



MAYOR
ANA DIAZ

City of Jacinto City

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JACINTO CITY, TEXAS 77029
www.jacintocity-tx.gov

May 5, 2025

**The Mayor and City Council will meet in a regular session
on Thursday, May 8, 2025 at 6:00 p.m. in the
Council Chamber at 10301 Market Street.
With the following items on the agenda:**

COUNCIL MEMBERS

MARIO GONZALES
CARMELA GARCIA
ALLEN LEE
JIMMY "JJ" RIVAS
GREGG ROBINSON

CITY MANAGER

LON D. SQUIRES

CITY SECRETARY

CHRISTAL RODRIGUEZ

CITY ATTORNEY

JIM DEFOYD

1. Call to Order:

- a. Invocation and Pledge of Allegiance
- b. Roll Call

2. Mayor & Council Comments:

3. Public Comments:

Please Limit to three (3) minutes per individual on topics listed on the agenda or on a Municipal Government topic, in which the City of Jacinto City has authority; However Notice is hereby given that in accordance with the Texas Open Meetings Act, Texas Government Code, Chapter 551, prohibits the City Council from discussing, deliberating, or considering, subjects for which public notice has not been given on the agenda; Such issues may be referred to city administration.

4. Approval of the Minutes of Previous Meeting(s):

5. Reports/Announcements of City Departments:

With respect to items not listed elsewhere on this agenda, members may report on items of community interest, including announcing community events, announcing employees or community recognitions.

6. Unfinished Business:

- a. Second and Final Reading of Ordinance 2025-2 Amending the Code of Ordinances of the Section 1C(2) Water Service Rates inside City Limits: Repealing all Ordinances in Conflict Herewith: Establishing Effective Date.

7. New Business:

- a. Harris County Judge Lozano to Administer Oaths of Office to Unopposed Candidates Elected by Ordinance 2025-1 on March 13, 2025.
- b. Mayor & Council to Appoint Mayor Pro Tem.
- c. First Reading of Ordinance 2025-3 Setting Salary for Mayor & Council.
- d. Mayor & Council to consider Resolution 2025-8R approving the submission of an application for "FY 26 SB 224 Catalytic Converter Grant Program" for the Police Department of Jacinto City, Texas.
- e. Mayor & Council to consider amending Capital Outlay Budget Code 25-6977 by an increase of \$27,000.00 for Emergency Repairs to the City's Water Well.
- f. Mayor & Council to consider approving Investment Reports 10-1-2023 to 9-30-2024.
- g. Mayor & Council to consider approving Investment Policy.

I, City Secretary, certify that a copy of the May 8, 2025 agenda was posted in the glass case outside City Council Chambers & in the City Hall Lobby, convenient & accessible to the general public at all times & to the City's website at www.jacintocity-tx.gov in compliance with Chapter 551, Texas Government Code.

Christal Rodriguez
City Secretary

**This facility is wheelchair accessible and accessible parking spaces are available.
Request for accommodations or interpretive service must be made 72 hours prior to Meeting.**

ORDINANCE NO. 2025-2

AN ORDINANCE AMENDING THE CODE OF ORDINANCES OF THE CITY OF JACINTO CITY, TEXAS AT CHAPTER 10 ENTITLED UTILITIES, AT SECTION 1C(2) "WATER SERVICE RATES" INSIDE CITY LIMITS; REPEALING ALL ORDINANCES IN CONFLICT HEREWITH; ESTABLISHING AN EFFECTIVE DATE

WHEREAS, the City Council of the City of Jacinto City, Texas, since the last adjustments of its Water Rates received notice of price increase for the purchase of surface water from the City of Houston resulting in charges which the City of Jacinto City is forced to pay to the City of Houston for such surface water; and

WHEREAS, the City Council has determined that to continue to make improvements to our water and to provide the citizens with water it is necessary to adjust the present Water Rates, NOW THEREFORE:

BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF JACINTO CITY, TEXAS:

SECTION 1. That the Code of Ordinances of the City of Jacinto City, Texas, be and the same is hereby amended at Chapter 10, Sections 1C(2) as follows:

Section 1C Water Service Rates:

- (1) Minimum Monthly Rates. The minimum monthly service rates charged by the City shall be as follows:
 - (a) One (1) unit (whether house, business or trailer, on one (1) Meter:
 - (i) One (1) unit up to 2,000 gallons shall be charged Twenty-Three and 26/100 (\$23.26) Dollars per month; and
 - (ii) All additional gallons used above 2000 gallons, referred to as the "net" amount, shall be charged at the rate of Six and 26/100 (\$6.26) Dollars per 1,000 gallons.
 - (b) Second (2nd) or more units on the same meter under one (1) roof for a residence or a business:
 - (i) One (1) unit up to 2,000 gallons for each unit, the charge shall be Twenty-Three and 26/100 (\$23.26) Dollars minimum and each unit shall be charged as if each are single units under separate roofs on separate meters; and
 - (ii) All additional gallons used above 2,000 gallons, referred to as the "net" amount shall be charged at the rate of Six and 26/100 (\$6.26) Dollars per 1,000 gallons.

1C(2) Water Rate Charge Table

The minimum monthly water service rates charged by the City shall be as follows:

First 2,000 gallons \$23.26 (minimum)
All over 2,000 gallons \$ 6.26 per 1,000 gallons.

SECTION 2. All ordinances or parts of ordinances in conflict herewith are hereby repealed and this ordinance shall become effective on the second and final reading of the same as provided by the City Charter of the City of Jacinto City, Texas.

SECTION 3. This ordinance shall take effect upon the final passage, and it is so ordained.

