521-K, Paul Nichols v. City of Midlothian
4. Section 551.087 Deliberation regarding economic development negotiations
5. Section 551.071 Legal: Consultation with attorney regarding Supreme Court of Texas Cause No. 10-0150, ECOM Real Estate Management, Inc. v. City of Midlothian, Texas.
6. Section 551.071 Legal: Consultation with attorney regarding Cause No. 74,681; City of Midlothian v. Corgan Associates, et al
7. Section 551.072 Real Estate: Deliberation regarding real property - to deliberate the purchase, exchange, lease or value of real property
8. Section 551.074 Personnel Matters: (a)(1) to deliberate the appointment, employment or duties of the Executive Director of the Corporation for the Economic Development of Midlothian

As authorized by Section 551.071(2) of the Texas Government Code, this meeting may be convened into closed Executive Session for the purpose of seeking confidential legal advice from the City Attorney on any agenda item listed herein.

REGULAR AGENDA

- 2011-394 Action resulting from Executive Session, Item #1: Randall Denton, et al
- 2011-395 Action resulting from Executive Session, Item #2: Texas Central Business Lines
- 2011-396 Action resulting from Executive Session, Item #3: Paul Nichols
- 2011-397 Action resulting from Executive Session, Item #4: Economic Development
- 2011-398 Action resulting from Executive Session, Item #5: ECOM
- 2011-400 Action resulting from Executive Session, Item #6: Corgan
- 2011-401 Action resulting from Executive Session, Item #7: Real Estate
- 2011-402 Action resulting from Executive Session, Item #8: Personnel
- 2011-403 Action resulting from Executive Session related to Section 551.071(2)
- 2011-404 Adjourn

I, Lou Jameson, City Secretary of the City of Midlothian, Texas, do hereby certify that this Notice of Meeting was posted on the front window of City Hall, 104 West Avenue E, Midlothian, Texas, at a place readily accessible to the general public at all times, no later than the 23rd day of September, 2011 at or before 5:00 p.m.



City Secretary

**This facility is wheelchair accessible and accessible parking spaces are available.
Requests for reasonable accommodations must be made 48 hours prior to this meeting.
Please contact the City Secretary at 775-3481 for further information.**



AGENDA ITEM 2011-374

AGENDA CAPTION:

Consider and act upon minutes from City Council meeting of September 13, 2011

ITEM SUMMARY/BACKGROUND:

Minutes from the September 13 Council meeting are submitted for approval or correction

SPECIAL CONSIDERATION:

N/A

FINANCIAL IMPACT/FUNDING SOURCE:

N/A

ATTACHMENTS:

1. Minutes from Regular Council meeting of September 13, 2011

ALTERNATIVES:


Approve or correct

RECOMMENDATION:

Approve as submitted

SUBMITTED, REVIEWED AND TO BE PRESENTED BY:

Lou Jameson, City Secretary, for the September 27, 2011 City Council Meeting



Lou Jameson

City Secretary

APPROVED BY:

Don Hastings

Don Hastings, City Manager

**MINUTES
REGULAR COUNCIL MEETING
SEPTEMBER 13, 2011**

The City Council of the City of Midlothian convened in a Regular Meeting in the Council Chambers of City Hall, 104 West Avenue E, with the meeting open to the public and notice of said meeting posted as prescribed by V.T.C.A., Government Code, Chapter 551, with the following members present to-wit:

Boyce L. Whatley	§	Mayor
Wayne Sibley	§	Councilmember Place 1
Bill Houston	§	Councilmember Place 2
Jason Kyle	§	Councilmember Place 3
Joe Frizzell	§	Mayor Pro Tem Place 4
Hank Miller	§	Councilmember Place 5
Steve Massey	§	Councilmember Place 6

REGULAR AGENDA – 6:00 P.M.

Mayor Whatley called the meeting to order at 6:00 p.m. with notice of the meeting duly posted and the full Council. Councilmember Sibley gave the invocation and led in the pledges.

2011-348 ANNOUNCEMENTS/PRESENTATIONS

a. Community Affairs calendar

90-day Burn Ban enacted by Commissioners Court; September 24 – Downtown Farmers Market; Participants sought for Citizens Academy; October 15 – annual Fall Festival hosted by the Chamber of Commerce; Downtown Business Association hosting annual Scarecrow Festival

b. Administrative announcements related to personnel

None were received.

CONSENT AGENDA

2011-349 CONSIDER AND ACT UPON MINUTES FROM CITY COUNCIL MEETING OF AUGUST 23, 2011

2011-350 CONSIDER AND ACT UPON AUTHORIZING THE MAYOR TO EXECUTE A CERTIFICATION LETTER TO THE OFFICE OF THE TEXAS ATTORNEY GENERAL STATING THAT THE CITY OF MIDLOTHIAN IMPACT FEE PROGRAM IS IN COMPLIANCE WITH TEXAS LOCAL GOVERNMENT CODE, CHAPTER 395

Councilmember Sibley moved to approve the Consent Agenda as presented. Motion was seconded by Councilmember Kyle and carried unanimously (7-0).

PUBLIC HEARING

2011-351 CONDUCT A PUBLIC HEARING AND ACT UPON AN ORDINANCE FOR THE PROPOSED FY 2011-2012 ANNUAL OPERATING BUDGET/SERVICE AND ASSESSMENT PLAN FOR THE CITY OF MIDLOTHIAN PUBLIC IMPROVEMENT DISTRICT NUMBER ONE (MIDTOWNE PID), AS ESTABLISHED BY ORDINANCE 2008-28, AS AUTHORIZED BY CHAPTER 372 OF THE TEXAS LOCAL GOVERNMENT CODE (CASE NO. M13-2010-63)

Mayor Whatley opened the Public Hearing and Mr. Garfield presented the budget that was within standards adopted by Council.

Wayne Nance, 326 Skye Lane, expressed concern about common areas not being mowed regularly, debris in common areas not being cleaned up, and parking / safety issues. Mr. Nance recommended a resident be selected from the subdivision to serve on the MidTowne PID voting board.

David Combs, 413 George Hopper, expressed dissatisfaction with garbage trucks being unable to navigate the narrow alleyways and residents being expected to deliver trash to alternate locations. Rick Keeler, 134 N. Main, Duncanville, expressed the developers desire to address all complaints.

Mayor pro tem Frizzell moved to approve Item 2011-351 as presented. Motion was seconded by Councilmember Sibley and carried unanimously (7-0).

2011-352 CONDUCT A PUBLIC HEARING REGARDING THE PROPOSED FY 2011-2012 ANNUAL OPERATING BUDGET FOR THE CITY OF MIDLOTHIAN AND ACT UPON AN ORDINANCE ADOPTING THE FY 2011-2012 ANNUAL OPERATING BUDGET AND PLAN FOR MUNICIPAL SERVICES FOR THE ENSUING FISCAL YEAR BEGINNING OCTOBER 1, 2011 AND ENDING SEPTEMBER 30, 2012, IN ACCORDANCE WITH LOCAL GOVERNMENT CODE §102; APPROPRIATING MONEY TO A SINKING FUND TO PAY INTEREST AND PRINCIPAL ON THE CITY'S INDEBTEDNESS; APPROPRIATING THE VARIOUS AMOUNTS THEREOF; REPEALING CONFLICTING ORDINANCES AND RESOLUTIONS; INCLUDING A SEVERABILITY CLAUSE AND ESTABLISHING AN EFFECTIVE DATE

Mayor Whatley opened the Public Hearing and Mr. Dick advised that no changes had been made to the proposed budget since the August 23rd Public Hearing. With no public input received. Mayor Whatley closed the Public Hearing. Councilmember Houston moved to approve Item 2011-352 as presented. Motion was seconded by Councilmember Miller and carried unanimously (7-0).

REGULAR AGENDA

2011-353 CITIZENS TO BE HEARD

None were received.

2011-354 CONSIDER AND ACT UPON AN ORDINANCE, BY RECORD VOTE OF THE CITY COUNCIL OF THE CITY OF MIDLOTHIAN, TEXAS, LEVYING AND ASSESSING MUNICIPAL AD VALOREM TAXES FOR THE CITY OF MIDLOTHIAN, FOR THE FISCAL YEAR 2011-2012, AT \$0.272313 FOR MAINTENANCE AND OPERATIONS AND \$0.377687 FOR INTEREST AND SINKING FUNDS, FOR A TOTAL OF SIXTY-FIVE CENTS (\$0.65), SPECIFICALLY FOR THE PURPOSE FOR WHICH SAID TAXES MAY BE EXPENDED AND DIRECTING THE ASSESSMENT AND COLLECTION THEREOF; REPEALING CONFLICTING ORDINANCES AND RESOLUTIONS; INCLUDING A SEVERABILITY CLAUSE AND ESTABLISHING AN EFFECTIVE DATE

Councilmember Miller moved to approve Item 2011-354 as presented. Motion was seconded by Councilmember Houston and carried by a unanimous roll call vote as follows: Whatley – aye; Frizzell – aye; Sibley – aye; Houston – aye; Kyle – aye; Miller – aye; Massey – aye (7-0).

2011-355 CONSIDER AND ACT UPON AN ORDINANCE OF THE CITY OF MIDLOTHIAN, TEXAS, PROVIDING FOR A SEVENTY THOUSAND DOLLAR (\$70,000) RESIDENTIAL HOMESTEAD EXEMPTION FOR PERSONS SIXTY-FIVE YEARS OF AGE OR OLDER FROM ALL AD VALOREM TAXES HEREAFTER LEVIED AND PROVIDING AN EXEMPTION FOR DISABLED VETERANS BASED UPON THE DEGREE OF THEIR DISABILITY; REPEALING CONFLICTING ORDINANCES AND RESOLUTIONS; INCLUDING A SEVERABILITY CLAUSE AND ESTABLISHING AN EFFECTIVE DATE

Councilmember Kyle moved to approve Item 2011-355 as presented. Motion was seconded by Councilmember Miller and carried unanimously (7-0).

