



**NOTICE OF SPECIAL MEETING AGENDA  
LANCASTER CITY COUNCIL  
MUNICIPAL CENTER CITY COUNCIL CHAMBERS  
211 N. HENRY STREET, LANCASTER, TEXAS**



**Monday, September 18, 2017 - 7:00 PM**

---

**CALL TO ORDER**

**CONSENT AGENDA:**

Items listed under the consent agenda are considered routine and are generally enacted in one motion. The exception to this rule is that a Council Member may request one or more items to be removed from the consent agenda for separate discussion and action.

1. Consider a resolution adopting the City of Lancaster's Investment Policy providing that all funds of the city be managed and invested for safety, liquidity, diversification and yield and that investments be chosen in a manner which promotes diversity by market sector, credit and maturity; providing that this policy serve to satisfy the requirements of Chapter 2256 of the Local Government Code, "Public Funds Investment Act".
2. Consider an ordinance approving the proposed fiscal year 2017/2018 budget for proceeds of seized property for the Lancaster Police Department for the fiscal year beginning October 1, 2017 and ending September 30, 2018; providing that expenditures for said fiscal year shall be in accordance with said budget.

**ACTION:**

3. Discuss and consider an ordinance, establishing Civil Service classifications within the Police and Fire Departments; prescribing the number of positions in each classification.
4. Consider an ordinance regarding the proposed fiscal year 2017/2018 budget for the fiscal year beginning October 1, 2017 ending September 30, 2018 providing that expenditures for said fiscal year shall be in accordance with said budget.
5. Discuss and consider a resolution ratifying the budget for the fiscal year 2017/2018 that results in an increase of revenues by 8.33% from property taxes than the previous year.
6. Consider approval of an ordinance regarding the proposed revenue increase from levying ad valorem taxes for fiscal year 2017/2018 at \$0.8675 per one hundred dollars assessed valuation of all taxable property within the corporate limits to provide revenues for current maintenance and operation expenses and interest and sinking fund requirements; providing due and delinquent dates; penalties and interest; providing a homestead exemption and disability exemption.

**ADJOURNMENT**

---

EXECUTIVE SESSION: The City Council reserve the right to convene into executive session on any posted agenda item pursuant to Section 551.071(2) of the Texas Government Code to seek legal advice concerning such subject.

---

ACCESSIBILITY STATEMENT: Meetings of the City Council are held in municipal facilities are wheelchair-accessible. For sign interpretive services, call the City Secretary's office, 972-218-1311, or TDD 1-800-735-2989, at least 72 hours prior to the meeting. Reasonable accommodation will be made to assist your needs.

---

PURSUANT TO SECTION 30.06 PENAL CODE (TRESPASS BY HOLDER WITH A CONCEALED HANDGUN), A PERSON LICENSED UNDER SUBCHAPTER H, CHAPTER 411, GOVERNMENT CODE (HANDGUN LICENSING LAW), MAY NOT ENTER THIS PROPERTY WITH A CONCEALED HANDGUN.

CONFORME A LA SECCION 30.06 DEL CODIGO PENAL (TRASPASAR PORTANDO ARMAS DE FUEGO CON LICENCIA) PERSONAS CON LICENCIA BAJO DEL SUB-CAPITULO 411, CODIGO DEL GOBIERNO (LEY DE PORTAR ARMAS), NO DEBEN ENTRAR A ESTA PROPIEDAD PORTANDO UN ARMA DE FUEGO OCULTADA.

PURSUANT TO SECTION 30.07 PENAL CODE (TRESPASS BY HOLDER WITH AN OPENLY CARRIED HANDGUN), A PERSON LICENSED UNDER SUBCHAPTER H, CHAPTER 411, GOVERNMENT CODE (HANDGUN LICENSING LAW), MAY NOT ENTER THIS PROPERTY WITH A HANDGUN THAT IS CARRIED OPENLY.