PASSED AND ADOPTED ON THE FIRST READING THIS THE 24th DAY OF APRIL, 2025.

Ana Diaz, Mayor

ATTEST:

C. Rodriguez
Christal Rodriguez, City Secretary

APPROVED:

Jim Defoyd, City Attorney

PASSED AND ADOPTED ON THE SECOND AND FINAL READING
THIS 8th DAY OF MAY 2025.

Ana Diaz
Ana Diaz, Mayor

ATTEST:

Christal Rodriguez, City Secretary

APPROVED:

Jim Defoyd, City Attorney

ORDINANCE 2025-3

AN ORDINANCE SETTING SALARIES TO BE PAID TO THE
MAYOR AND CITY COUNCIL

BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF JACINTO CITY, TEXAS

SECTION 1. SALARIES OF ELECTED OFFICIALS:

- A. MAYOR: The Mayor shall receive a salary for his or her duties rendered to the City in the amount of \$ _____ per month, plus \$ _____ auto allowance per month, which amount shall be paid to the Mayor on the 4th Thursday of each month.
- B. COUNCIL MEMBERS: Each Council Member shall receive a salary for his or her services rendered to the City in the amount of \$ _____ per month plus \$ _____ auto allowance per month, which shall be paid to each Council Member on the 4th Thursday of each month.

SECTION 2: EXPENSES

In addition to the salaries to be paid to the Mayor and Council Member set forth hereinabove each shall be entitled to reimbursement of such reasonable and necessary expenses expended by such officials in the discharge of his or her duties.

All applications for reimbursement shall be in writing and accompanied with paid receipts or other evidence of such expenditures made by such officials before any reimbursement is paid, the application shall be approved by the signature of (3) Council Members.

PASSED AND ADOPTED ON THE FIRST READING THIS 8th DAY OF MAY, 2025.

Mayor

ATTEST:

Christal Rodriguez, City Secretary

PASSED AND ADOPTED ON THE SECOND AND FINAL READING THIS 22nd DAY
OF MAY, 2025.

Mayor

APPROVED:

Jim DeFoyd, City Attorney

Christal Rodriguez, City Secretary

Voting For: _____

Voting Against. _____

RESOLUTION 2025-8R

Resolution Approving the Submission of an Application for “FY 26 SB 224 Catalytic Converter Grant Program”

A Resolution of the City of Jacinto City Approving the Submission of an Application for “FY26 SB 224 Catalytic Converter Grant Program: for the Police Department of Jacinto City, Texas.

WHEREAS, under the provisions of the Texas Transportation Code Chapter 1006 and Texas Administrative Code Title 43; Part 3; Chapter 57, entities are eligible to receive grants from the Motor Vehicle Crime Prevention Authority to provide financial support to law enforcement task forces and agencies for economic motor vehicle theft, including catalytic converter theft; and

WHEREAS, this grant program will assist this jurisdiction to combat catalytic converter theft; and

WHEREAS, the City of Jacinto City has agreed that in the event of loss or misuse of the grant funds, the City of Jacinto City agrees and assures that the grant funds will be returned in full to the Motor Vehicle Prevention Authority.

NOW THEREFORE, BE IT RESOLVED AND ORDERED BY THE COUNCIL OF THE CITY OF JACINTO CITY: that Lon Squyres, City Manager, is designated as the Authorized Official to apply for, accept, decline, modify or cancel the grant application for the Motor Vehicle Crime Prevention Authority Grant Program and all other necessary documents to accept said grant; and

BE IT FURTHER RESOLVED that Mark Longrigg, Police Captain, is designated as the Program Director; and Kathy Greiner, Finance Director, is designated as the Financial Officer for this grant.

DULY PASSED BY THE COUNCIL OF THE CITY OF JACINTO CITY,

ON THIS 8TH DAY OF MAY 2025

Ana Diaz, Mayor

ATTEST:

Lon Squyres, City Manager

APPROVED:

Christal Rodriguez, City Secretary

Jim Defoyd, Attorney

Budget Amendments

FY 2024-2025

Budget Code: Budget Code 25-6977

Amount: \$ 27,000.00

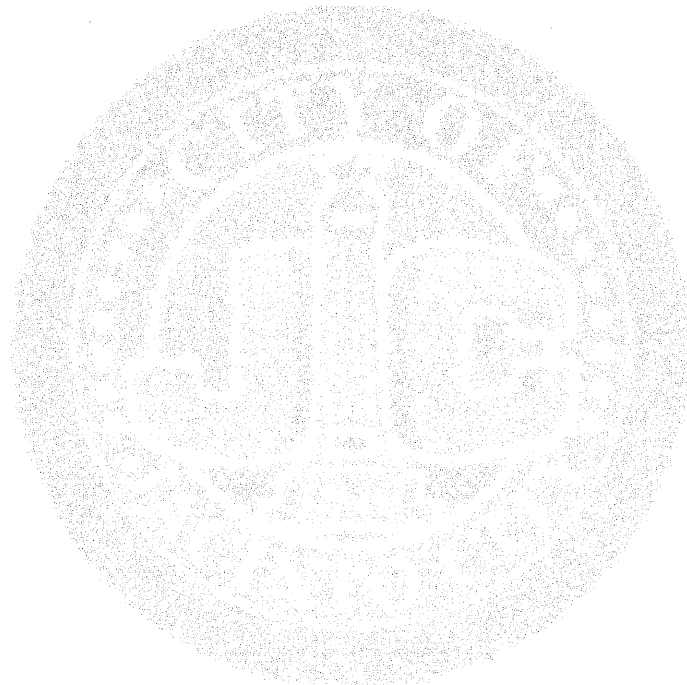
Date of Amendment: 5/8/2025

Purpose of Amendment: for Emergency Repairs to Water Well

Motion: Made by Councilmember _____ to approve / deny amendment.

