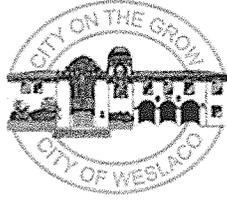


City of Weslaco

"The City on the Grow"



David Suarez, Mayor
John F. Cuellar, Mayor Pro-Tem, District 2
David R. Fox, Commissioner, District 1
Olga M. Noriega, Commissioner, District 3
Gerardo "Jerry" Tafolla, Commissioner, District 4
Lupe V. Rivera, Commissioner, District 5
Fidel L. Peña, Commissioner, District 6

Leonardo Olivares, City Manager

Addendum No. 1 August 4, 2014

Notice is hereby given to all prospective respondents for **Depository Contract "RFP No.: 2013-14-14"** for the City of Weslaco as follows:

The period for the contract will be **three (3) years beginning October 1, 2014**, with an automatic renewal option for an **additional two (2) year period**.

The following are questions that have been submitted from the various banking institutions and our answers:

- 1) What amount of average balances does the City maintain in the Bank?
The average bank balance depends on the earning rate. If the bank is paying higher than the pools, we will keep it in the bank. Currently we have some bond funding so our average balance is \$28,376,421.
- 2) Are there any other services used by the City that are not referenced on the Regular Service Charges Proposal Form in the RFP? **No**
- 3) Are the volumes included on the Regular Service Charges Proposal Form "per month" or "per year"? **Per Year**
- 4) The Regular Service Charges Proposal Form indicates "Account Maintenance" of 108. Does the City maintain 108 accounts? **No the city maintains 9 accounts (times 12 months)**
- 5) The Regular Service Charges Proposal Form indicates "Debits (Checks)" of 7,000, but "Checks Sorted" of 12,100. What is causing the difference? **Both numbers should have been 7,000.**
- 6) Are there additional accounts or activity not reflected on this form or in the RFP?
No
- 7) Are City deposits done in the lobby, via armored courier, or electronically (RDC)?
Lobby via City Employee escorted by Police Officer

- 8) Does the City deposit any cash? If so, how much? How frequently?
\$1,114,775 monthly average; Daily
- 9) How are cash deposits delivered to the Bank? (i.e. city employee, police, armored courier, other?) **City Employee escorted by Police Officer**
- 10) If using an armored courier, who is it? (Rochester?) **N/A**
- 11) Does the City submit change orders, or recycle cash received from Customers?
Submit Change Orders
- 12) If change orders are done, what is the typical change order (in rolls and straps)?
300 in 1's, 300 10's 300 5's Quarters, Dimes Nickels, Pennies
- 13) How are change orders picked up? (by city employee, police, armored courier, other?) **By City Employee when dropping off deposits.**
- 14) How are employees paid? (i.e. check or direct deposit)? **Direct deposit**
- 15) How many employees does the City have? **287**
- 16) How often is payroll rendered? **Bi-Weekly**
- 17) Is the City able to provide a copy of their current Investment Policy
See Attached
- 18) What are the balances maintained in the checking accounts and Certificate of Deposits? **The current balance is \$28,376,421. However, this number includes funds from bond issues.**
- 19) Does the City have additional funds invested at Texpool, Lone Star, etc? If so, what are the balances maintained in those accounts? **As of June 30, 2014 \$10,762,164.**
- 20) Can you provide us with the dollar volume of cash processed on a monthly basis (currency and coin). **\$1,114,775**
- 21) How often does the City submit an ACH billing file? How many transactions are in the billing files?
Weekly, approximately 266 transactions per billing file.
- 22) How often does the City submit an ACH payroll file? How many transactions are in the payroll files?
Bi-weekly, 287 transactions



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- 23) Does the City use armored car services? **No**
- 24) Does the City use Remote Deposit Capture services? **No**
- 25) Does the City utilize positive pay service and if so how many positive pay files are processed monthly?
Yes, 4-6 files per month with an average of 100 transactions each.
- 26) Is the City interested in lock box services. **We will consider it.**
- 27) Can you provide us with 3 monthly account analysis statements in which the City had the most activity? **See Attached**

City of Weslaco,



Homer Rhodes
Purchasing Office / Finance Department
hrhodes@weslacotx.gov



"The City on the Grow"