CONFORME A LA SECCION 30.07 DEL CODIGO PENAL (TRASPASAR PORTANDO ARMAS DE FUEGO AL AIRE LIBRE CON LICENCIA) PERSONAS CON LICENCIA BAJO DEL SUB-CAPITULO H, CAPITULO 411, CODIGO DE GOBIERNO (LEY DE PORTAR ARMAS), NO DEBEN ENTRAR A ESTA PROPIEDAD PORTANDO UN ARMA DE FUEGO AL AIRE LIBRE.

---

### **Certificate**

**I hereby certify the above Notice of Meeting was posted at the Lancaster City Hall on September 14, 2017 @ 6:00 p.m. and copies thereof were provided to the Mayor, Mayor Pro-Tempore, Deputy Mayor Pro-Tempore and Council members.**



---

Sorangel O. Arenas  
City Secretary

## LANCASTER CITY COUNCIL

### City Council Special Meeting

1.

**Meeting Date:** 09/18/2017

**Policy Statement:** This request supports the City Council 2017-2018 Policy Agenda.

**Goal(s):** Financially Sound Government

**Submitted by:** Baron Sauls, Finance Director

---

#### **Agenda Caption:**

Consider a resolution adopting the City of Lancaster's Investment Policy providing that all funds of the city be managed and invested for safety, liquidity, diversification and yield and that investments be chosen in a manner which promotes diversity by market sector, credit and maturity; providing that this policy serve to satisfy the requirements of Chapter 2256 of the Local Government Code, "Public Funds Investment Act".

#### **Background:**

Annually, as part of the budget process, staff reviews the investment policy to ensure that it is updated and consistent with current governing regulations. Chapter 2256 of the Texas Government Code known as the "Public Funds Investment Act" (PFIA) requires the City Council to annually review and adopt an investment policy.

#### **Operational Considerations:**

Several language revisions are suggested for the Investment Policy. They are primarily to ensure compliance with the Public Funds Investment Act. Most of the changes are due to changes in the PFIA; House Bill 1701, 85 th Legislative Session. They are the following:

#### **Objectives and Strategies - Sections IV. F and G**

PFIA Section 2256.005(d) requires written investment strategies by fund or group type that address the six listed priorities.

They are:

1. Suitability
2. Safety
3. Marketability
4. Liquidity
5. Diversification
6. Yield

#### **Authorizations - Sections VII. E**

The Financial Industry Regulatory Authority (FINRA) replaced the National Association Securities Dealers (NASD).

PFIA Section 2256.005(k) was modified to redefine "business organization" and the Investment Policy certification requirement.

**Collateralization - Section IX**

The Public Funds Collateral Act defines eligible collateral for deposits exceeding the \$250,000 FDIC insurance maximum.

The Financial Institution Reform Recovery and Enforcement Act (federal banking regulation) requires these steps properly collateral public funds.

**Performance Evaluation and Reporting – Section X. B**

The Open Records Act requires Internal Rate of Return to be provided, unless another performance standard is adopted by the entity. Weighted average yield to maturity is an appropriate standard for the City.

**Performance Evaluation and Reporting – Section X. D**

PFIA 2256.005(b)(4)(b)(F) requires a procedure to monitor rating changes in a timely manner. PFIA 2256.021 disqualifies an investment that is rated below the minimum required rating.

**Legal Considerations:**

The “Public Funds Investment Act”, Chapter 2256 of the Texas Government Code requires the City to adopt its investment policy by resolution. The City Attorney has approved the resolution as to form.

**Public Information Considerations:**

This item is being considered at a meeting of the City Council noticed in accordance with the Texas Open Meetings Act.

**Fiscal Impact:**

No individual investment securities are currently owned by the City at this time. We have funds invested in three pools: TexPool, Texas Class and Logic.

**Options/Alternatives:**

1. Approve the resolution, as presented.
2. Deny the resolution.

**Recommendation:**

Staff recommends approval of the resolution, as presented.