Second: Made by Councilmember _____.


Vote: ____/____



CITY OF JACINTO CITY
QUARTERLY INVESTMENT REPORT
OCTOBER 1, 2023 TO DECEMBER 2023

Investment Type	Issued By	Fund	Purchase Dai Term	Maturity	Beginning Book	Ending Book	Quarterly Earnings
CD 38720	CAP BANK GF		3/2/2006	182 2/28/2024	\$ 633,773.87	\$ 633,773.87	\$ -
CD 40000	CAP BANK WF		1/17/2003	181 5/22/2024	\$ 211,901.77	\$ 217,334.41	\$ 5,432.64
CD 40023	CAP BANK GF		2/25/2008	90 3/11/2024	\$ 287,987.74	\$ 291,758.41	\$ 3,770.67
CD 39942	CAP BANK GF		2/13/2006	180 4/11/2024	\$ 616,704.89	\$ 631,850.49	\$ 15,145.60
CD 40026	CAP BANK GF		2/2/2006	120 3/12/2024	\$ 126,763.65	\$ 129,553.32	\$ 2,789.67
CD 40028	CAP BANK GF		2/7/2005	120 3/13/2024	\$ 297,497.08	\$ 302,671.08	\$ 5,174.00
CD 39128	CAP BANK GF		11/27/2023	90 2/27/2024	\$ 524,268.82	\$ 531,171.93	\$ 6,903.11
CD 40012	CAP BANK GF		3/15/2021	90 3/4/2024	\$ 525,032.92	\$ 531,024.34	\$ 5,991.42
CD 39989	CAP BANK GF		8/26/2021	90 2/16/2024	\$ 522,724.31	\$ 529,542.64	\$ 6,818.33
CD 39403	CAP BANK GF		1/2/2023	90 12/31/2023	\$ 517,989.10	\$ 524,796.75	\$ 6,807.65
CD 39404	CAP BANK GF		1/5/2023	90 12/31/2023	\$ 306,836.53	\$ 314,878.05	\$ 8,041.52
CD 39405	CAP BANK GF		1/5/2023	90 12/31/2023	\$ 511,394.22	\$ 524,796.75	\$ 13,402.53
CD 39979	CAP BANK GF		2/8/2023	90 2/6/2024	\$ 512,067.61	\$ 518,746.94	\$ 6,679.33
CD 39993	CAP BANK GF		2/22/2023	90 2/20/2024	\$ 512,367.11	\$ 519,050.34	\$ 6,683.23
CD 39994	CAP BANK GF		2/22/2023	90 2/20/2024	\$ 512,367.11	\$ 519,050.34	\$ 6,683.23
TOTAL INVESTMENTS					\$ 6,619,676.73	\$ 6,719,999.66	\$ 100,322.93


The above investments are consistent with the City's Investment Policy and in compliance with the provisions of the Local Government Code Chapter 2256.


Lon Sayres, Investment Officer

City of Jacinto City
Quarterly Investment Report
January 2024 to March 31, 2024

Investment Type	Issued By	Fund	Purchase Date	Term	Maturity	Beginning Book	Ending Book	Quarterly Earnings
CD 39942	CAP BANK	GF	2/13/2006	180	4/11/2024	\$631,850.49	\$631,850.49	\$0.00
CD 40000	CAP BANK	WF	1/17/2003	181	5/22/2024	\$217,334.41	\$217,334.41	\$0.00
CD 40003	CAP BANK	GF	11/27/2023	90	5/27/2024	\$531,171.93	\$538,227.64	\$7,055.71
CD 40012	CAP BANK	GF	6/15/2021	90	6/4/2024	\$531,024.34	\$538,014.66	\$6,990.32
CD 40023	CAP BANK	GF	2/25/2008	90	6/11/2024	\$291,758.41	\$295,577.25	\$3,818.84
CD 40026	CAP BANK	WF	11/14/2022	120	6/12/2024	\$129,553.32	\$131,252.28	\$1,698.96
CD 40028	CAP BANK	GF	2/7/2005	120	6/13/2024	\$302,671.08	\$306,640.30	\$3,969.22
CD 40062	CAP BANK	GF	1/5/2023	90	4/2/2024	\$314,878.05	\$314,878.05	\$0.00
CD 40064	CAP BANK	GF	1/2/2023	90	4/2/2024	\$524,796.75	\$524,796.75	\$0.00
CD 40065	CAP BANK	GF	1/5/2023	90	4/2/2024	\$524,796.75	\$524,796.75	\$0.00
CD 40178	CAP BANK	GF	2/8/2023	90	5/6/2024	\$518,746.94	\$525,702.98	\$6,956.04
CD 40196	CAP BANK	GF	2/8/2024	90	5/8/2024	\$500,000.00	\$500,000.00	\$0.00
CD 40258	CAP BANK	GF	2/16/2024	90	5/16/2024	\$500,000.00	\$500,000.00	\$0.00
CD 40263	CAP BANK	GF	8/26/2021	90	5/16/2024	\$529,542.64	\$536,590.05	\$7,047.41
CD 40265	CAP BANK	GF	2/22/2023	90	5/20/2024	\$519,050.34	\$525,958.12	\$6,907.78
CD 40266	CAP BANK	GF	2/22/2023	90	5/20/2024	\$519,050.34	\$525,958.12	\$6,907.78
CD 40307	CAP BANK	GF	3/2/2006	182	8/28/2024	\$633,773.87	\$650,680.87	\$16,907.00
Total of Investments						\$7,719,999.66	\$7,788,258.72	\$68,259.06


The above investments are consistent with the City's Investment Policy and in compliance with the provisions of the Local Government Code Chapter 2256.