COMPASS BANK - TEXAS
 PO BOX 10566
 BIRMINGHAM AL 35296

0021 CITY OF WESLACO
 A P CLEARING ACCOUNT
 255 S KANSAS AVE
 WESLACO TX 78596-6158

FROM 12-01-2013
 TO 12-31-2013

GROUP NO. 0021 2519186007 PUBLIC FUNDS INTEREST CHECKING

ACCOUNTS INCLUDED IN ANALYSIS

DEPOSITS	0021 01	2518780940	0021 01	2519185981
	0021 01	2519186007	0021 01	2519186015
	0021 01	2519186023	0021 01	2519186031
	0021 01	2519186058	0021 01	2519186066
	0021 01	2533169034		

AVERAGE LEDGER BALANCE	13,320,026.09
LESS AVERAGE FLOAT	31,848.61-
AVERAGE COLLECTED BALANCE	13,288,177.48
AVG POSITIVE COLLECTED BALANCE	13,288,177.48
LESS RESERVE REQUIREMENT	1,594,581.24-
BALANCE AVAILABLE FOR SERVICES	11,693,596.20
ECR/OVERALL INTEREST PAID	.00
LESS ANALYZED SRVS PERFORMED	1,991.25-
TOTAL FEES DUE THIS MONTH	1,991.25-

***SERVICE CHARGE AMOUNT: ACCOUNT 0021 01 2519186007 1,991.25

SERVICES ANALYZED

SERVICES	VOLUME	PRICE PER ITEM	TOTAL PRICE	BALANCE REQUIRED
GENERAL ACCOUNT SERVICES				
ACCOUNT MAINTENANCE	9	10.000	90.00	
CHECKS PAID - DEBITS	460	.100	46.00	
DEPOSIT CREDITS	352	.300	105.60	
DEPOSITORY SERVICES				
BRANCH CASH DEPOSIT	3,395	.150	509.25	

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0021 CITY OF WESLACO
 A P CLEARING ACCOUNT
 255 S KANSAS AVE
 WESLACO TX 78596-6158

FROM 12-01-2013
 TO 12-31-2013

PAGE 2

GROUP NO. 0021 2519186007 PUBLIC FUNDS INTEREST CHECKING

SERVICES ANALYZED

SERVICES	VOLUME	PRICE PER ITEM	TOTAL PRICE	BALANCE REQUIRED
RETURNED DEPOSITED ITEMS	9	3.000	27.00	
COMPASS E-ACCESS SERVICES				
RETURN DEP ITEM IMAGING REPT	1	15.000	15.00	
RDI ITEMS/IMAGES REPORTED	9	1.250	11.25	
AUTOMATED STOP PAYMENT	1	10.000	10.00	
PAPER DISBURSEMENT SRVS				
ONLINE POS PAY EXCEPTIONS	8	1.200	9.60	
ONLINE POS PAY PER ITEM	400	.020	8.00	
IMAGE POS PAY W/O RECON	1	42.000	42.00	
COMPASS E-ACCESS SERVICES				
ACH MAINTENANCE	4	20.000	80.00	
ACH DEBIT - PER ITEM	1,342	.080	107.36	
ACH PRENOTES	9	.140	1.26	
GENERAL ACH SERVICES				
ACH RETURN ITEM - DEBIT	14	2.000	28.00	
COMPASS E-ACCESS SERVICES				
ACH INPUT FEE	13	8.500	110.50	
ACH CREDITS - PER ITEM	951	.080	76.08	
ACH RETURN ITEM - CREDIT	4	2.000	8.00	
ADDENDA RECORD	60		.00	
GENERAL ACH SERVICES				
ACH AUTHORIZATION SERVICES	8	15.000	120.00	
ENHANCED ACH AUTH SERVICE	1	25.000	25.00	
EDI SERVICES				
EDI ON-LINE RPTG PER DAY	21	4.000	84.00	
EDI ITEMS ON-LINE	51	.500	25.50	
COMPASS E-ACCESS SERVICES				
INFO REPORTING MAINTENANCE	1	35.000	35.00	
INFO RPTG MAINT - ADDL ACCT	7	10.000	70.00	
WIRE TRANSFER MAINTENANCE	1	5.000	5.00	