**Attachments**

Resolution

Investment Policy (Clean)

Investment Policy (Red-Lined)

Chapter 2256-Public Funds Investment Act

---

**RESOLUTION NO.**

**A RESOLUTION APPROVING AND ADOPTING THE CITY OF LANCASTER INVESTMENT POLICY; PROVIDING THAT ALL FUNDS OF THE CITY BE MANAGED AND INVESTED IN A MANNER THAT SERVES TO SATISFY THE REQUIREMENTS OF THE LOCAL GOVERNMENT CODE CHAPTER 2256, "PUBLIC FUNDS INVESTMENT ACT"; MAKING VARIOUS PROVISIONS RELATED TO THE SUBJECT; PROVIDING THAT THE SAME SHALL BE IMPLEMENTED; AND PROVIDING AN EFFECTIVE DATE.**

**WHEREAS**, Chapter 2256 of the Government Code, commonly known as the "Public Funds Investment Act" requires the city to adopt a written investment policy regarding the investment of its funds by rule, order, ordinance, or resolution; and

**WHEREAS**, the "Public Funds Investment Act" requires the treasurer; the chief financial officer, if not the treasurer, and the investment officer of the city to attend investment training; and

**WHEREAS**, the investment officers of the city have attended an investment training course as required by the "Public Funds Investment Act"; and

**WHEREAS**, the attached investment policy and incorporated strategy comply with the "Public Funds Investment Act", as amended, and authorize the investment of city funds in safe and prudent investments; and

**WHEREAS**, the City Council must review and approve such Investment Policy at least once annually; and

**WHEREAS**, the City Council hereby affirms that the written Investment Policy will continue to protect City assets by identifying investment objectives, addressing the issues of investment risk versus rewards, and providing the framework for the establishment of controls, limitations and responsibilities of City employees in the performance of their fiduciary responsibilities;

**NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF LANCASTER, TEXAS:**

**SECTION 1.** The City of Lancaster has complied with the requirements of the "Public Funds Investment Act", and the Investment Policy, as amended, attached hereto and incorporated herein by reference as Exhibit "1," is hereby adopted as the investment policy of the City effective September 18, 2017;

**SECTION 2.** This resolution shall take effect immediately from and after its passage, as the law and charter in such cases provide.

**DULY PASSED** and approved by the City Council of the City of Lancaster, Texas, on this the 18th day of September, 2017.

**ATTEST:**

**APPROVED:**

\_\_\_\_\_  
Sorangel O. Arenas, City Secretary

\_\_\_\_\_  
Marcus E. Knight, Mayor

**APPROVED AS TO FORM:**

\_\_\_\_\_  
David T. Ritter, City Attorney

Exhibit "1"

City of Lancaster, Texas  
INVESTMENT POLICY  
September 11, 2017



## INVESTMENT POLICIEY

### Table of Contents

I.	Purpose	1
II.	Policy Statement	1
III.	Scope	1
IV.	Objectives and Strategy	
	A. Safety	2
	B. Public Trust	2
	C. Liquidity	2
	D. Diversification	2
	E. Yield	2
V.	Legal Limitations, Responsibilities and Authority	3
VI.	Standards of Care	
	A. Delegation of Authority	3
	B. Prudence	4
	C. Internal Controls	4
	D. Ethics and Conflicts of Interest	5
	E. Training	5
VII.	Authorizations	
	A. Authorized Investments	6
	B. Competitive Bidding Requirement	7
	C. Delivery vs. Payment	7
	D. Exemption for Existing Investments	7
	E. Authorized Financial Dealers and Institutions	7
VIII.	Diversification and Maturities	8
IX.	Safekeeping and Collateralization	9
X.	Performance Evaluation and Reporting	
	A. Methods	10
	B. Performance Standards	10
	C. Marking to Market	10
XI.	Depositories	11
XII.	Investment Policy Adoption by City Council	11

### **EXHIBITS**

A-	Authorized Investment Officials	12
B-	Statement of Ethics and Conflicts of Interest	13
C-	Approved Broker/Dealers, Financial Institutions and Investment Pools	14
D-	Certification by Business Organization	15

## **City of Lancaster, Texas Investment Policy**

### **I. Purpose**

The purpose of this document is to set forth specific investment policy and strategy guidelines for the City of Lancaster, Texas, the Lancaster Economic Development Corporation, and the Lancaster Recreation Development Corporation (collectively referred to as the “City”) in order to achieve the objectives in order of priority: safety, public trust, liquidity, diversification, and yield for all investment activity. This Policy ensures compliance with Chapter 2256, Public Funds Investment Act of the Government Code to define, adopt and annually review the Investment Policy of the City.