Lon Squyres, Investment Officer

CITY OF JACINTO CITY
Quarterly Investment Report
APRIL 1, 2024 TO JUNE 30, 2024

Investment Type	Issued By	Fund	Purchase Date	Term	Maturity	Beginning Book	Ending Book	Quarterly Earnings
CD 39942	CAP BANK	GF	3/2/2006	10	10/11/2024	\$631,850.49	\$648,767.12	\$16,916.63
CD 40000	CAP BANK	WF	1/17/2003	181	11/22/2024	\$217,334.41	\$223,002.13	\$5,667.72
CD 40003	CAP BANK	GF	11/27/2023	90	8/27/2024	\$538,227.64	\$543,801.61	\$5,573.97
CD 40012	CAP BANK	GF	6/15/2021	90	8/4/2024	\$538,014.66	\$545,134.14	\$7,119.48
CD 40023	CAP BANK	GF	2/25/2008	90	9/11/2024	\$295,577.25	\$299,481.14	\$3,903.89
CD 40026	CAP BANK	WF	11/14/2022	120	9/12/2024	\$131,252.28	\$132,989.13	\$1,736.85
CD 40028	CAP BANK	GF	2/7/2005	120	9/13/2024	\$306,640.30	\$310,698.03	\$4,057.73
CD 40062	CAP BANK	GF	1/5/2023	90	7/2/2024	\$314,878.05	\$319,007.35	\$4,129.30
CD 40064	CAP BANK	GF	1/2/2023	90	7/2/2024	\$524,796.75	\$531,678.92	\$6,882.17
CD 40065	CAP BANK	GF	1/5/2023	90	7/2/2024	\$524,796.75	\$531,678.92	\$6,882.17
CD 40178	CAP BANK	GF	2/8/2023	90	8/6/2024	\$525,702.98	\$532,482.39	\$6,779.41
CD 40196	CAP BANK	GF	2/8/2024	90	8/8/2024	\$500,000.00	\$506,447.95	\$6,447.95
CD 40258	CAP BANK	GF	2/16/2024	90	8/16/2024	\$500,000.00	\$506,447.95	\$6,447.95
CD 40263	CAP BANK	GF	8/26/2021	90	8/16/2024	\$536,590.05	\$543,509.86	\$6,919.81
CD 40265	CAP BANK	GF	2/22/2023	90	8/20/2024	\$525,958.12	\$532,740.82	\$6,782.70
CD 40266	CAP BANK	GF	2/22/2023	90	8/20/2024	\$525,958.12	\$532,740.82	\$6,782.70
CD 40307	CAP BANK	GF	3/2/2006	182	8/28/2024	\$650,680.87	\$650,680.87	\$0.00
Total of Investments						\$7,788,258.72	\$7,891,289.15	\$103,030.43

The above investments are consistent with the City's Investment Policy and in compliance with the provisions of the Local Government Code Chapter 2256.


Lon Squyres, Investment Officer


CITY OF JACINTO CTY
 QUARTERLY INVESTMENT REPORT
 JULY 1, 2024 TO SEPTEMBER 30, 2024

Investment Type	Issued By	Fund	Purchase Date	Term	Maturity	Beginning Book	Ending Book	Quarterly Earni
CD 39942	CAP BANK GF		3/2/2006	180	10/11/2024	\$ 648,767.12	\$ 648,767.12	\$ -
CD 40000	CAP BANK WF		1/17/2003	181	11/22/2024	\$ 223,002.13	\$ 223,002.13	\$ -
CD 40012	CAP BANK GF		6/5/2021	90	11/4/2024	\$ 545,134.14	\$ 549,917.13	\$ 4,782.99
CD 40026	CAP BANK WF		11/14/2022	120	12/12/2024	\$ 132,989.13	\$ 134,748.96	\$ 1,759.83
CD 40062	CAP BANK GF		1/5/2023	90	10/2/2024	\$ 319,007.35	\$ 323,166.94	\$ 4,159.59
CD 40064	CAP BANK GF		1/2/2023	90	10/2/2024	\$ 531,678.92	\$ 538,611.58	\$ 6,932.66
CD 40065	CAP BANK GF		1/5/2023	90	10/2/2024	\$ 531,678.92	\$ 538,611.58	\$ 6,932.66
CD 40178	CAP BANK GF		2/8/2023	90	11/6/2024	\$ 532,482.39	\$ 539,528.66	\$ 7,046.27
CD 40196	CAP BANK GF		2/8/2024	90	11/8/2024	\$ 506,447.95	\$ 513,149.71	\$ 6,701.76
CD 40258	CAP BANK GF		2/26/2024	90	11/16/2024	\$ 506,447.95	\$ 513,149.71	\$ 6,701.76
CD 40263	CAP BANK GF		8/26/2021	90	11/16/2024	\$ 543,509.86	\$ 550,702.06	\$ 7,192.20
CD 40265	CAP BANK GF		2/22/2023	90	11/20/2024	\$ 532,740.82	\$ 539,777.09	\$ 7,036.27
CD 40266	CAP BANK GF		2/22/2023	90	11/20/2024	\$ 532,740.82	\$ 539,777.09	\$ 7,036.27
CD 40307	CAP BANK GF		3/2/2006	90	2/28/2025	\$ 650,680.87	\$ 667,325.11	\$ 16,644.24

TOTAL INVESTMENTS

\$ 6,737,308.37 \$ 6,820,234.87 \$ 82,926.50

The above investments are consistent with the City's Investment Policy and in compliance with the provisions of the Local Government Code Chapter 2256.