2011-356 CONSIDER AND ACT UPON AUTHORIZING AMENDMENT NO. TWO TO THE AGREEMENT FOR CONSTRUCTION MANAGER AT RISK SERVICES FOR WATER TREATMENT PLANT NO. 2 WITH GARNEY COMPANIES, INC. TO PROCURE EQUIPMENT FROM SIEMENS WATER TECHNOLOGIES CORPORATION FOR A MEMBRANE SYSTEM IN A TOTAL AMOUNT NOT TO EXCEED \$2,337,120

Mike Adams requested approval to authorize Siemens to begin manufacturing the membrane system. Mayor pro tem Frizzell moved to approve Item 2011-356 as presented. Motion was seconded by Councilmember Sibley and carried unanimously (7-0).

2011-357 CONSIDER AND ACT UPON AN AMENDMENT TO THE RETAIL WATER SERVICE AREA AGREEMENT WITH MOUNTAIN PEAK SPECIAL UTILITY DISTRICT FOR THE TRANSFER OF CERTAIN CERTIFICATE OF CONVENIENCE AND NECESSITY (CCN) AREAS

Mike Adams requested approval of the agreed-upon service areas approved by TCEQ and advised that staff would continue to work with Mt. Peak to resolve disputed areas of service.

Councilmember Miller moved to approve Item 2011-357 utilizing the TCEQ map reflecting agreed-upon service areas and contingent upon approval by the Mt. Peak Board of Directors. Motion was seconded by Councilmember Houston and carried unanimously (7-0).

2011-358 CONSIDER AND ACT UPON APPROVAL OF A PROPOSAL TO REPLACE THE FENCE AND LIGHTING AT KIMMEL PARK IN AN AMOUNT NOT TO EXCEED \$57,000

Item 2011-358 was postponed to the September 27th meeting at the request of staff.

2011-359 CONSIDER AND ACT UPON AWARDED A MONTH-TO-MONTH RENTAL AGREEMENT TO DOCUMENTATION BUSINESS TECHNOLOGY INTEGRATION, FOR THE MONTHLY RENTAL OF FIFTEEN MULTI-PURPOSE COPIER / SCANNER/FAX AND PRINTERS UTILIZING THE U.S. COMMUNITIES COOPERATIVE PURCHASING PROGRAM, IN THE AMOUNT OF \$4,869 MONTHLY

Chris Dick presented the proposed agreement to replace existing machines with new, more technologically advanced equipment in exchange for a five-year contract extension. Improvements to the contract were also expected to save approximately \$6,500 annually.

Councilmember Sibley moved to approve Item 2011-359 as presented. Motion was seconded by Councilmember Kyle and carried by a vote of 6-1 with Councilmember Miller opposed.

2011-360 CONSIDER AND ACT UPON A REQUEST TO WRITE OFF AGED ACCOUNTS RECEIVABLE EMS AMBULANCE BILLINGS OLDER THAN NINE MONTHS IN ACCORDANCE WITH ESTABLISHED POLICY

Chris Dick presented the request to write-off ambulance billings older than nine months due to non-collections and adjustments of private insurance provider claims.

Mayor Whatley moved to approve Item 2011-360 as presented. Motion was seconded by Councilmember Houston and carried unanimously (7-0). Staff was directed to update financial policies in order to streamline procedures.

Council moved to Executive Session at 7:20 p.m. for the purpose of discussing Item 10, and with the following present: Mayor Whatley, Mayor pro tem Frizzell, Councilmember Sibley, Houston, Kyle, Miller, and Massey; City Manager, City Attorney, and CEDM representative Danny Rodgers

EXECUTIVE SESSION

1. **SECTION 551.072 REAL ESTATE: DELIBERATE AND CONSIDER THE ACQUISITION OF REAL PROPERTY NECESSARY FOR ROADWAY, UTILITY AND PARKS IMPROVEMENT PROJECTS**
2. **SECTION 551.071 LEGAL: CONSULTATION WITH ATTORNEY REGARDING CITY OF MIDLOTHIAN V. RANDALL DENTON, MIDTEXAS INTERNATIONAL CENTER, INC., TEXAS PROPERTIES TRUST AND TRADE ZONE OPERATIONS, INC.**
3. **SECTION 551.071 LEGAL: CONSULTATION WITH ATTORNEY REGARDING CAUSE NO. 3-07-CV-1351-N, TEXAS CENTRAL BUSINESS LINES CORPORATION V. CITY OF MIDLOTHIAN**
4. **SECTION 551.071 LEGAL: CONSULTATION WITH ATTORNEY REGARDING CAUSE NO. 3:10-CV-01521-K, PAUL NICHOLS V. CITY OF MIDLOTHIAN**
5. **SECTION 551.087 DELIBERATION REGARDING ECONOMIC DEVELOPMENT NEGOTIATIONS**
6. **SECTION 551.071 LEGAL: CONSULTATION WITH ATTORNEY REGARDING SUPREME COURT OF TEXAS CAUSE NO. 10-0150, ECOM REAL ESTATE MANAGEMENT, INC. V. CITY OF MIDLOTHIAN, TEXAS.**
7. **SECTION 551.071 LEGAL: CONSULTATION WITH ATTORNEY BASED ON AN ETHICAL DUTY TO ADVISE REGARDING CAUSE NO. 66,519; HOLNAM TEXAS LIMITED PARTNERSHIP VS. ELLIS CENTRAL APPRAISAL DISTRICT, ET AL**
8. **SECTION 551.071 LEGAL: CONSULTATION WITH ATTORNEY REGARDING CAUSE NO. 74,681; CITY OF MIDLOTHIAN V. CORGAN ASSOCIATES, ET AL**
9. **SECTION 551.072 REAL ESTATE: DELIBERATION REGARDING REAL PROPERTY - TO DELIBERATE THE PURCHASE, EXCHANGE, LEASE OR VALUE OF REAL PROPERTY**
10. **SECTION 551.074 PERSONNEL MATTERS: (A)(1) TO DELIBERATE THE APPOINTMENT, EMPLOYMENT OR DUTIES OF THE EXECUTIVE DIRECTOR OF THE CORPORATION FOR THE ECONOMIC DEVELOPMENT OF MIDLOTHIAN**

As authorized by Section 551.071(2) of the Texas Government Code, this meeting may be convened into closed Executive Session for the purpose of seeking confidential legal advice from the City Attorney on any agenda item listed herein.

Council reconvened in Regular Session at 8:02 p.m. with no action taken in Executive Session.

REGULAR AGENDA

2011-361 ACTION RESULTING FROM EXECUTIVE SESSION, ITEM #1: REAL ESTATE/ROADWAY, UTILITY AND PARKS

The Item was not discussed nor was action taken.

2011-362 ACTION RESULTING FROM EXECUTIVE SESSION, ITEM #2: RANDALL DENTON, ET AL

The Item was not discussed nor was action taken.

2011-363 ACTION RESULTING FROM EXECUTIVE SESSION, ITEM #3: TEXAS CENTRAL BUSINESS LINES

The Item was not discussed nor was action taken.

2011-364 ACTION RESULTING FROM EXECUTIVE SESSION, ITEM #4: PAUL NICHOLS

The Item was not discussed nor was action taken.

2011-365 ACTION RESULTING FROM EXECUTIVE SESSION, ITEM #5: ECONOMIC DEVELOPMENT

The Item was not discussed nor was action taken.

2011-366 ACTION RESULTING FROM EXECUTIVE SESSION, ITEM #6: ECOM

The Item was not discussed nor was action taken.

2011-367 ACTION RESULTING FROM EXECUTIVE SESSION, ITEM #7: HOLNAM

The Item was not discussed nor was action taken.

2011-368 ACTION RESULTING FROM EXECUTIVE SESSION, ITEM #8: CORGAN

The Item was not discussed nor was action taken.

2011-369 ACTION RESULTING FROM EXECUTIVE SESSION, ITEM #9: REAL ESTATE

The Item was not discussed nor was action taken.

2011-370 ACTION RESULTING FROM EXECUTIVE SESSION, ITEM #10: PERSONNEL

No action was taken following Executive Session.

2011-371 ACTION RESULTING FROM EXECUTIVE SESSION RELATED TO SECTION 551.071(2)

The Item was not discussed nor was action taken.

2011-372 ADJOURN

With there being no further business to discuss, Mayor Whatley adjourned the meeting at 8:02 p.m.

ATTEST:

Boyce L. Whatley, Mayor

Lou Jameson, City Secretary



AGENDA ITEM 2011-375

AGENDA CAPTION:

Consider and take action upon a resolution to approve the City of Midlothian, the Corporation for the Economic Development of Midlothian (CEDM), the Midlothian Community Development Corporation (MCDC), and the Midlothian Development Authority's (MDA) Investment Policies

ITEM SUMMARY/BACKGROUND:

The Public Funds Investment Act, Texas Government Code Chapter 2256, requires a governing body to review and adopt an investment policy no 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.

During the last legislative session the State Legislature made amendments to the PFIA which require changes and subsequent adoption of a revised Investment Policy. The primary change was a requirement that language be added to the policy regarding the monitoring of credit ratings for all authorized investments in the portfolio and procedures for reporting a loss in the rating and possible liquidation options. Other changes included the ability to invest in brokered certificates of deposit, which includes language for monitoring FDIC coverage on those investments. It also allows for investment in State and local government debt rated "A" or better by a nationally recognized rating agency. The ability to invest in brokered CD's and State and local government debt are optional and not required under the new legislation. However, they do provide additional alternatives to the City of Midlothian. A red line version of the policy has been included that details the changes.

SPECIAL CONSIDERATION:

N/A

FINANCIAL IMPACT/FUNDING SOURCE:

Funds shall be managed and invested with four primary objectives: Safety, Liquidity, Diversification and Yield.

ATTACHMENTS:

1. Resolution
2. Red line Investment Policy w/ attached Broker/Dealer List
3. Final version of Investment Policy w/ attached Broker/Dealer List
4. Certification by Business Organization
5. Glossary
6. CEDM approved Investment Policy
7. MCDC approved Investment Policy
8. MDA approved Investment Policy

ALTERNATIVES:

Approve, Deny, Amend or Table

RECOMMENDATION:

Approve the Investment Policies and Strategies as presented.