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0021

CITY OF WESLACO
 A P CLEARING ACCOUNT
 255 S KANSAS AVE
 WESLACO TX 78596-6158

FROM 12-01-2013
 TO 12-31-2013

PAGE 3

GROUP NO. 0021 2519186007 PUBLIC FUNDS INTEREST CHECKING

SERVICES ANALYZED

SERVICES	VOLUME	PRICE PER ITEM	TOTAL PRICE	BALANCE REQUIRED
ACH RETURNS REPORT	3	5.000	15.00	
DDA STATEMENT	9	5.000	45.00	
BOOK TRANSFER	3	1.000	3.00	
STMT ITEM ONLINE IMAGE MAINT	2	10.000	20.00	
ONLINE IMAGES STORED	537	.020	10.74	
E-ACCESS WIRE ONLYADDL	2	5.000	10.00	
COMPASS E-ACCESS ALERTS	18	.350	6.30	
DEPOSITORY SERVICES				
ONUS BRANCH	58	.060	3.48	
ONUS PEAK BRANCH	617	.060	37.02	
TRANSIT BRANCH	252	.070	17.64	
TRANSIT PEAK BRANCH	2,481	.070	173.67	
ANALYZED SRVS PERFORMED			1,991.25	.00

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 PO BOX 10566
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0021 CITY OF WESLACO
 A P CLEARING ACCOUNT
 255 S KANSAS AVE -
 WESLACO TX 78596-6158

FROM 01-01-2014
 TO 01-31-2014

PAGE 1

GROUP NO. 0021 2519186007 PUBLIC FUNDS INTEREST CHECKING

ACCOUNTS INCLUDED IN ANALYSIS

DEPOSITS	0021 01	2518780940	0021 01	2519185981
	0021 01	2519186007	0021 01	2519186015
	0021 01	2519186023	0021 01	2519186031
	0021 01	2519186058	0021 01	2519186066
	0021 01	2533169034		
AVERAGE LEDGER BALANCE				15,222,249.44
LESS AVERAGE FLOAT				35,885.69-
AVERAGE COLLECTED BALANCE				15,186,363.75
AVG POSITIVE COLLECTED BALANCE				15,186,363.75
LESS RESERVE REQUIREMENT				1,822,363.59-
BALANCE AVAILABLE FOR SERVICES				13,364,000.12
ECR/OVERALL INTEREST PAID				.00
LESS ANALYZED SRVS PERFORMED				1,905.88-
TOTAL FEES DUE THIS MONTH				1,905.88-
***SERVICE CHARGE AMOUNT:	ACCOUNT 0021 01	2519186007		1,905.88

SERVICES ANALYZED

SERVICES	VOLUME	PRICE PER ITEM	TOTAL PRICE	BALANCE REQUIRED
GENERAL ACCOUNT SERVICES				
ACCOUNT MAINTENANCE	9	10.000	90.00	
CHECKS PAID - DEBITS	411	.100	41.10	
DEPOSIT CREDITS	136	.300	40.80	
ACH DEBITS	23	.100	2.30	
ACH CREDITS	215	.300	64.50	

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0021 CITY OF WESLACO
 A P CLEARING ACCOUNT
 255 S KANSAS AVE
 WESLACO TX 78596-6158

FROM 01-01-2014
 TO 01-31-2014

PAGE 2

GROUP NO. 0021 2519186007 PUBLIC FUNDS INTEREST CHECKING

SERVICES ANALYZED

SERVICES	VOLUME	PRICE PER ITEM	TOTAL PRICE	BALANCE REQUIRED
DEPOSITORY SERVICES				
BRANCH CASH DEPOSIT	3,207	.170	545.19	
RETURNED DEPOSITED ITEMS	9	3.000	27.00	
COMPASS E-ACCESS SERVICES				
RETURN DEP ITEM IMAGING REPT	1	15.000	15.00	
RDI ITEMS/IMAGES REPORTED	9	1.250	11.25	
PAPER DISBURSEMENT SRVS				
ONLINE POS PAY IMG RETRIEVED	3	.030	.09	
ONLINE POS PAY EXCEPTIONS	6	1.200	7.20	
ONLINE POS PAY PER ITEM	379	.020	7.58	
IMAGE POS PAY W/O RECON	1	42.000	42.00	
COMPASS E-ACCESS SERVICES				
ACH MAINTENANCE	4	20.000	80.00	
ACH DEBIT - PER ITEM	868	.080	69.44	
ACH PRENOTES	3	.140	.42	
GENERAL ACH SERVICES				
ACH RETURN ITEM - DEBIT	5	2.000	10.00	
COMPASS E-ACCESS SERVICES				
ACH INPUT FEE	10	8.500	85.00	
ACH CREDITS - PER ITEM	907	.080	72.56	
ACH RETURN ITEM - CREDIT	3	2.000	6.00	
ADDENDA RECORD	58	.020	1.16	
GENERAL ACH SERVICES				
ACH AUTHORIZATION SERVICES	8	15.000	120.00	
ENHANCED ACH AUTH SERVICE	1	25.000	25.00	
EDI SERVICES				
EDI ON-LINE RPTG PER DAY	18	4.000	72.00	
EDI ITEMS ON-LINE	42	.500	21.00	
COMPASS E-ACCESS SERVICES				
OUTGOING CUSTOMER REPETITIVE	2	8.500	17.00	