 Lon Squires, Investment Officer

JACINTO CITY INVESTMENT POLICY

INTRODUCTION

The purpose of this document is to set forth specific investment policy and strategy guidelines for the City in order to achieve the goals of safety, liquidity, yield, and public trust for all investment activity. The City Council of the City shall review and adopt, by resolution, its investment strategies and policy not less than annually. The resolution shall include a record of changes made to either the investment policy or strategy. This policy serves to satisfy the statutory requirement (specifically the Public Funds Investment Act, Article 342a-2 V.T.C.S. (the "Act") to define, adopt and review a formal investment strategy and policy.

INVESTMENT STRATEGY

The City maintains portfolios, which utilize four specific investment strategy considerations, designed to address the unique characteristics of the fund groups represented in the portfolios:

- A. Investment strategies for operating funds and commingled pools containing operating funds have as their primary objective to assure that anticipated cash flows are matched with adequate investment liquidity. The secondary objective is to create a portfolio structure, which will experience minimal volatility during economic cycles. This may be accomplished by purchasing high quality, short- to medium-term securities which will complement each other in a laddered or barbell maturity structure. The dollar weighted average maturity of 365 days or less will be calculated using the stated final maturity date of each security.
- B. Investment strategies for debt service funds shall have as the primary objective the assurance of investment liquidity adequate to cover the debt service obligation on the required payment date. Securities purchased shall not have a stated final maturity date which exceeds the debt service payment date.
- C. Investment strategies for debt service reserve funds shall have as the primary objective the ability to generate a dependable revenue stream to the appropriate debt service fund from securities with a low degree of volatility. Securities should be of high quality and, except as may be required by the bond ordinance specific to an individual issue, of short to intermediate-term maturities. Volatility shall be further controlled through the purchase of securities carrying the highest coupon available, within the desired maturity and quality range, without paying a premium, if at all possible.
- D. Investment strategies for special projects or special purpose fund portfolios will 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 highly liquid securities to allow for flexibility and unanticipated project outlays. The stated final maturity dates of securities held should not exceed the estimated project completion date.

INVESTMENT POLICY I. SCOPE

This investment policy applies to all financial assets of the City. These funds are accounted for in the City's Comprehensive Annual Financial Report (CAFR) and include:

- * General Fund
- * Special Revenue Funds
- * Debt Service Funds
- * Capital Projects Funds
- * Proprietary Funds
- * All Other Funds

II. OBJECTIVES

The City shall manage and invest its cash with four objectives, listed in order of priority: Safety, Liquidity, Yield, and Public Trust. The safety of the principal invested always remains the primary objective. All investments shall be designed and managed in a manner responsive to the public trust and consistent with State and Local law.

The City shall maintain a comprehensive cash management program that includes collection of accounts receivable, vendor payment in accordance with invoice terms, and prudent investment of available cash. Cash management is defined as the process of managing monies in order to insure maximum cash availability and maximum yield on shortterm investment of pooled idle cash.

Safety

The primary objective of the City's investment activity is the preservation of capital in the overall portfolio. Each investment transaction shall be conducted in a manner to avoid capital losses, whether they are from securities defaults or erosion of market value.

Liquidity

The City's investment portfolio shall be structured such that the City is able to meet all obligations in a timely manner. This shall be achieved by matching investment maturities with forecasted cash flow requirements and by investing in securities with active secondary markets.

Yield

The City's cash management portfolio shall be designed to regularly exceed the average rate of return on U.S. Treasury Bills at a maturity level comparable to the City's weighted average maturity in days. The investment program shall seek to augment returns above this threshold consistent with risk limitations identified herein and prudent investment policies.

Public Trust

Participants in the City's investment process shall act responsibly as public trust custodians. Investment officials shall avoid transactions which might impair public confidence in the City's ability to govern effectively.

III. RESPONSIBILITY AND CONTROL

Investment Committee

An Investment Committee, consisting of the City Manager, and the Finance Director shall meet at least quarterly to determine operational strategies and to monitor results. The Investment Committee shall include in its deliberation such topics as: performance reports, economic outlook, portfolio diversification, maturity structure, potential risk to the City's funds, authorized brokers and dealers, and the target rate of return on the investment portfolio.

Delegation of Authority and Training

Authority to manage the City's investment program is derived from a City Council resolution.

The City Manager is designated as the City's investment officer and is responsible for investment decisions and activities. The City Manager shall establish written procedures for the operation of the investment program, consistent with the investment policy. Within 12 months after assuming duties, the investment officer shall attend at least one training session at least once every two years and receive 10 hours of training that relates to the officer's responsibility under the Act. Training from an independent source shall be approved or endorsed by either the Government Finance Officers Association of Texas, the Government Treasurers Organization of Texas, the Texas Municipal League, or the Houston Galveston Area Council of Governments.

Internal Controls

The Finance Director is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the entity are protected from loss, theft, or misuse. The internal control structure shall be designed to provide reasonable assurance that these objectives are met. The concept of reasonable assurance recognizes that (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management.

Accordingly, the Finance Director shall establish a process for annual independent review by an external auditor to assure compliance with policies and procedures. The results of this review shall be reported to the City Council. The internal controls shall address the following points:

- A. Control of collusion.
- B. Transaction authority separated from accounting and record keeping.
- C. Custodial safekeeping.
- D. Avoidance of physical delivery securities.
- E. Clear delegation of authority to subordinate staff members.
- F. Written confirmation for telephone (voice) transactions for investments and wire transfers.
- G. Development of a wire transfer agreement with the depository bank or third party custodian.