SUBMITTED BY and TO BE PRESENTED BY:

Chris Dick, CPA Finance Director, for the September 27^h, 2011 City Council meeting



Chris Dick, Finance Director

REVIEWED BY:



Sue Jameson
City Secretary

APPROVED BY:



Don Hastings, City Manager

RESOLUTION # _____

A RESOLUTION ADOPTING INVESTMENT POLICY AND STRATEGY

WHEREAS, the Public Funds Investment Act (Texas Government Code, Chapter 2256) governs local government investment; and

WHEREAS, the Public Funds Investment Act (Section 2256.005a) requires the City of Midlothian, the Corporation for the Economic Development of Midlothian (CEDM), the Midlothian Community Development Corporation (MCDC), and the Midlothian Development Authority (MDA) to adopt an investment policy by rule, order, ordinance or resolution in accordance with the Act governing the investment of funds under its control; and

WHEREAS, the Public Funds Investment Act (Section 2256.005e), requires the governing body to review and adopt that investment policy and investment strategies by rule, order, ordinance or resolution not less than annually, recording any changes made thereto; and

WHEREAS, the City has chosen to maintain separate but similar policies for its economic development authorities; and

WHEREAS, the City Council has chosen to make certain major changes to the Policies of all the authorities as summarized here and indicated on the attached Exhibit A;

- clarified that the maximum maturity for City funds is three years with allowance for a maximum maturity of five years for reserve funds,
- defined traditional certificates of deposit from Texas banks as “depository certificates of deposit” to differentiate it from a newly authorized investment type,
- added a new authorized investment as FDIC insured, brokered certificates of deposit securities issued by banks outside Texas with a maximum maturity of one year and representing a maximum 20% of the portfolio,
- added a new authorized investment as state and local government debt from any US state rated A or better by a nationally recognized rating agency with a maximum maturity of three years and representing no more than 20% of the portfolio,
- modified money market mutual funds to require a AAA-rating,
- added a procedure to monitor and act on any security which incurs a loss of policy required credit rating, and
- added a procedure to monitor and act on any merger or acquisition of a bank brokered security which places City funds above the FDIC insurance

NOW, THEREFORE, BE IT RESOLVED

That the City, CEDM, MCDC and the MDA has complied with the requirements of the Public Funds Investment Act and the Investment Policies and Strategies, as amended, attached hereto as Exhibit A, are hereby adopted as the Investment Policies of the City and its economic development entities. Minor changes to the Policy are marked on Exhibit A.

PASSED, ADOPTED AND APPROVED by the City Council of the City of Midlothian this the 27th day of September 2011.

APPROVED:

Boyce L. Whatley, Mayor

ATTEST:

Lou Jameson, City Secretary

CITY OF MIDLOTHIAN INVESTMENT POLICY AND STRATEGY

Adopted _____, 2011

INTRODUCTION

This Policy sets forth the investment and strategy guidelines for the investment of funds for the City of Midlothian, Texas (the "City") in order to achieve the City's goals of safety, liquidity, diversification and yield, and preserve the public trust. This policy serves to satisfy the state statutory requirement to define and adopt a formal investment policy and strategy per the Public Funds Investment Act, Texas Government Code, Chapter 2256, (the "Act"). It sets forth policy and procedures to enhance opportunities for prudent investment.

I. POLICY STATEMENT

It is the policy of the City that the administration of its funds and the investment of those funds shall be handled as its highest public trust. Investments shall be made in a manner which provides the maximum security of principal through risk management and diversification while meeting the daily cash flow needs of the City and conforming to all applicable state and City statutes.

The receipt of a market rate of return will be secondary to the requirements for safety and liquidity. The earnings from investment will be used in a manner that best serves the interests of the City.

II. SCOPE

This Policy applies to all the financial assets of the City of Midlothian. These funds are accounted for in the City's Comprehensive Annual Financial Report (CAFR) and include: the General Fund, all operating funds, all special revenue funds, all debt service funds, all capital project funds, and all proprietary funds. All other funds which may be created are included under this Policy unless specifically excluded by the City Council.

This policy does not apply to funds managed under separate pension investment programs such as the Firefighter Relief and Retirement Funds and the Texas Municipal Retirement System.

III. PRUDENCE

The standard of prudence to be used in the investment process shall be the "prudent person" standard and shall be applied in the context of managing the overall portfolio, rather than a consideration as to the prudence of a single investment.

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.

Investment Officers acting in accordance with written procedures and this Investment Policy and exercising due diligence shall be relieved of personal liability in the management of the portfolio provided that deviations from expectations for a specific security's credit risk or market price change, or a portfolio shift are reported in a timely manner and that appropriate action is taken to control adverse market effects. The City recognizes that in a diversified portfolio, occasional measured losses are inevitable and must be considered within the context of the entire portfolio.

IV. OBJECTIVES

All funds shall be managed and invested with four primary objectives, in order of their priority: safety, liquidity, diversification, and yield.

1. Safety: The preservation and safety of principal is the City's foremost objective. Investments of the City shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio whether from security defaults or erosion of market value.

2. Liquidity: The portfolio shall remain sufficiently liquid to enable the City to meet all reasonably anticipated expenditures. Funds may be pooled for investment purposes. The portfolio will recognize and reflect the unique needs of all the funds to assure that anticipated cash flows are matched with adequate investment liquidity.

3. Diversification: Diversification of the portfolio will include diversification by maturity and market sector and will include the use of a number of institutions and brokers for diversification and market coverage. The City will diversify its investment in an effort to avoid incurring unreasonable and avoidable risks regarding specific security types or individual financial institutions.

4. Yield: The investment portfolio shall be designed with the objective of attaining a reasonable market yield throughout economic cycles, taking into account the investment risk constraints and liquidity needs of the City. The portfolio(s) risk shall be measured periodically against a benchmark based on cash flow analysis and the authorized portfolio structure. The overall portfolio shall have a maximum weighted average maturity of one year. To measure the overall risk of the portfolio a benchmark of the one year Treasury Bill or CMT (Constant Maturity Treasury)¹ shall be used and reported.

Effective cash management is recognized as essential to good fiscal management. Cash management is defined as the process of managing monies in order to ensure maximum cash availability. The City shall maintain a cash management program which includes collection of accounts receivable, prudent investment of its available cash, disbursement of payments in accordance with invoice terms and the management of banking services.

V. INVESTMENT STRATEGY

The portfolio will be designed on projected cash flows to provide for all anticipated liquidity needs of the City. Investments are to be chosen in a manner which promotes portfolio diversity by market sector, credit and maturity. The choice of high-credit quality government investments and high-grade, money market instruments are designed to assure the marketability of those investments should liquidity needs arise. The investment process shall be designed to produce a reasonable return commensurate with low-risk securities and designed to meet cash flow demands.

The City may commingle funds for investment purposes while addressing the unique characteristics of the funds represented in the portfolios. **The maximum maturity of any investment of City funds is**

¹ When a one-year Treasury Bill is not being issued by the Treasury, the CMT is used to measure a comparable yield by combining treasury securities in the one year area. The information is easily accessible.

three years, except investments made for reserve funds which may be invested for five years to stated maturity.

- a. **Operating funds and commingled pools containing operating funds** have as their primary objective to assure that anticipated cash flow needs are met with adequate investment liquidity. The secondary objective is to obtain a reasonable yield with minimal volatility. This may be accomplished by purchasing high credit quality securities matched to known liabilities. A maximum dollar weighted average maturity of one year will be established based on the stated final maturity date of each security.
- b. **Debt service funds** shall be invested to ensure adequate funding for each consecutive debt service payment. Funds shall be invested in such a manner so as not to exceed an "unfunded" debt service date with the maturity of any investment. (An unfunded debt service date is defined as an interest or principal payment date that does not have cash or investment maturities targeted to satisfy said payment.) The maximum dollar weighted average maturity of such funds shall be one year.
- c. **Capital project or special purpose funds** shall have as their primary objective to assure that anticipated cash flows are matched with adequate investment liquidity. These portfolios should include at least 10% in liquid securities to allow for flexibility and unanticipated project outlays. The stated final maturity dates or securities held should not exceed the estimated project completion date.
- d. **Reserve Funds** shall have as their primary objective generation of incremental income through safe medium term investments. Funds may be invested to a stated maturity of five (5) years.

VI. LEGAL LIMITATIONS AND AUTHORITIES

Direct specific investment parameters for the investment of public funds in Texas are found in the Public Funds Investment Act, Chapter 2256, Texas Government Code (the "Act") attached as an exhibit to this Policy. The Public Funds Collateral Act, Chapter 2257, Texas Government Code specifies collateral requirements for all public funds deposits further defined by this Policy. All investments will be made in accordance with these statutes.

VII. DELEGATION OF INVESTMENT AUTHORITY

Investment Committee

An Investment Committee, consisting of the City Manager, Director of Finance and any other designated Investment Officer(s) shall meet at least quarterly to determine operational strategies and to monitor investment results. The Investment Committee shall include in its deliberation such topics as: economic outlook, portfolio diversification, maturity structure, risk, and performance of the portfolio(s).

The Investment Committee will review the quarterly reports and will, on no less than an annual basis, review and adopt the list of authorized broker/dealers.

Investment Officer(s)

Management responsibility for the investment program has been delegated by the City Council to the Director of Finance. The Director of Finance shall establish written procedures and controls for the operation of the investment program, consistent with this Investment Policy. Such procedures shall include explicit delegation of authority to individual employees responsible for investment transactions and documentation of investment transactions and holdings. All such delegated employees may be

designated as Investment Officers **by resolution of the Council**. The Director of Finance remains responsible for all transactions undertaken and shall regulate the activities of Investment Officers.

All participants in the investment process shall seek to act responsibly as custodians of the public trust. Investment Officers will avoid any transaction that might impair public confidence in the City's ability to govern effectively. Investment Officers shall recognize that the investment portfolio is subject to public review and evaluation. The overall program shall be designed and managed with a degree of professionalism which is worthy of public trust.

All Investment Officers shall be familiar with this Policy and its underlying procedures. No Investment Officer may engage in an investment transaction except as provided under the terms of this Policy and the procedures established by the Director of Finance.

A trading resolution is established by adoption of this Investment Policy authorizing the Investment Officer(s) to engage in investment transactions on behalf of the City. The persons so authorized to transact business are also authorized to approve wire transfers used in the process of investing.

Training

All Investment Officer(s) shall attend ten hours of training in accordance with the Act within 12 months of assuming responsibilities and attend 10 hours of training each successive two year period based on fiscal years. Training shall be provided or endorsed by the Government Finance Officers Association of Texas, the Government Treasurers Organization of Texas, the Texas Municipal League, or the North Central Texas Council of Governments. Training should include topics such as investment controls, security risk, market risks, diversification of the investment portfolio, and compliance with State laws.