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0021 CITY OF WESLACO
 A P CLEARING ACCOUNT
 255 S KANSAS AVE
 WESLACO TX 78596-6158

FROM 01-01-2014
 TO 01-31-2014

PAGE 3

GROUP NO. 0021 2519186007 PUBLIC FUNDS INTEREST CHECKING

SERVICES ANALYZED

SERVICES	VOLUME	PRICE PER ITEM	TOTAL PRICE	BALANCE REQUIRED
INFO REPORTING MAINTENANCE	1	35.000	35.00	
INFO RPTG MAINT - ADDL ACCT	7	10.000	70.00	
WIRE TRANSFER MAINTENANCE	1	5.000	5.00	
ACH RETURNS REPORT	3	5.000	15.00	
DDA STATEMENT	9	5.000	45.00	
BOOK TRANSFER	6	1.000	6.00	
STMT ITEM ONLINE IMAGE MAINT	2	10.000	20.00	
ONLINE IMAGES STORED	541	.020	10.82	
STMT ITEM IMAGES RETRIEVED	40	.030	1.20	
E-ACCESS WIRE ONLYADDL	2	5.000	10.00	
COMPASS E-ACCESS ALERTS	12	.350	4.20	
DEPOSITORY SERVICES				
ONUS BRANCH	121	.060	7.26	
ONUS PEAK BRANCH	488	.060	29.28	
TRANSIT BRANCH	576	.070	40.32	
TRANSIT PEAK BRANCH	1,903	.070	133.21	
ANALYZED SRVS PERFORMED			1,905.88	.00

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0021 CITY OF WESLACO
A P CLEARING ACCOUNT
255 S KANSAS AVE
WESLACO TX 78596-6158

FROM 02-01-2014
TO 02-28-2014

GROUP NO. 0021 2519186007 PUBLIC FUNDS INTEREST CHECKING

ACCOUNTS INCLUDED IN ANALYSIS

DEPOSITS	0021 01	2518780940	0021 01	2519185981
	0021 01	2519186007	0021 01	2519186015
	0021 01	2519186023	0021 01	2519186031
	0021 01	2519186058	0021 01	2519186066
	0021 01	2533169034		

AVERAGE LEDGER BALANCE	15,177,090.59	
LESS AVERAGE FLOAT	30,779.91-	
AVERAGE COLLECTED BALANCE	15,146,310.68	
AVG POSITIVE COLLECTED BALANCE	15,146,310.68	
LESS RESERVE REQUIREMENT	1,817,557.25-	
BALANCE AVAILABLE FOR SERVICES	13,328,753.39	
ECR/OVERALL INTEREST PAID	.00	
LESS ANALYZED SRVS PERFORMED	2,345.60-	
TOTAL FEES DUE THIS MONTH	2,345.60-	
***SERVICE CHARGE AMOUNT:		
ACCOUNT 0021 01	2519186007	2,345.60

SERVICES ANALYZED

SERVICES	VOLUME	PRICE PER ITEM	TOTAL PRICE	BALANCE REQUIRED
GENERAL ACCOUNT SERVICES				
ACCOUNT MAINTENANCE	9	10.000	90.00	
CHECKS PAID - DEBITS	407	.100	40.70	
DEPOSIT CREDITS	130	.300	39.00	
ACH DEBITS	21	.100	2.10	
ACH CREDITS	215	.300	64.50	

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0021 CITY OF WESLACO
 A P CLEARING ACCOUNT
 255 S KANSAS AVE
 WESLACO TX 78596-6158