Prudence

The standard of prudence to be applied by the investment officer shall be the "prudent investor" rule, which states: "Investments shall be made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable

income to be derived." In determining whether an investment officer has exercised prudence with respect to an investment decision, the determination shall be made taking into consideration:

- A. The investment of all funds, or funds under the City's control, over which the officer had responsibility rather than a consideration as to the prudence of a single investment.
- B. Whether the investment decision was consistent with the written investment policy of the City.

The investment officer, acting in accordance with written procedures and exercising due diligence, shall not be held personally responsible for a specific security's credit risk or market price changes, provided that these deviations are reported immediately and that appropriate action is taken to control adverse developments.

Ethics and Conflicts of Interest

City staff involved in the investment process shall refrain from personal business activity that could conflict with proper execution of the investment program, or which could impair the ability to make impartial investment decisions. City staff shall disclose to the City Manager any material financial interests in financial institutions that conduct business with the City and they shall further disclose positions that could be related to the performance of the City's portfolio. City staff shall subordinate their personal financial transactions to those of the City, particularly with regard to timing of purchases and sales.

A City investment officer who has a personal business relationship with an organization seeking to sell investment to the City shall file a statement disclosing that personal business interest. An investment officer who is related within the second degree by affinity or consanguinity to an individual seeking to sell an investment to the City shall file a statement disclosing that relationship. A statement required under this subsection must be filed with the Texas Ethics Commission and the governing body of the entity.

IV. REPORTING

Quarterly Reporting

The Investment Officer shall submit a signed quarterly investment report that describe the portfolio and shall explain the total investment return for the quarter.

Annual Report

Within 60 days of the end of the fiscal year, the Finance Director shall present an annual report on the investment program and investment activity. This report may be presented as a component of the fourth quarter report to the City Manager and City Council.

Methods

The quarterly investment report shall include a succinct management summary that provides a clear picture of the current investment portfolio status and transactions made over the last quarter. This management summary will be prepared in a manner that will allow the City to ascertain whether investment activities during the reporting period have conformed to the

investment policy. The report will be prepared in compliance with generally accepted accounting principles. The report will be provided to the Mayor and City Council. The report will include the following:

- A. A listing of individual securities held at the end of the reporting period. This list will include the name of the fund or pooled group fund for which each individual investment was acquired.
- B. Unrealized gains or losses resulting from appreciation or depreciation by listing the beginning and ending book and market value of securities for the period. Market values shall be obtained from financial institutions or portfolio reporting services independent from the broker/dealer from which the security was purchased.
- C. Additions and changes to the market value during the period.
- D. Fully accrued interest for the reporting period.
- E. Investment listings by maturity date.
- F. The percentage of the total portfolio which each type of investment represents.

V. INVESTMENT PORTFOLIO

Active Portfolio Management

The City shall pursue an active versus a passive portfolio management philosophy. Securities may be sold before they mature if market conditions present an opportunity for the City to benefit from the trade. The investment officer will routinely monitor the portfolio contents, the available markets, and the relative value of competing instruments, and will adjust the portfolio accordingly.

Investments

Assets of the City may be invested in the following instruments; provided, however, that at no time shall assets of the City be invested in any instrument or security not authorized for investment under the Act, as the Act may from time to time be amended. The City is not required to liquidate investments that were authorized investments at the time of purchase.

I. Authorized

- A. Obligations of the United States of America, its agencies and instrumentalities, which have a liquid market with a readily determinable market value.
- B. Direct obligations of the State of Texas and agencies thereof.

- C. Other obligations, the principal of and interest on which are unconditionally guaranteed by the State of Texas or United States of America.
- D. Obligations of the States, agencies thereof, Counties, Cities, and other political subdivisions of any state having been rated as investment quality by a nationally recognized investment rating firm, and having received a rating of not less than "A" or its equivalent.
- E. Certificates of Deposit of state and national banks domiciled in Texas, guaranteed or insured by the Federal Deposit Insurance or its successor or secured by obligations described in A through D above, which are intended to include all direct agency or instrumentality issued mortgage backed securities rated AAA by a nationally recognized rating agency, or by Article 2529b-1, V.T.C.S., and that have a market value of not less than the principal amount of the certificates.
- F. Fully collateralized direct repurchase agreements with a defined termination date secured by obligations of the United States or its agencies and instrumentalities pledged with a third party, selected by the Finance Director, other than an agency for the pledgor. Repurchase agreements must be purchased through a primary government securities dealer, as defined by the Federal Reserve, or a bank domiciled in Texas. A Master Repurchase Agreement must be signed by the bank/dealer prior to investment in a repurchase agreement.
- G. Joint pools of political subdivisions in the State of Texas which invest in instruments and follow practices allowed by current law. Investment in such pools shall be limited to 15% of the City's entire portfolio. A pool must be continuously rated no lower than AAA or AAA-m or at an equivalent rating by at least one nationally recognized rating service.

II. Not Authorized

The City's authorized investments options are more restrictive than those allowed by State law. State law specifically prohibits investment in the following investment securities.

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

Holding Period

The City intends to match the holding periods of investment funds with liquidity needs of the City. In no case will the average maturity of investments of the City's operating funds exceed one year. The maximum final stated maturity of any investment shall not exceed five years.