An SEC registered Investment Adviser may be chosen and approved by Council to provide investment advice and portfolio management to the City.

VIII. ETHICS AND CONFLICTS OF INTEREST

Investment Officers, and employees involved in the investment process shall refrain from personal or business activities that could conflict with proper execution of the investment program or which could impair their ability to make impartial investment decisions. Investment Officers involved shall disclose in writing to the City Council any material financial interest in financial institutions that conduct business with the City or any personal financial/investment positions that could be related to the performance of the City.

An Investment Officer who has a personal or business relationship with an individual or organization seeking to sell an investment to the City shall file a disclosure statement with the Texas Ethics commission and the City Council in accordance with the Act.

IX. AUTHORIZED BROKER/DEALERS

All investments transactions shall be made through a financial institution or broker/dealer authorized by the Investment Committee. A list of not less than five broker/dealers shall be maintained to assure a competitive process.

Authorized broker/dealers and financial institutions may include:

- Federally insured banks doing business in the State of Texas,
- Security dealers reporting to the Market Reports Division of the Federal Reserve Bank of New York also known as the "primary government securities dealers,"
- Secondary institutional brokers/dealers registered with the State, the SEC and FINRA.

Financial institutions and broker/dealers who desire to transact business with the City must supply the following documents to the Investment Officer or Investment Adviser (as applicable).

- Current year audited financial statements
- Financial Industry Regulatory Authority certification and FINRA's Central Depository Registration (CRD) number.
- Proof of Texas State Securities registration.

No investment transactions may be entered into with a brokerage subsidiary of the City's depository bank in order to fulfill all delivery versus payment (DVP) requirements for trade independence.

Policy Review Certification

Each authorized financial institution and broker/dealer must be provided a copy of this Policy to assure that they are familiar with the goals and objectives of the investment program. The authorized representative of the firm shall sign a written certification, in a form acceptable to the City, substantially to the effect that the firm has:

- Received, and thoroughly reviewed the Policy, and
- Acknowledges that the firm has implemented reasonable controls and procedures in an effort to preclude investment transactions with the City that are not authorized by the Policy.

No investment transaction shall be executed with a firm which has not delivered this written certification. Material changes in this Policy will require re-certification by all broker/dealers.

The City is under no obligation to transact business with any financial institution.

X. AUTHORIZED INVESTMENTS

Authorized investments under this Policy shall be limited to the instruments listed below and as further described by the Act.

1. Obligations of the United States of America, its agencies and instrumentalities, excluding mortgage backed securities, with a maximum stated maturity of three (3) years. Reserve funds only may include these securities with a maximum stated maturity of five years.

2. Fully insured or collateralized **depository** certificates of deposit of banks doing business in Texas collateralized in accordance with the Policy, under a written agreement, and with a maximum stated maturity of one year.

3. Fully collateralized direct repurchase agreements with a defined termination date, secured in accordance with this Policy and placed with a primary securities dealer. All repurchase agreement transactions shall be governed by an executed Bond Market Association Master Repurchase Agreement. Maximum stated maturity shall be 90 days except for flex repurchase agreements which must match the expenditure plan of the bond proceeds.

Bond proceeds may be invested in a single flex repurchase agreement the maximum stated maturity for which shall be matched to the expenditure plan of the bonds.

4. Constant dollar, Texas local government investment pools as defined by the Act and specifically approved by resolution of the City Council.

5. **AAA-rated**, SEC registered money market mutual funds which strive to maintain \$1 net asset value at all times.

6. Depository accounts of Texas depositories including interest bearing accounts and money market accounts.

7. State and local government debt from any US state, rated A or better by a nationally recognized rating agency with a maximum maturity of three years to stated maturity.

8. FDIC insured *brokered* certificates of deposit securities from a bank in any US state, delivered versus payment to the City's safekeeping agent, not to exceed one year to maturity. Before purchase, the Investment Officer or Adviser must verify the FDIC status of the bank on www.fdic.gov to assure that the bank is FDIC insured.

Unauthorized Investments:

1. Commercial paper
2. Bankers acceptances
3. Interest-Only mortgaged backed securities (IO) whose payment represents only the coupon payments on outstanding principal balances of underlying mortgage.
4. Principal Only mortgage backed securities (PO) whose payment represents only the principal stream from underlying mortgages-
5. Collateralized mortgage obligations (CMO) with a stated final maturity date of greater than 10 years.
6. Collateralized mortgage obligations the interest rate of which is determined by an index that adjusts opposite to the change in a market index.

If additional types of securities are approved for investment by public funds by state statute, they will not be eligible for investment by the City until this policy has been amended and the amended version is adopted by the City Council.

Competitive Bidding Requirement

All securities, including certificates of deposit, will be purchased only after at least three (3) offers are taken to verify that the City is receiving fair market value/price for the investment.

Delivery versus Payment Requirement

All security transactions, including collateral for repurchase agreements shall be conducted on a delivery versus payment (DVP) basis.

Diversification Requirements

The portfolio(s) shall be diversified to minimize risk resulting from over-concentration of assets in a specific market sector, specific maturity range, or specific class of securities. Diversification shall be reported on quarterly reports by market sector and maturity. At a minimum, diversification parameters by security type shall be:

	<u>Max % of Portfolio</u>
Obligations of the U.S. Treasury	80 %
U.S. Government agencies & instrumentalities	75 %
Fully insured or collateralized depository CDs	40 %
Repurchase agreements	10 %
Flex for bond funds	100 %
Money market funds	40 %
Constant Dollar Local Government Investment Pools	100 %
Maximum percent ownership of pool	10 %
State and local governmental GO debt	20 %
Brokered CDs	20 %

XI. COLLATERALIZATION

Time and Demand Bank Deposits Pledged Collateral

Collateralization is required on all bank time and demand deposits over the applicable FDIC insurance coverage. All securities pledged to the City for these deposits shall be held by an independent third party institution outside the holding company of the pledging bank.

In order to anticipate market changes and provide a level of additional security for all funds, the market value of the collateral will be maintained at 102% of total principal and accrued interest. The depository will be responsible for monitoring and maintaining the collateral and margins daily. The safekeeping depository or custodian will provide monthly reports to the City detailing the collateral and including current market values.

Collateral will be pledged under the terms of a written tri-party depository agreement executed under the terms of FIRREA². (If the custodian is the Federal Reserve the City will execute a Circular 7 form.) The agreement will be approved by resolution of the bank's board or loan committee.

Acceptable collateral shall include only obligations of the U.S. Government, its agencies and instrumentalities, including mortgage backed securities and CMO passing the bank test.

If the depository offers a "pooled collateral" program the investment officers will evaluate the risks and costs. Participation will require City Council approval.

Repurchase Agreements Owned Collateral

Collateral under a repurchase agreement is owned by the City. It will be held by an independent third party safekeeping agent approved by the City under an executed Bond Market Association Master Repurchase Agreement. Collateral with a market value totaling 102% of the principal and accrued interest is required and the counter-party is responsible for the monitoring and maintaining of collateral and margins at all times.

XII. SAFEKEEPING

The laws of the State, this Policy, and prudent treasury management require that all securities be settled on a delivery versus payment basis and be held in safekeeping by an independent third party financial institution approved by the City.

Securities must be safe-kept in the bank's safekeeping department or with an independent custodian to perfect delivery versus payment separation in the transaction.

All safekeeping arrangements shall be approved by the Investment Officer and an agreement of the terms executed in writing. The third party custodian shall be required to issue safekeeping receipts/reports to the City listing each specific security, rate, description, maturity, cusip, and other pertinent information. Each safekeeping receipt/report shall be clearly marked that the security is held for the City.

XIII. INTERNAL CONTROLS

The Investment Officer shall establish a system of controls to regulate the activities of the investment program and subordinate staff. The controls will be reviewed annually with the independent auditor of the City. The controls shall be designed to prevent loss of public funds due to fraud, employee error, misrepresentation by third parties, unanticipated market changes, or imprudent actions by

² The Financial Institutions Resource and Recovery Enforcement Act governs the deliberations of the FDIC in the case of default or bankruptcy of the bank.

employees of the City. Controls deemed most important would include: control of collusion, separation of duties, custody and safekeeping, delegation of authority, securities losses and remedial actions, and documentation on all transactions.

Cash Flow Forecasting

Cash flow forecasting is a control designed to protect and sustain cash flow requirements of the City. The Investment Officer will maintain a cash flow forecasting process designed to monitor and forecast cash positions for investment purposes.

Loss of Rating

The Investment Officer or Investment Adviser shall monitor, on no less than a weekly basis, the credit rating on all authorized investments in the portfolio requiring ratings based upon independent information from a nationally recognized rating agency. If any security falls below the minimum rating required by Policy, the Investment Officer or adviser shall notify the City Manager of the loss of rating, conditions affecting the rating and possible loss of principal with liquidation options available, within two weeks after the loss of the required rating.

Monitoring FDIC Coverage

The Investment Officer or Investment Adviser shall monitor, on no less than a weekly basis, the status and ownership of all banks issuing brokered CDs owned by the City based upon information from the FDIC. If any bank has been acquired or merged with another bank in which brokered CDs are owned, the Investment Officer or adviser shall immediately liquidate any brokered CD which places the City above the FDIC insurance level.

XIV. REPORTING AND PERFORMANCE EVALUATION

The Investment Officer shall submit monthly reports to the Investment Committee and quarterly reports to the City Council in accordance with the Act and containing sufficient information to permit an informed outside reader to evaluate the performance of the investment program. At a minimum the report shall include:

- A. Description of each investment and depository position.
- B. Book and market values at the beginning and end of the reporting period
- C. Additions, and changes to the market value during the period
- D. The book value and market value of each separately invested asset at the beginning and end of the reporting period market sector and fund
- E. The maturity date of each separately invested asset
- F. The account, fund, or pooled group fund for which each investment was acquired.
- G. The earnings for the period
- H. The overall yield for the portfolio(s) in comparison to its benchmark yield for the period

Market prices for market value calculations shall be obtained from independent sources.