FROM 02-01-2014
 TO 02-28-2014

GROUP NO. 0021 2519186007 PUBLIC FUNDS INTEREST CHECKING

SERVICES ANALYZED

SERVICES	VOLUME	PRICE PER ITEM	TOTAL PRICE	BALANCE REQUIRED
DEPOSITORY SERVICES				
BRANCH CASH DEPOSIT	3,634	.170	617.78	
RETURNED DEPOSITED ITEMS	8	3.000	24.00	
COMPASS E-ACCESS SERVICES				
RETURN DEP ITEM IMAGING REPT	1	15.000	15.00	
RDI ITEMS/IMAGES REPORTED	8	1.250	10.00	
AUTOMATED STOP PAYMENT	2	10.000	20.00	
PAPER DISBURSEMENT SRVS				
ONLINE POS PAY IMG RETRIEVED	5	.030	.15	
ONLINE POS PAY EXCEPTIONS	5	1.200	6.00	
ONLINE POS PAY PER ITEM	383	.020	7.66	
IMAGE POS PAY W/O RECON	1	42.000	42.00	
COMPASS E-ACCESS SERVICES				
ACH MAINTENANCE	4	20.000	80.00	
ACH DEBIT - PER ITEM	1,119	.080	89.52	
ACH PRENOTES	9	.140	1.26	
GENERAL ACH SERVICES				
ACH RETURN ITEM - DEBIT	52	2.000	104.00	
COMPASS E-ACCESS SERVICES				
ACH INPUT FEE	9	8.500	76.50	
ACH CREDITS - PER ITEM	891	.080	71.28	
ACH RETURN ITEM - CREDIT	106	2.000	212.00	
ADDENDA RECORD	56	.020	1.12	
GENERAL ACH SERVICES				
ACH AUTHORIZATION SERVICES	8	15.000	120.00	
ENHANCED ACH AUTH SERVICE	1	25.000	25.00	
EDI SERVICES				
EDI ON-LINE RPTG PER DAY	19	4.000	76.00	
EDI ITEMS ON-LINE	54	.500	27.00	
COMPASS E-ACCESS SERVICES				
OUTGOING CUSTOMER REPETITIVE	6	8.500	51.00	

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0021 CITY OF WESLACO
 A P CLEARING ACCOUNT
 255 S KANSAS AVE
 WESLACO TX 78596-6158

FROM 02-01-2014
 TO 02-28-2014

GROUP NO. 0021 2519186007 PUBLIC FUNDS INTEREST CHECKING

SERVICES ANALYZED

SERVICES	VOLUME	PRICE PER ITEM	TOTAL PRICE	BALANCE REQUIRED
INFO REPORTING MAINTENANCE	1	35.000	35.00	
INFO RPTG MAINT - ADDL ACCT	7	10.000	70.00	
WIRE TRANSFER MAINTENANCE	1	5.000	5.00	
ACH RETURNS REPORT	3	5.000	15.00	
DDA STATEMENT	9	5.000	45.00	
BOOK TRANSFER	1	1.000	1.00	
STMT ITEM ONLINE IMAGE MAINT	2	10.000	20.00	
ONLINE IMAGES STORED	517	.020	10.34	
STMT ITEM IMAGES RETRIEVED	20	.030	.60	
E-ACCESS WIRE ONLYADDL	2	5.000	10.00	
COMPASS E-ACCESS ALERTS	28	.350	9.80	
DEPOSITORY SERVICES				
ONUS BRANCH	134	.060	8.04	
ONUS PEAK BRANCH	460	.060	27.60	
TRANSIT BRANCH	599	.070	41.93	
TRANSIT PEAK BRANCH	1,896	.070	132.72	
ANALYZED SRVS PERFORMED			2,345.60	.00

INVESTMENT POLICY FOR THE CITY OF WESLACO

1. **INTRODUCTION.** The purpose of this document is to set forth specific investment policy and strategy guidelines for the City of Weslaco in order to achieve the goals of safety, liquidity, yield, and public trust for all investment activity. The City Council of the City of Weslaco shall review its investment strategies and policy not less than annually. This policy serves to satisfy the statutory requirement (specifically the Public Funds Investment Act) Article 842a-2 V.T.C.S (the “Act”) to define, adopt and review a formal investment strategy and policy.

2. **INVESTMENT STRATEGY.** The City of Weslaco maintains portfolios which utilize four specific investment strategy considerations designed to address the unique characteristics of the fund groups represented in the portfolios:
 - 2.1 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 liability matching or a laddered maturity structure. The dollar weighted average maturity of 12 months or less will be calculated using the stated final maturity date of each security.