Investments in all funds shall be managed in such a way that the market price losses resulting from interest rate volatility would be offset by coupon income and current income received from the volume of the portfolio during a twelve month period.

Risk and Diversification

The City recognizes that investment risks can result from issuer defaults, market price changes or various technical complications leading to temporary illiquidity. Risk is controlled through portfolio diversification that shall be achieved by the following general guidelines:

- A. Risk of issuer default is controlled by limiting investments to those instruments allowed by the Act, which are described herein.
- B. Risk of market price changes shall be controlled by avoiding over-concentration of assets in a specific maturity sector, limitation of average maturity of operating funds investments to one year, and avoidance of overconcentration of assets in specific instruments other than U.S. Treasury Securities and Insured or Collateralized Certificates of Deposits.
- C. Risk of illiquidity due to technical complications shall be controlled by the selection of securities dealers as described herein.

VI. SELECTION OF BANKS AND DEALERS

Depository

At least every three years a Depository shall be selected through the City's banking services procurement process, which shall include a formal request for proposal (RFP). In selecting a depository, the credit worthiness of institutions shall be considered, and the Director of Finance shall conduct a comprehensive review of prospective depositories credit characteristics and financial history.

Certificates of Deposit

Banks seeking to establish eligibility for the City's competitive certificate of deposit purchase program shall submit for review annual financial statements, evidence of federal insurance and other information as required by the Finance Director.

Securities Dealers

For government securities brokers and dealers, the City shall select only dealers reporting to the Market Reports Division of the Federal Reserve Board of New York, also known as the "Primary Government Security Dealers", unless a comprehensive credit and capitalization analysis reveals that other firms are adequately financed to conduct public business. Only brokers and dealers with an office in the City shall be selected. Investment officials shall not knowingly conduct business with a firm with whom public entities have sustained losses on investments. All securities dealers shall provide the City with references from public entities that they are currently serving. The Investment Committee shall adopt and annually review a list of qualified brokers authorized to engage in investment transactions with the entity.

All financial institutions and broker/dealers who desire to become qualified bidders for investment transactions must supply the following as appropriate:

- A. audited financial statements
- B. proof of National Association of Securities Dealers (NASD) certification

- C. proof of state registration
- D. completed broker/dealer questionnaire
- E. certification of having read the City's investment policy signed by a qualified representative of the organization
- F. acknowledgment that the organization has implemented reasonable procedures and controls in an effort to preclude imprudent investment activities arising out of investment transactions conducted between the City and the organization

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

- A. For a business organization doing business that is regulated by or registered with a securities commission, a person who is registered under the rules of the National Association of Securities Dealers;
- B. For a state or federal bank, a savings bank, or a state or federal credit union, a member of the loan committee for the bank or branch of the bank or a person authorized by corporate resolution to act on behalf of and bind the banking institution; or
- C. For an investment pool, the person authorized by the elected official or board with authority to administer the activities of the investment pool to sign the certification on behalf of the investment pool.

Investment Pools

A thorough investigation of the pool is required prior to investing, and on a continual basis. All investment pools must supply the following information in order to be eligible to receive funds:

- A. the types of investments in which money is allowed to be invested
- B. the maximum average dollar-weighted maturity allowed, based on the stated maturity date, of the pool
- C. the maximum stated maturity date any investment security within the portfolio has
- D. the objectives of the pool
- E. the size of the pool
- F. the names of the members of the advisory board of the pool and the dates their terms expire
- G. the custodian bank that will safekeep the pool's assets
- H. whether the intent of the pool is to maintain a net asset value of one dollar and the risk of market price fluctuation

- I. whether the only source of payment is the assets of the pool at market value or whether there is a secondary source of payment, such as insurance or guarantees, and a description of the secondary source of payment
- J. the name and address of the independent auditor of the pool
- K. the requirements to be satisfied for an entity to deposit funds in and withdraw funds from the pool and any deadlines or other operating policies required for the entity to invest funds in and withdraw funds from the pool
- L. the performance history of the pool, including yield, average dollar-weighted maturities, and expense ratios
- M. a description of interest calculations and how interest is distributed, and how gains and losses are treated

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

VII. SAFEKEEPING AND CUSTODY

Insurance or Collateral

All deposits and investments of City funds other than direct purchases of U.S. Treasuries or Agencies shall be secured by pledged collateral. In order to anticipate market changes and provide a level of security for all funds, the collateralization level will be 102% of market value of principal and accrued interest on the deposits or investments less an amount insured by the FDIC or FSLIC. Evidence of the pledged collateral shall be maintained by the Finance Director or a third party financial institution. Repurchase agreements shall be documented by a specific agreement noting the collateral pledge in each agreement. Collateral shall be reviewed weekly to assure that the market value of the pledged securities is adequate.

Safekeeping Agreement

Collateral pledged to secure deposits of the City shall be held by a safekeeping institution in accordance with a Safekeeping Agreement which clearly defines the procedural steps for gaining access to the collateral should the City determine that the City's funds are in jeopardy. The safekeeping institution, or Trustee, shall be the Federal Reserve Bank or an institution not affiliated with the firm pledging the collateral. The safekeeping agreement shall include the signatures of authorized representatives of the City, the firm pledging the collateral, and the Trustee.

Collateral Defined

The City shall accept only the following securities as collateral:

- A. FDIC and FSLIC insurance coverage.
- B. A bond, certificate of indebtedness, or Treasury Note of the United States, or other evidence of indebtedness of the United States that is guaranteed as to principal and interest by the United States.
- C. Obligations, the principal and interest on which, are unconditionally guaranteed or insured by the State of Texas.