XV. DEPOSITORIES

The City will designate one banking institution through a competitive process as its central banking services provider at least every five years. In selecting a depository, the services, cost of services, credit worthiness, earnings potential, and collateralization of each financial institutions shall be considered. An institution outside the City limits of Midlothian may be selected as a depository. This institution will be used for normal banking services including disbursements, deposits, and safekeeping of securities.

Depository agreements executed in accordance with FIRREA will be established before funds are transferred.

Other banking institutions from which the City may purchase certificates of deposit will also be designated as depositories and must execute a written depository contract in accordance with the provisions of this Policy. No time or demand deposit shall be made except in a qualified public depository as established by State law.

XVI. INVESTMENT POLICY ADOPTION

The Investment Committee may suggest Policy changes to the City Council at any time. The City Council shall review and adopt, by resolution, its investment strategies and Policy not less than annually and the approving resolution shall designate any changes made to the Policy.

PASSED AND ADOPTED THIS THE _____ DAY OF _____ 2011.

CITY OF MIDLOTHIAN

Boyce Whatley, Mayor

| ATTEST:

Lou Jameson, City Secretary

|

**City of Midlothian
Corporation for Economic Development of Midlothian (4A)
Midlothian Community Development Corporation (4B)**

Authorized Broker/Dealer List

_____ **2011**

The authorized broker/dealer list for the City of Midlothian, Corporation for Economic Development of Midlothian, and Midlothian Community Development Corporation is shown below. Each of these firms, and the individual covering the account, are sent the current Investment Policy. In accordance with the Public Funds Investment Act (TX Gov't Code 2256.005(k)) before any broker/dealer transacts business with the entity it will have had to certify in writing to a review of the Policies and have certified that procedures are in place to assure compliance with those Policies.

The Policies establish specific criteria for the brokers and requires that the list of broker/dealers be approved annually by the Boards and the City Council. Patterson & Associates maintains the brokerage compliance files. Bank names are added for information only.

When any material changes are made to the policy the new policy is sent out for re-certification.

Securities Brokers/Dealers

- Bank of America/Merrill Lynch
- Barclay's Securities
- Citigroup
- Coastal Securities, Inc.
- G.X. Clark
- Mizuho Securities
- Morgan Keegan
- Stifle Nicholas
- Wells Fargo

For information purposes, Banks for depository CD Purchases currently include:

- Chase Bank, Midlothian
- Citizen's National Bank, Waxahachie
- First Financial Bank, Midlothian
- Vintage Bank, Midlothian
- Wachovia Bank, Midlothian
- Texas Capital Bank, Austin
- Hillcrest Bank, Austin
- Libertad Bank, Austin
- Texas Security Bank, Dallas
- Business Bank of Texas, Austin

CITY OF MIDLOTHIAN INVESTMENT POLICY AND STRATEGY

Adopted _____, 2011

INTRODUCTION

This Policy sets forth the investment and strategy guidelines for the investment of funds for the City of Midlothian, Texas (the "City") in order to achieve the City's goals of safety, liquidity, diversification and yield, and preserve the public trust. This policy serves to satisfy the state statutory requirement to define and adopt a formal investment policy and strategy per the Public Funds Investment Act, Texas Government Code, Chapter 2256, (the "Act"). It sets forth policy and procedures to enhance opportunities for prudent investment.

I. POLICY STATEMENT

It is the policy of the City that the administration of its funds and the investment of those funds shall be handled as its highest public trust. Investments shall be made in a manner which provides the maximum security of principal through risk management and diversification while meeting the daily cash flow needs of the City and conforming to all applicable state and City statutes.

The receipt of a market rate of return will be secondary to the requirements for safety and liquidity. The earnings from investment will be used in a manner that best serves the interests of the City.

II. SCOPE

This Policy applies to all the financial assets of the City of Midlothian. These funds are accounted for in the City's Comprehensive Annual Financial Report (CAFR) and include: the General Fund, all operating funds, all special revenue funds, all debt service funds, all capital project funds, and all proprietary funds. All other funds which may be created are included under this Policy unless specifically excluded by the City Council.

This policy does not apply to funds managed under separate pension investment programs such as the Firefighter Relief and Retirement Funds and the Texas Municipal Retirement System.

III. PRUDENCE

The standard of prudence to be used in the investment process shall be the "prudent person" standard and shall be applied in the context of managing the overall portfolio, rather than a consideration as to the prudence of a single investment.

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.

Investment Officers acting in accordance with written procedures and this Investment Policy and exercising due diligence shall be relieved of personal liability in the management of the portfolio provided that deviations from expectations for a specific security's credit risk or market price change, or a portfolio shift are reported in a timely manner and that appropriate action is taken to control adverse market effects. The City recognizes that in a diversified portfolio, occasional measured losses are inevitable and must be considered within the context of the entire portfolio.

IV. OBJECTIVES

All funds shall be managed and invested with four primary objectives, in order of their priority: safety, liquidity, diversification, and yield.

1. Safety: The preservation and safety of principal is the City's foremost objective. Investments of the City shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio whether from security defaults or erosion of market value.

2. Liquidity: The portfolio shall remain sufficiently liquid to enable the City to meet all reasonably anticipated expenditures. Funds may be pooled for investment purposes. The portfolio will recognize and reflect the unique needs of all the funds to assure that anticipated cash flows are matched with adequate investment liquidity.

3. Diversification: Diversification of the portfolio will include diversification by maturity and market sector and will include the use of a number of institutions and brokers for diversification and market coverage. The City will diversify its investment in an effort to avoid incurring unreasonable and avoidable risks regarding specific security types or individual financial institutions.

4. Yield: The investment portfolio shall be designed with the objective of attaining a reasonable market yield throughout economic cycles, taking into account the investment risk constraints and liquidity needs of the City. The portfolio(s) risk shall be measured periodically against a benchmark based on cash flow analysis and the authorized portfolio structure. The overall portfolio shall have a maximum weighted average maturity of one year. To measure the overall risk of the portfolio a benchmark of the one year Treasury Bill or CMT (Constant Maturity Treasury)¹ shall be used and reported.

Effective cash management is recognized as essential to good fiscal management. Cash management is defined as the process of managing monies in order to ensure maximum cash availability. The City shall maintain a cash management program which includes collection of accounts receivable, prudent investment of its available cash, disbursement of payments in accordance with invoice terms and the management of banking services.

V. INVESTMENT STRATEGY

The portfolio will be designed on projected cash flows to provide for all anticipated liquidity needs of the City. Investments are to be chosen in a manner which promotes portfolio diversity by market sector, credit and maturity. The choice of high-credit quality government investments and high-grade, money market instruments are designed to assure the marketability of those investments should liquidity needs arise. The investment process shall be designed to produce a reasonable return commensurate with low-risk securities and designed to meet cash flow demands.

The City may commingle funds for investment purposes while addressing the unique characteristics of the funds represented in the portfolios. The maximum maturity of any investment of City funds is

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three years, except investments made for reserve funds which may be invested for five years to stated maturity.

- a. **Operating funds and commingled pools containing operating funds** have as their primary objective to assure that anticipated cash flow needs are met with adequate investment liquidity. The secondary objective is to obtain a reasonable yield with minimal volatility. This may be accomplished by purchasing high credit quality securities matched to known liabilities. A maximum dollar weighted average maturity of one year will be established based on the stated final maturity date of each security.
- b. **Debt service funds** shall be invested to ensure adequate funding for each consecutive debt service payment. Funds shall be invested in such a manner so as not to exceed an "unfunded" debt service date with the maturity of any investment. (An unfunded debt service date is defined as an interest or principal payment date that does not have cash or investment maturities targeted to satisfy said payment.) The maximum dollar weighted average maturity of such funds shall be one year.
- c. **Capital project or special purpose funds** shall have as their primary objective to assure that anticipated cash flows are matched with adequate investment liquidity. These portfolios should include at least 10% in liquid securities to allow for flexibility and unanticipated project outlays. The stated final maturity dates or securities held should not exceed the estimated project completion date.
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4. Principal Only mortgage backed securities (PO) whose payment represents only the principal stream from underlying mortgages-
5. Collateralized mortgage obligations (CMO) with a stated final maturity date of greater than 10 years.
6. Collateralized mortgage obligations the interest rate of which is determined by an index that adjusts opposite to the change in a market index.

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U.S. Government agencies & instrumentalities	75 %
Fully insured or collateralized depository CDs	40 %
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Flex for bond funds	100 %
Money market funds	40 %
Constant Dollar Local Government Investment Pools	100 %
Maximum percent ownership of pool	10 %
State and local governmental GO debt	20 %
Brokered CDs	20 %

XI. COLLATERALIZATION

Time and Demand Bank Deposits Pledged Collateral

Collateralization is required on all bank time and demand deposits over the applicable FDIC insurance coverage. All securities pledged to the City for these deposits shall be held by an independent third party institution outside the holding company of the pledging bank.

In order to anticipate market changes and provide a level of additional security for all funds, the market value of the collateral will be maintained at 102% of total principal and accrued interest. The depository will be responsible for monitoring and maintaining the collateral and margins daily. The safekeeping depository or custodian will provide monthly reports to the City detailing the collateral and including current market values.

Collateral will be pledged under the terms of a written tri-party depository agreement executed under the terms of FIRREA². (If the custodian is the Federal Reserve the City will execute a Circular 7 form.) The agreement will be approved by resolution of the bank's board or loan committee.

Acceptable collateral shall include only obligations of the U.S. Government, its agencies and instrumentalities, including mortgage backed securities and CMO passing the bank test.

If the depository offers a "pooled collateral" program the investment officers will evaluate the risks and costs. Participation will require City Council approval.

Repurchase Agreements Owned Collateral

Collateral under a repurchase agreement is owned by the City. It will be held by an independent third party safekeeping agent approved by the City under an executed Bond Market Association Master Repurchase Agreement. Collateral with a market value totaling 102% of the principal and accrued interest is required and the counter-party is responsible for the monitoring and maintaining of collateral and margins at all times.

XII. SAFEKEEPING

The laws of the State, this Policy, and prudent treasury management require that all securities be settled on a delivery versus payment basis and be held in safekeeping by an independent third party financial institution approved by the City.

Securities must be safe-kept in the bank's safekeeping department or with an independent custodian to perfect delivery versus payment separation in the transaction.