 - 2.2 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.

 - 2.3 Investment strategies for debt service reserves 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 high quality and, except as may be required by the bond ordinance specific to an individual issue, of short to intermediate term maturities.

 - 2.4 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 investment pools, money market funds, collateralized bank deposits or 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.

3. **SCOPE.** This investment policy applies to all financial assets of the City of Weslaco. 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
- Enterprise Funds
- Internal Service Funds
- Trust and Agency Funds
- (Any new fund created by the City, unless specifically exempted)

3.1 Additional funds may be added with the approval of the City Manager and the Finance Director. This policy shall not apply to financial assets not administered by the City.

4. **OBJECTIVE.** The City of Weslaco 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 which 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 short-term investment of pooled idle cash.

4.1 **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 from securities defaults or erosion of market value.

4.2 **Liquidity.** The City's investment policy 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.

4.3 **Yield.** The City's cash management portfolio shall be designed with the objective of regularly exceeding the average offering yield on three-month U.S. Treasury Bills. The investment program shall seek to augment yields above this threshold consistent with risk limitations identified herein and prudent investment policies.

5. RESPONISBILITY AND CONTROL

5.1 **Investment Officer.** The Finance Director is designated as investment officer of the City and is responsible for investment decisions and activities. The Finance Director shall establish written procedures for the operation of the investment program, consistent with this investment policy. Such procedures shall include explicit delegation of authority to persons responsible for investment transactions. No person may engage in an investment transaction except as provided under the terms of this policy and the procedures established by the Finance Director. The Finance Director shall be responsible for all transactions undertaken and shall establish a system of controls to regulate the activities of subordinate officials. The investment officer shall attend at least one training session relating to the officer's responsibility under the Act within 12 months after assuming duties. The investment officer shall receive not less than 10 hours of instruction every two years that begins on the first day of the City's fiscal year and consists of two consecutive fiscal years after that date. This training shall relate to investment responsibilities under the Act, and received from an independent source approved by the investment committee.

5.2 **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 estimated and judgments by management.

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

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

5.3 **Prudence.** Investments shall be made with judgment and care, under circumstances then prevailing, that a person of prudence, discretion and intelligence would exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of capital and 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 has responsibility rather than a consideration as to the prudence of 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 from expectations are reported in a timely fashion and appropriate action is taken to control adverse developments.

5.4 **Investment Committee.** There shall be established an investment committee to review investment transactions, performance, and to identify strategies for funds to be invested. Members of this committee should include the Finance Director, the City Attorney, the City Auditor, the City's Financial Advisor, and a representative from the depository bank. Additional members may be appointed by the committee as appropriate. The committee shall meet as often as deemed necessary by the City Manager.

6. **ETHICS AND CONFLICTS OF INTEREST.** City staff and investment committee members 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 any large personal financial/investment 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.

An investment officer of the City who has personal business relationship with an organization seeking to sell an 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 selling 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.

7. REPORTING.

7.1 **Quarterly Reporting.** The Finance Director shall submit a signed quarterly investment report that summarizes current market conditions, economic developments and anticipated investment conditions. The report shall summarize investment strategies employed in the most recent quarter, and describe the portfolio in terms of investment securities, maturities, risk characteristics, and shall explain the total investment return for the quarter.

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

- A. A listing of individual securities held at the end of the reporting period.
- B. Unrealized gains losses resulting from appreciation or depreciation by listing ending book and market value of securities for the period.
- C. Average weighted yield-to-maturity of the investment portfolio as compared to applicable benchmarks.
- D. Listing of all investments by maturity date.
- E. The percentage of the total portfolio which each type of investment represents.
- F. Statement of compliance of the City's investment portfolio with State Law and investment strategy and policy approved by the City Council.