- D. A bond of the State of Texas or of a county, city or other political subdivision of the State of Texas having been rated as investment grade (investment rating no less than "A" or its equivalent) by a nationally recognized rating agency with a remaining maturity of ten (10) years or less.

Subject to Audit

All collateral shall be subject to inspection and audit by the Director of Finance or the City's independent auditors.

Delivery vs. Payment

Treasury Bills, Notes, Bonds, Repurchase Agreements and Government Agencies' securities shall be purchased using the delivery vs. payment method. That is, funds shall not be wired or paid until verification has been made that the correct security was received by the Trustee. The security shall be held in the name of the City or held on behalf of the City. The Trustee's records shall assure the notation of the City's ownership of or explicit claim on the securities. The original copy of all safekeeping receipts shall be delivered to the City.

VIII. INVESTMENT POLICY ADOPTION

The City of Jacinto City's investment policy shall be adopted by resolution of the City Council. The policy shall be reviewed for effectiveness on an annual basis by the Investment Committee and any modifications will be recommended for approval to the City Council. The City Council shall review these investment policies and strategies not less than annually.

GLOSSARY of COMMON TREASURY TERMS

Agencies: Federal agency securities.

Asked: The price at which securities are offered.

Bid: The price offered for securities.

Bankers' Acceptance (BA): A draft of bill or exchange accepted by a bank or trust company. The accepting institution guarantees payment of the bill, as well as the issuer.

Broker: A broker brings buyers and sellers together for a commission paid by the initiator of the transaction or by both sides; he does not position. In the money market, brokers are active in markets in which banks buy and sell money and in interdealer markets.

Certificate of Deposit (CD): 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 that 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 Financial Report (CAFR): The official annual report for the City includes five combined statements and basic financial 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 (DVR) (also called free). Delivery versus payment means delivery of securities with an exchange of money for the securities. Delivery versus receipt means 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 value at 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, for example, U.S. Treasury bills.

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

Federal Credit Agencies: Agencies of the Federal government set up to supply credit to various classes of institutions and individuals, for example, S&L's, small business firms, students, farmers, farm cooperatives, and exporters.

Federal Deposit Insurance Corporation (FDIC): A federal agency that insures bank deposits, currently up to \$100,000 per deposit.

Federal Funds Rate (the "Fed Rate"): The rate of interest at which Federal 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 Banks 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, H.U.D. It is the largest single provider of residential mortgage funds in the United States. Fannie Mae is a private stockholder-owned corporation. The corporation's purchases include a variety of adjustable mortgages and secondary loans in addition to fixed-rate mortgages. FNMA's securities are highly liquid and 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., twelve (12) regional banks, and about 5,700 commercial banks that are members of the system.

Government National Mortgage Association (GNMA or Ginnie Mae): Securities guaranteed by GNMA and issued by mortgage bankers, commercial banks, savings and loan associations, and other institutions. The security holder is protected by the full faith and credit of the U.S. Government. Ginnie Mae securities are backed by FHA, VA, or FHLM mortgages. The term pass-throughs 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 quantities can be purchased 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: To protect investors, many public investors will request that repurchase agreements be preceded by a master repurchase agreement between the investor and the financial institution or dealer. The master agreement should define the nature of the transaction, identify the relationship between the parties, establish normal practices regarding ownership and custody of the collateral securities during the term of the investment, provide remedies in the case of default by either party, and clarify issues of ownership. The master repurchase agreement protects the investor by eliminating the uncertainty of ownership and hence, allows investors to liquidate collateral if a bank or dealer defaults during the term of the agreement.

Maturity: The date on 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 primary dealer is made up of a group of government securities dealers that submits daily reports of market activity and positions and monthly financial statements to the Federal Reserve Bank of New York and is subject to its informal oversight. Primary dealers include Securities and Exchange Commission (SEC) registered securities brokerdealers, banks and a few unregulated firms.

Prudent Person Rule: An investment standard. 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.

Qualified Public Depositories: A financial institution that does not claim exemption from the payment of any sales or compensating use or ad valorem taxes under the laws of this state, and that has segregated for the benefit of the Public Deposit Protection Commission eligible collateral having a value of not less than its maximum liability and which has been approved by the commission to hold public deposits.

Rate of Return: The yield obtainable on a security based on its purchase price or its current market price. This may be the amortized yield to maturity on a bond or the current income return.

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. Dealers use RP extensively to finance their positions. Exception: When the Fed is said to be doing RP, it is lending money, that is, increasing bank reserves.

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

SEC Rule 15C3-1: See uniform Net Capital Rule.

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

Securities & Exchange Commission (SEC): Agency created by Congress to protect investors in securities transactions by administering securities legislation.

Structured Notes: Notes issued by Government Sponsored Enterprises (FHLB, FNMA, SLMA, etc.) and Corporations which have imbedded options (e.g., call features, step-up coupons, floating rate coupons,

derivative-based returns) into their debt structure. Their market performance is impacted by the fluctuation of interest rates, the volatility of the imbedded options and shifts in the shape of the yield curve.

Treasury Bills (T Bills): A non-interest bearing discount security issued by the U.S. Treasury to finance the national debt. 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 ten 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 requirement that member firms as well as nonmember broker-dealers in securities maintain a maximum ratio of indebtedness to liquid capital of 15 to 1; also called net capital

rule and net capital ratio. Indebtedness covers all money owed to a firm, including margin loans and commitments to purchase securities, one reason new public issues are spread among members of underwriting syndicates. Liquid capital includes cash and assets easily converted into cash.

Yield: 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 of the security. (b) **Net Yield** or **Yield to Maturity** is the current income yield minus any premium above par.