All safekeeping arrangements shall be approved by the Investment Officer and an agreement of the terms executed in writing. The third party custodian shall be required to issue safekeeping receipts/reports to the City listing each specific security, rate, description, maturity, cusip, and other pertinent information. Each safekeeping receipt/report shall be clearly marked that the security is held for the City.

XIII. INTERNAL CONTROLS

The Investment Officer shall establish a system of controls to regulate the activities of the investment program and subordinate staff. The controls will be reviewed annually with the independent auditor of the City. The controls shall be designed to prevent loss of public funds due to fraud, employee error, misrepresentation by third parties, unanticipated market changes, or imprudent actions by

² The Financial Institutions Resource and Recovery Enforcement Act governs the deliberations of the FDIC in the case of default or bankruptcy of the bank.

employees of the City. Controls deemed most important would include: control of collusion, separation of duties, custody and safekeeping, delegation of authority, securities losses and remedial actions, and documentation on all transactions.

Cash Flow Forecasting

Cash flow forecasting is a control designed to protect and sustain cash flow requirements of the City. The Investment Officer will maintain a cash flow forecasting process designed to monitor and forecast cash positions for investment purposes.

Loss of Rating

The Investment Officer or Investment Adviser shall monitor, on no less than a weekly basis, the credit rating on all authorized investments in the portfolio requiring ratings based upon independent information from a nationally recognized rating agency. If any security falls below the minimum rating required by Policy, the Investment Officer or advisor shall notify the City Manager of the loss of rating, conditions affecting the rating and possible loss of principal with liquidation options available, within two weeks after the loss of the required rating.

Monitoring FDIC Coverage

The Investment Officer or Investment Adviser shall monitor, on no less than a weekly basis, the status and ownership of all banks issuing brokered CDs owned by the City based upon information from the FDIC. If any bank has been acquired or merged with another bank in which brokered CDs are owned, the Investment Officer or advisor shall immediately liquidate any brokered CD which places the City above the FDIC insurance level.

XIV. REPORTING AND PERFORMANCE EVALUATION

The Investment Officer shall submit monthly reports to the Investment Committee and quarterly reports to the City Council in accordance with the Act and containing sufficient information to permit an informed outside reader to evaluate the performance of the investment program. At a minimum the report shall include:

- A. Description of each investment and depository position.
- B. Book and market values at the beginning and end of the reporting period
- C. Additions, and changes to the market value during the period
- D. The book value and market value of each separately invested asset at the beginning and end of the reporting period market sector and fund
- E. The maturity date of each separately invested asset
- F. The account, fund, or pooled group fund for which each investment was acquired.
- G. The earnings for the period
- H. The overall yield for the portfolio(s) in comparison to its benchmark yield for the period

Market prices for market value calculations shall be obtained from independent sources.

XV. DEPOSITORIES

The City will designate one banking institution through a competitive process as its central banking services provider at least every five years. In selecting a depository, the services, cost of services, credit worthiness, earnings potential, and collateralization of each financial institutions shall be considered. An institution outside the City limits of Midlothian may be selected as a depository. This institution will be used for normal banking services including disbursements, deposits, and safekeeping of securities.

Depository agreements executed in accordance with FIRREA will be established before funds are transferred.

Other banking institutions from which the City may purchase certificates of deposit will also be designated as depositories and must execute a written depository contract in accordance with the provisions of this Policy. No time or demand deposit shall be made except in a qualified public depository as established by State law.

XVI. INVESTMENT POLICY ADOPTION

The Investment Committee may suggest Policy changes to the City Council at any time. The City Council shall review and adopt, by resolution, its investment strategies and Policy not less than annually and the approving resolution shall designate any changes made to the Policy.

PASSED AND ADOPTED THIS THE _____ DAY OF _____ 2011.

CITY OF MIDLOTHIAN

Boyce Whatley, Mayor

ATTEST:

Lou Jameson, City Secretary

|

**City of Midlothian
Corporation for Economic Development of Midlothian (4A)
Midlothian Community Development Corporation (4B)**

Authorized Broker/Dealer List

_____ **2011**

The authorized broker/dealer list for the City of Midlothian, Corporation for Economic Development of Midlothian, and Midlothian Community Development Corporation is shown below. Each of these firms, and the individual covering the account, are sent the current Investment Policy. In accordance with the Public Funds Investment Act (TX Gov't Code 2256.005(k)) before any broker/dealer transacts business with the entity it will have had to certify in writing to a review of the Policies and have certified that procedures are in place to assure compliance with those Policies.

The Policies establish specific criteria for the brokers and requires that the list of broker/dealers be approved annually by the Boards and the City Council. Patterson & Associates maintains the brokerage compliance files. Bank names are added for information only.

When any material changes are made to the policy the new policy is sent out for re-certification.

Securities Brokers/Dealers

- Bank of America/Merrill Lynch
- Barclay's Securities
- Citigroup
- Coastal Securities, Inc.
- G.X. Clark
- Mizuho Securities
- Morgan Keegan
- Stifle Nicholas
- Wells Fargo

For information purposes, Banks for depository CD Purchases currently include:

- Chase Bank, Midlothian
- Citizen's National Bank, Waxahachie
- First Financial Bank, Midlothian
- Vintage Bank, Midlothian
- Wachovia Bank, Midlothian
- Texas Capital Bank, Austin
- Hillcrest Bank, Austin
- Libertad Bank, Austin
- Texas Security Bank, Dallas
- Business Bank of Texas, Austin

TEXAS PUBLIC FUNDS INVESTMENT ACT
CERTIFICATION BY BUSINESS ORGANIZATION

This certification is executed on behalf of _____ (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 into an investment transaction with the Investor on such terms as are defined in the Act.

2. The Qualified Representative of the Business Organization has received and reviewed the Investors 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. However, authorization dependent upon an analysis of the makeup of the Investor's entire portfolio or which requires an interpretation of subjective investment standards by the Investor is not required by the Business Organization.

Qualified Representative of the Business Organization

Name: _____

Title: _____

Date: _____

THE STATE OF TEXAS

COUNTY OF _____

BEFORE ME, the undersigned authority, on this day personally appeared the person whose name is subscribed below, who, being by me first duly sworn, upon oath deposed and said:

My name is _____. I am a Qualified Representative of _____ (the "Business Organization"), which is engaged in the business of selling investments and desire to sell investments to the _____ (the "City"). This Statement is provided to meet the requirements of the Public Funds Investment Act.

I hereby certify that

1. I have received and reviewed the City's investment policy.
2. The Business Organization has implemented reasonable procedures and controls in an effort to preclude investment transactions conducted between the City and the Business Organization that are not authorized by the City's investment policy, except to the extent that the Business Organization has not made an analysis of the make-up of the City's entire portfolio or has not engaged in any interpretation of subjective investment standards; and
3. The statements, representations and declarations made in this document are true and correct.

Qualified Representative

SWORN TO AND SUBSCRIBED BEFORE ME, this _____ day of

_____, _____.

Notary Public in and for the State of Texas

GLOSSARY

AGENCIES: Federal agency securities.

ASKED: The price at which securities are offered.

AVERAGE BALANCE: Monthly average of fund balance.

BID: The price offered by a buyer of securities. (when you are selling securities, you ask for a bid.) See Offer.

BROKER: A broker brings buyers and sellers together for a commission.

CERTIFICATE OF DEPOSIT: A time deposit with a specific maturity evidenced by a certificate. Large-denomination CD's are typically negotiable.

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.

COMPREHENSIVE ANNUAL FINANCE REPORT (CAFR): The official annual report for the City. It includes five combined statements for each individual fund and account group prepared in conformity with GAAP. It also includes supporting schedules necessary to demonstrate compliance with finance-related legal and contractual provisions, extensive introductory material, and a detailed Statistical Section.

COUPON: (a) The annual rate of interest that a bond's issuer promises to pay the bondholder on the bond's face value. (b) A certificate attached to a bond evidencing interest due on a payment date.

DEALER: A dealer, as opposed to a broker, acts as a principal in all transactions, buying and selling for his own account.

DEBENTURE: A bond secured only by the general credit of the issuer.

DELIVERY VERSUS PAYMENT (DVP): There are two methods of delivery of securities: delivery versus payment and delivery versus receipt. Delivery versus payment is delivery of securities with an exchange of money for the securities. Delivery versus receipt is delivery of securities with an exchange of a signed receipt for the securities.

DISCOUNT: The difference between the cost price of a security and its maturity when quoted at lower than face value. A security selling below original offering price shortly after sale also is considered to be at a discount.

DISCOUNT SECURITIES: Non-interest bearing money market instruments that are issued at a discount and redeemed at maturity for full face value e.g. U.S. Treasury Bills.

DIVERSIFICATION: Dividing investment funds among a variety of securities offering independent returns.

FEDERAL CREDIT AGENCY: Agency of the Federal government set up to supply credit to various classes of institutions and individuals, e.g., S&L's small business firms, students, farmers, farm cooperatives, and exporters.

FEDERAL DEPOSIT INSURANCE CORPORATION (FDIC): A federal agency that insured bank deposits, currently up to \$100,000 per deposit.

FEDERAL FUND RATE (the "Fed Rate:): 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): The institutions that regulate and lend to savings and loan associations. The Federal Home Loan Bank, play a role analogous to that played by the Federal Reserve Banks in relation to member commercial banks.

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, as the corporation is called, is a private stockholder-owned corporation. The corporation's purchases include a variety of adjustable mortgages and second loans, in addition to fixed-rate mortgages. FNMA's securities are also highly liquid and are widely accepted. FNMA assumes and guarantees that all security holders will receive timely payment of principal and interest.

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.,

12 regional banks and about 5,700 commercial banks that are members of the system.

GOVERNMENT NATIONAL MORTGAGE ASSOCIATION (GNMA or Ginnie Mae): Securities influencing the volume of bank credit guaranteed by GNMA and issued by mortgage bankers, commercial banks, savings and loan association, and other institutions. Security holder is protected by full faith and credit of the U.S. Government. Ginnie Mae securities are backed by the FHA, VA or FMHM mortgages. The term "pass through" is often used to describe Ginnie Maes.

LIQUIDITY: A liquid asset is one that can be converted easily and rapidly into cash without a substantial loss of value. In the money market, a security is said to be liquid if the spread between bid and asked prices is narrow and reasonable size can be done at those quotes.