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

8. INVESTMENT PORTFOLIO

- 8.1 **Active Portfolio Management.** The City shall pursue an active versus a passive portfolio management philosophy. That is, 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 contents of the portfolio, the available markets, and the relative value of competing instruments, and will adjust the portfolio accordingly.
- 8.2 **Investments.** Assets of the City of Weslaco may be invested in the following instruments; provided, however, that at no time shall assets of the City be invested in any instruments or security not authorized for investment under the Act, as the Act may from time to time be amended.
- 8.3 **Portfolio Pricing.** Security prices shall be obtained monthly from the custodian bank, the investment manager, or any broker-dealer not responsible for having sold the City the security being priced. Market value of pooled or mutual funds will be obtained from published sources, such as their websites

I. Authorized

- A. Obligations of the United States of America, its agencies and instrumentalities.
- B. Direct obligations of the State of Texas and agencies thereof.
- C. Other obligations, the principle of and interest on which are unconditionally guaranteed by the State of Texas or United States of America, including those fully insured by the Federal Deposit Insurance Corporation (FDIC).
- D. Obligations of the States, agencies thereof, Counties, Cities, and other political subdivisions of any state rated the equivalent of A or better by a nationally recognized investment rating agency.
- E. Certificates of Deposit of state and national banks doing business in Texas, guaranteed or insured by the FDIC 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 with a market value of not less than the principal amount of the certificates plus all accrued but unpaid interest earned.
- 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 safekeeping agent approved by the Finance Director. Repurchase agreements must be made through a primary government securities dealer, as defined by the Federal Reserve, or a bank doing business in Texas.
- G. Joint pools of political subdivisions in the State of Texas which invest in instruments and follow practices allowed by current law.

- H. Commercial paper with final maturities limited to 270 days, rated no less than A1P1 or an equivalent rating provided by S&P, Moody's or Fitch.
- I. Money Market Mutual Funds regulated by the SEC with a dollar-weighted average maturity of 60 days or less;

II. Not Authorized

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

- A. Obligations whose payment represents the coupon payments on the outstanding principle balance of the underlying mortgage-backed security collateral and pays no principal.
- B. Obligations whose payments represents the principle stream of cash flow from underlying mortgage-backed security collateral and bears no interest.
- C. Collateralized mortgage obligations that have a stated final maturity date greater than 5 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.

8.4 **Holding Period.** The City of Weslaco intends to match the holdings 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 two years. The maximum final stated maturity of any investment shall not exceed five years.

8.5 **Risk and Diversification.** The City of Weslaco recognizes that investment risks can result from issuer defaults, market price changes or various technical complications leading to a temporary liquidity. Risk is controlled through portfolio diversification which 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 investment to 12 months, and avoidance of over-concentration of assets in specific instruments other than U.S. Treasury Securities and Insured or Collateralized Certificates of Deposits.

8.6 **Downgrade Provision** – Any portfolio security whose credit rating is placed on review for downgrade must be evaluated by the investment officer to determine if it is prudent to liquidate. Investments subsequently downgraded below the required minimum credit rating should be liquidated in a prudent manner.

9. **SELECTION OF BANKS AND DEALERS**

9.1 **Depository(ies)**. The City shall seek to maintain good banking relationships while minimizing the cost of banking services. At least every five years, a Depository(ies) shall be selected through the City's banking services procurement process, which shall include a formal request for proposal (RFP). Concerns about safety are to be addressed by the pledging requirements of the depository in accordance with state law.

9.2 **Certificates of Deposit**. Banks and other financial institutions 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.

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

- audited financial statements
- proof of Financial Industry Regulatory Authority (FINRA) certifications
- proof of Texas state registration
- certification of having read the City's investment policy signed by a registered principal of the organization
- 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.

9.4 **Financial Advisors**. Financial Advisors may be retained by the city under contract for periods not to exceed 5 years.

9.5 **Authorized Brokers**. The investment committee shall annually review, revise, and adopt a list of qualified brokers that are authorized to engage in investment transactions with the City.

10. **SAFEKEEPING AND CUSTODY**

10.1 **Insurance or Collateral**. All deposits and investment 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 pledged in each agreement. Collateral shall be reviewed at least monthly to assure that the market value of the pledged securities is adequate.

- 10.2 **Safekeeping Agreement.** Collateral pledged to secure deposits of the City's shall be held by a third-party custodian designated by the Finance Director and evidenced by safekeeping receipts.
- 10.3 **Collateral Defined.** The City of Weslaco 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 of 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 no less than "A" or equivalent by a nationally recognized rating agency with a remaining maturity of ten (10) years or less.
 - E. A surety bond, provided that the insurer is rated in the Superior Category (A+) of the A.M. Best Ratings.
 - F. Obligations, including letters of credit, of the United States or its agencies and instrumentalities.
- 10.4 **Subject to Audit.** All collateral shall be subject to inspection and audit by Finance Director or the City's independent auditors.