LOCAL GOVERNMENT INVESTMENT POOL (LGIP): The aggregate of all funds from political subdivisions that are placed in the custody of the State Treasurer for investment and reinvestment.

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

MASTER REPURCHASE AGREEMENT: A written contract covering all future transactions between the parties to repurchase/reverse 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-lender to liquidate the underlying securities in the event of default by the seller-borrower.

MATURITY: The date upon which the principal or stated value of an investment becomes due and payable.

MONEY MARKET: The market in which short-term debt instruments (bills, commercial paper, bankers' acceptances, etc.) are issued and traded.

OFFER: The price asked by a seller of securities (When you are buying securities, you ask for an offer.) See Asked and Bid.

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.

PORTFOLIO: Collection of securities held by an investor.

PRIMARY DEALER: A group of government securities dealers who 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.

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 (the so-called legal list). 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 PUBLIC DEPOSITORIES: A financial institution which does not claim exemption from the payment of any sales or compensating use or ad valorem taxes under the laws of this state, which has segregated for the benefit of the commission eligible collateral having a value of not less than its maximum liability and which has been approved by the Public deposit Protection Commission to hold public deposits.

RATE OF RETURN: The yield obtainable on a security based on its purchase price or its current market price.

REPURCHASE AGREEMENT (RP OR REPO): A holder of securities sells these securities to an investor with an agreement to repurchase them at a fixed price on a fixed date. The security "buyer" in effect lends the "seller" money for the period of the agreement, and the terms of the agreement are structured to compensate him for this.

SAFEKEEPING: A service to customers rendered by banks for a fee where by securities and valuables of all types and descriptions are held in the bank's vault for protection.

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

SECURITIES & EXCHANGE COMMISSION: Agency created by Congress to protect investors in securities transactions by administering securities legislation.

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

TREASURY BILLS (T Bills): A non-interest bearing discount security issued by the U.S. Treasury. Most bills are issued to mature in three months, six months, or one year.

TREASURY BOND: Long-term 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 from one to ten years.

UNIFORM NET CAPITAL RULE: Securities and Exchange Commission requirements are 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: The rate of annual income return on an investment, expressed as a percentage. (a) **INCOME YIELD** is obtained by dividing the current dollar income by the current market price for the security (b) **NET YIELD OR YIELD TO MATURITY** is the current income yield minus any premium above par.

Definitions from the Municipal Treasurers' Association of the United States and Canada.

**CORPORATION for the ECONOMIC DEVELOPMENT of MIDLOTHIAN
(4A Corporation)**

INVESTMENT POLICY AND STRATEGY

Adopted September 12, 2011

The purpose of this Policy is to set forth specific investment policy and strategy guidelines for the investment of non-real estate assets of the Corporation for the Economic Development of Midlothian 4A (CEDM) in order to achieve the goals of safety, liquidity, diversification, and yield and to preserve the public trust.

This Policy serves to satisfy the statutory requirement of the Public Funds Investment Act (the "Act" - Texas Government Code 2256) to define and adopt a formal investment strategy and policy.

I. POLICY STATEMENT

It is the policy of CEDM that the administration of its funds and the investment of those funds shall be handled as its highest public trust. Investment shall be made in a manner which will provide maximum security of principal invested through limitations and diversification while meeting the daily cash flow needs of CEDM and conforming to all applicable City policies and state statutes governing the investment of public funds. The receipt of yield will be secondary to the requirements for safety and liquidity. It is the intent of CEDM to be in complete compliance with state law. The earnings from the investments will be used in a manner that best serves the public trust and interests of the City and CEDM.

II. SCOPE

This Investment Policy applies to only the non-real estate assets of CEDM. All investments must be accounted for in the City of Midlothian's Comprehensive Annual Financial Report.

III. PRUDENCE

The standard of prudence to be used by the Investment Officers shall be the "Prudent Person Rule" and shall be applied in the context of managing the overall portfolio, rather than a consideration as to the prudence of a single investment.

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 probably safety of their principal as well as the probable income to be derived.

The Investment Officers acting in accordance with written procedures and the Investment Policy and exercising due diligence shall be relieved of personal liability for an individual security's credit or market changes if these changes are reported in a timely manner and that appropriate action is taken to control adverse market effects.

IV. OBJECTIVES

It is the policy of the CEDM that all funds shall be managed and invested with four primary objectives, listed in order of their priority: safety, liquidity, diversification and yield. All investments shall be chosen and managed in a manner responsive to the public trust and consistent with state and local law.

1. **Safety:** The preservation and safety of principal is the foremost objective. Investments shall be undertaken in a manner that seeks to insure the preservation of capital in the overall portfolio.
2. **Liquidity:** Funds are pooled for investment and liquidity purposes. The portfolio shall remain sufficiently liquid to enable the CEDM to meet all reasonably anticipated expenditures.
3. **Diversification:** Diversification is required as a risk management technique to minimize losses resulting from fluctuations in market value or credit considerations.
4. **Yield:** The portfolio shall be structured with the objectives of attaining a reasonable market yield throughout business and economic cycles, taking into account CEDM's risk constraints and cash flow needs. The yield shall be measured quarterly against the comparable period average of the one year Treasury Bill which reflects the target WAM of the portfolio at twelve months.

Effective cash management is recognized as essential to good fiscal management. Cash management is defined as the process of managing monies in order to ensure maximum cash availability. The CEDM shall maintain a cash management program which includes collection of accounts receivable, prudent investment of its available cash, disbursement of payments in accordance with invoice terms and the management of banking services.

V. INVESTMENT STRATEGY

All funds are commingled for investment purposes and efficiency. The investment strategy has as its primary objective to assure that anticipated cash flows are matched and adequate liquidity maintained with minimal volatility. The portfolio will be structured with high credit quality, short and intermediate term securities to minimize market, liquidity, and credit risks. The maximum dollar weighted average maturity of the portfolio will be twelve months calculated on stated maturity dates.

VI. DELEGATION OF AUTHORITY AND RESPONSIBILITY

Investment Committee

An Investment Committee, consisting of the Executive Director, Treasurer and a representative of the City, along with any other designated Investment Officer(s) shall meet at least quarterly to determine operational strategies and to monitor investment results. The Investment Committee shall include in its deliberation such topics as: economic outlook, portfolio diversification, maturity structure, risk, and performance of the portfolio(s).

The Investment Committee will review quarterly investment reports before submission to the Board and will, on no less than an annual basis, review and adopt a list of authorized

broker/dealers prepared by the City including firms chosen by CEDM. The list of authorized brokers/dealers must be approved by the CEDM Board and the City Council.

Investment Officer(s)

Management responsibility for the investment program has been delegated to the Investment Committee and the City's contracted Investment Adviser as the designated Investment Officer. The CEDM Treasurer shall establish written procedures and controls for the operation of the investment program, consistent with this Investment Policy. Such procedures shall include explicit delegation of authority and documentation of investment transactions and holdings.

Trade execution, safekeeping, and reporting are provided by the City. All participants in the investment process shall seek to act responsibly as custodians of the public trust. Investment Officers will avoid any transaction that might impair public confidence in the CEDM and its ability to govern effectively. Investment Officers shall recognize that the investment portfolio is subject to public review and evaluation. The overall program shall be designed and managed with a degree of professionalism which is worthy of public trust.

All Investment Officers shall be familiar with this Policy and its underlying procedures. No Investment Officer may engage in an investment transaction except as provided under the terms of this Policy and the procedures established by the Treasurer of the CEDM.

A trading resolution is established by adoption of this Investment Policy authorizing the Investment Officer(s) to engage in investment transactions on behalf of the CEDM. The Executive Director shall approve wire transfers used in the process of investing.

Training

All Investment Officer(s) shall attend ten hours of training in accordance with the Act within 12 months of assuming responsibilities and attend 10 hours of training in each successive two year fiscal period thereafter. Training shall be provided or endorsed by the Government Finance Officers Association of Texas, the Government Treasurers Organization of Texas, the Texas Municipal League, or the North Central Texas Council of Governments. Training should include topics such as investment controls, security risk, market risks, diversification of the investment portfolio, and compliance with State laws.

VII. ETHICS AND CONFLICTS OF INTEREST

Investment Officers, Board members, and employees involved in the investment process shall refrain from personal business activities that could conflict with proper execution of the investment program or which could impair their ability to make impartial investment decisions. Officers and employees shall disclose to the Board of Directors any material financial interest in institutions that conduct business with the CEDM or the City of Midlothian, and they shall further disclose any personal financial/investment positions that could be related to the investment performance of the CEDM or the City of Midlothian particularly in regard to the timing of purchases and sales.

Any Investment Officer who has a personal or business relationship with an organization seeking to sell an investment to the CEDM shall file a statement disclosing that relationship or interest. An Investment Officer related within the second degree of

affinity or consanguinity to an individual seeking to sell an investment to the CEDM shall file a statement disclosing that relationship. Disclosure statements required under this subsection must be filed with the Texas Ethics Commission and the Board and City Council.

VIII. AUTHORIZED FINANCIAL DEALERS AND INSTITUTIONS

All investments transactions shall be made through a financial institution or a broker/dealer authorized by the Investment Committee. A list of not less than five authorized broker/dealers shall be adopted and maintained to assure a competitive process. The list is supplemented by local banks from which certificates of deposit may be purchased. Preference will be given to local institutions for certificates of deposit in support of our overall goals or economic development in Midlothian.

Authorized broker/dealers and financial institutions may include:

- Federally insured banks doing business in the State of Texas,
- NCUIA insured credit unions doing business in Texas,
- Security dealers reporting to the Market Reports Division of the Federal Reserve Bank of New York also known as the "primary government securities dealers,"
- Secondary institutional brokers/dealers registered with the State, the SEC and FINRA.

Financial institutions and broker/dealers who desire to transact business with the CEDM must supply the following documents to the Investment Officer or Investment Adviser (as applicable).

- Current year audited financial statements
- Financial Industry Regulatory Authority (FINRA) certification and FINRA's Central Depository Registration (CRD) number.
- Proof of Texas State Securities registration.

Policy Review Certification

Each authorized financial institution and broker/dealer must be provided a copy of this Policy to assure that they are familiar with the goals and objectives of the investment program. The authorized representative of the firm shall sign a written certification, in an acceptable form, substantially to the effect that the firm has:

- Received, and thoroughly reviewed the Policy, and
- Acknowledges that the firm has implemented reasonable controls and procedures in an effort to preclude investment transactions that are not authorized by the Policy.

No investment transaction shall be executed with a firm that has not delivered this written certification to the Investment Officer. Material changes in this Policy will require re-certification by all broker/dealers.

IX. AUTHORIZED INVESTMENTS

Authorized investments under this Policy shall be limited only to the instruments listed below as further described by the Act.

1. Obligations of the US Government, its agencies and instrumentalities, excluding mortgage backed securities and with a maximum stated maturity of no more than two years.

2. Obligations of any state and any political subdivision of any state rated no less than A by a nationally recognized rating agency and with a maximum stated maturity of two years.
3. Fully FDIC insured certificates of deposit of banks doing business in Texas under a written depository agreement, and with a maximum stated maturity of two years. Certificates of deposit offered under the CDARS program and placed through a Texas bank fulfills this requirement.
4. Fully NCUA insured share certificates of credit unions doing business in Texas under a written agreement and with a maximum maturity of two years.
5. Constant dollar local government investment pools in the State of Texas as defined by the Act. The pool may invest in securities regardless of whether those investments are specifically authorized by CEDM.
6. SEC registered money market mutual funds.
7. FDIC insured *brokered certificates of deposit* securities from a bank in any US state, delivered versus payment to the City's safekeeping agent, not to exceed one year to maturity. Before purchase, the Investment Officer or adviser must verify the FDIC status of the bank on www.fdic.gov to assure that the bank is FDIC insured.
8. Depository accounts of banks in Texas including interest bearing accounts and money market accounts.

All transactions, including the purchase of certificates of deposit or share certificates, shall be executed on a competitive basis with a minimum of three bids/offers determined to assure the best available market value is received.

Diversification Requirements

It is the policy of the CEDM to diversify its investment portfolio. Investment funds shall be diversified to minimize risk and loss resulting from over-concentration of assets in a specific market sector or specific maturity range. Diversification strategies shall be established and periodically reviewed. If additional types of securities are approved for investment by public funds by state statute, they will not be authorized for investment by CEDM until the Policy is amended and the amended Policy is adopted by the Board and City Council.

X. COLLATERALIZATION

As a public **corporation**, CEDM qualifies for FDIC insurance but does not currently qualify for collateralization protection under the controlling statutes of the FDIC. Therefore, the maximum amount of funds of CEDM in any bank holding company (as identified by tax ID) shall be limited to the amount insured by FDIC (currently \$250,000). The total amount of deposits will be inclusive of accrued interest; in any depository (or depository holding company).

XI. SAFEKEEPING AND CUSTODY

All securities shall be purchased and settled on a delivery versus payment (DVP) basis assuring that no funds are released until receipt of the security is verified by the custodian.

All safekeeping arrangements for CEDM owned securities shall be made through the City's depository contract with documentation of ownership by CEDM. This shall provide an independent third party custodian with a custodial agreement executed in writing. The third party custodian shall issue safekeeping receipts listing each specific security, rate, description, maturity, cusip, and other pertinent information. Each safekeeping receipt shall be clearly marked that the security is owned by CEDM.

Securities shall not be purchased from the banking services bank in order to perfect delivery versus payment separation in the transaction.

XII. MAXIMUM MATURITY

CEDM will attempt to match investments with anticipated cash flow requirements. Laddering securities and matching maturities with anticipated cash flow dates will reduce the need to sell securities prior to maturity thus reducing market risk. In no case will the dollar weighted average maturity of the portfolio exceed twelve (12) months and the maximum stated maturity of any investment shall not exceed two (2) years.

XIII. INTERNAL CONTROLS

The City's Finance Department is responsible for establishing and submitting to the CEDM Board a reporting and control structure designed to ensure that assets are protected from loss, theft or misuse. The CEDM Board is responsible for adopting the reporting and control structure and procedures. The City Council must approve the adopted reporting and control structure and procedures.

An annual review by the external auditor will be made to assure compliance with the Policy and procedures and Act.

Loss of Rating

The Investment Officer or Investment Adviser shall monitor, on no less than a weekly basis, the credit rating on all authorized investments in the portfolio requiring ratings based upon independent information from a nationally recognized rating agency. If any security falls below the minimum rating required by Policy, the Investment Officer or Adviser shall notify the Executive Director and Treasurer of the loss of rating, conditions affecting the rating and possible loss of principal with liquidation options available, within two weeks after the loss of the required rating.

Monitoring FDIC Coverage

The Investment Officer or Investment Adviser shall monitor, on no less than a weekly basis, the status and ownership of all banks issuing *brokered* CDs owned by the CEDM based upon information from the FDIC. If any bank has been acquired or merged with another bank in which brokered CDs are owned, the Investment Officer or adviser shall immediately liquidate any brokered CD which places the CEDM above the FDIC insurance level.

XIV. PERFORMANCE STANDARDS

The investment portfolio shall be designed with the objective of obtaining a reasonable market yield throughout budgetary and economic cycles, commensurate with the investment risk constraints and cash flow needs of CEDM. The one year Treasury Bill yield for the comparable reporting period will be used as a performance and risk benchmark.

XV. REPORTING

The Investment Officers shall prepare and submit quarterly reports to the Board containing all information to permit an informed outside reader to evaluate the risks and performance of the investment program. The reports will be prepared in accordance with the Act and include at a minimum:

- a. Description of each investment and depository position.
- b. Amortized book and market values at the beginning and end of the reporting period
- c. Additions, and changes to the market value during the period
- d. The amortized book value and market value of each separately invested asset at the beginning and end of the reporting period market sector and fund
- e. The maturity date of each separately invested asset
- f. The earnings for the period
- g. The overall yield for the portfolio(s) in comparison to its benchmark yield for the period

All reports are to be signed by the Investment Officers stating compliance with the Policy and the Act.

Market prices for market value calculations shall be obtained from independent sources.

XVI. DEPOSITORIES

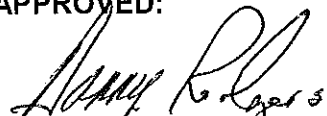
CEDM will utilize the City's designated depository for its depository and custodian. The institution will be used for banking services including disbursements, deposits, and safe-keeping.

Other banking institutions from which certificates of deposit are purchased must be designated as an authorized financial counter-party (Section VIII) and have a written agreement as required under this Policy.

XVII. INVESTMENT POLICY REVIEW AND ADOPTION

The Investment Policy shall be reviewed by the Investment Committee and presented to the CEDM Board and to the City Council for review and adoption by resolution at least annually. The adopting resolution must state any changes being made to the Policy.

APPROVED:



Danny Rodgers, President



Joe Wlight, Secretary

**City of Midlothian
Corporation for Economic Development of Midlothian (4A)
Midlothian Community Development Corporation (4B)**

Authorized Broker/Dealer List

September 12, 2011

The authorized broker/dealer list for the City of Midlothian, Corporation for Economic Development of Midlothian, and Midlothian Community Development Corporation is shown below. Each of these firms, and the individual covering the account, are sent the current Investment Policy. In accordance with the Public Funds Investment Act (TX Gov't Code 2256.005(k)) before any broker/dealer transacts business with the entity it will have had to certify in writing to a review of the Policies and have certified that procedures are in place to assure compliance with those Policies.

The Policies establish specific criteria for the brokers and requires that the list of broke/dealers be approved annually by the Boards and the City Council. Patterson & Associates maintains the brokerage compliance files. Bank names are added for information only.

When any material changes are made to the policy the new policy is sent out for re-certification.

Securities Brokers/Dealers

- Bank of America/Merrill Lynch
- Barclay's Securities
- Citigroup
- Coastal Securities, Inc.
- G.X. Clark
- Mizuho Securities
- Morgan Keegan
- Stifle Nicholas
- Wells Fargo

For information purposes, Banks for depository CD Purchases currently include:

- Chase Bank, Midlothian
- Citizen's National Bank, Waxahachie
- First Financial Bank, Midlothian
- Vintage Bank, Midlothian
- Wachovia Bank, Midlothian
- Texas Capital Bank, Austin
- Hillcrest Bank, Austin
- Libertad Bank, Austin
- Texas Security Bank, Dallas
- Business Bank of Texas, Austin

RESOLUTION # 20110912-01

A RESOLUTION ADOPTING INVESTMENT POLICY AND STRATEGY

WHEREAS, the Public Funds Investment Act (Texas Government Code, Chapter 2256) governs local government investment; and

WHEREAS, the Public Funds Investment Act (Section 2256.005a) requires the Corporation for the Economic Development of Midlothian (CEDM), to adopt an investment policy by rule, order, ordinance or resolution in accordance with the Act governing the investment of funds under its control; and

WHEREAS, the Public Funds Investment Act (Section 2256.005e), requires the governing body to review and adopt that investment policy and investment strategies by rule, order, ordinance or resolution not less than annually, recording any changes made thereto; and

WHEREAS, the CEDM has chosen to maintain separate but similar policies; and

WHEREAS, the CEDM has chosen to make certain major changes to the Policies as summarized here and indicated on the attached Exhibit A;

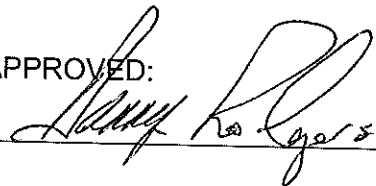
- clarified that the maximum maturity for CEDM funds is two years,
- defined traditional certificates of deposit from Texas banks as "depository certificates of deposit" to differentiate it from a newly authorized investment type,
- added a new authorized investment as FDIC insured, brokered certificate of deposit securities issued by banks outside Texas with a maximum maturity of one year,
- added a procedure to monitor and act on any security which incurs a loss of policy required credit rating, and
- added a procedure to monitor and act on any merger or acquisition of a bank brokered security which places funds above the FDIC insurance

NOW, THEREFORE, BE IT RESOLVED

That the CEDM has complied with the requirements of the Public Funds Investment Act and the Investment Policies and Strategies, as amended, attached hereto as Exhibit A, is hereby adopted as the Investment Policy. Minor changes to the Policy are marked on the Exhibit A.

PASSED, ADOPTED AND APPROVED by the Corporation for the Economic Development of Midlothian this the 12th day of SEPTEMBER, 2011.

APPROVED:



ATTEST:



Secretary