### **II. 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 will provide the maximum security of principal invested through limitations and diversification while meeting the daily cash flow needs of the City and conforming to all applicable state statutes governing the investment of public funds.

The receipt of a market rate of return will be secondary to the requirements for safety and liquidity. It is the intent of the City to be in complete compliance with local law and the Texas Public Funds Investment Act (the “Act”). The earnings from investment will be used in a manner that lawfully fulfills the best serves the interest of the City.

### **III. Scope**

This investment Policy applies to all the financial assets and funds of the City. The City commingles its funds into one pooled investment fund for investment purposes for efficiency and maximum investment opportunity. These funds shall be defined in the City's Annual Financial Report and any new funds created by the City unless specifically exempted by the City Council and this Policy.

### **IV. Objectives and Strategies**

The City shall manage and invest with five primary objectives, listed in order of priority: safety, public trust, liquidity, diversification, and yield. Investments are to be chosen in a manner which promotes diversity by market sector, credit and maturity. The choice of high-grade government investments and high-grade money market instruments is designed to assure the marketability of those investments should liquidity needs arise.

#### **A. Safety**

Safety of principal is the foremost objective of the City. Investments of the City shall be undertaken in a manner that seeks to insure the preservation of capital in the overall portfolio.

#### **B. Public Trust**

All parties of the City's investment process shall seek to act responsibly as custodians of the public trust. Investment advisors and officials shall avoid any transaction that might impair public confidence in the City's ability to govern



effectively and maintain a sound, sustainable city government.

**C. Liquidity**

The City's investment portfolio will be based on a cash flow analysis of needs and will remain sufficiently liquid to enable it to meet all operating and debt/bond requirements which might be reasonably anticipated.

**D. Diversification**

Diversification of the portfolio will include diversification by maturity and market sector, as appropriate, and will include the use of a number of broker/dealers for diversification and market coverage. Competitive bidding will be used on each security sale and purchase.

**E. Yield**

The City's investment portfolio shall be designed with the objective of attaining a market rate of return, taking into account the City's risk constraints and the cash flow needs of the portfolio.

**F. Strategy - Operating and Other Pooled Funds**

**Suitability** - Any investment eligible in the Investment Policy is suitable for Operating Funds (including debt service and other pooled funds).

**Safety of Principal** - All investments shall be high quality with no perceived default risk. Market price fluctuations will occur. However, managing the weighted average days to maturity for the Operating Fund's portfolio to less than 300 days and restricting the maximum allowable maturity to two years will minimize the price volatility of the overall portfolio.

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

**Liquidity** - The Operating Fund requires the greatest short-term liquidity of any of the Fund types. Short-term deposits, investment pools, and money market mutual funds will provide daily liquidity and may be utilized as a competitive yield alternative to fixed maturity investments.

**Diversification** - Investment maturities should be staggered throughout the budget cycle to provide cash flow based on the anticipated operating needs of the City. Diversifying the appropriate maturity structure out through two years will reduce market cycle risk.

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

## **G. Strategy - Capital Improvement Program Funds**

**Suitability** - Any investment eligible in the Investment Policy is suitable for Capital Improvement Program Funds ("CIP").

**Safety of Principal** - All investments will be high quality with no perceived default risk. Market price fluctuations will occur. However, by managing CIP Funds to not exceed the shorted of anticipated expenditure schedule or "temporary period" as defined by the IRS, the market risk of the overall portfolio will be minimized.

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

**Liquidity** - CIP Funds used for capital improvements programs have reasonably predictable draw down schedules. Therefore investment maturities should generally follow the anticipated cash flow requirements. Short-term deposits, investment pools, and money market mutual funds will provide readily available funds generally equal to at least one month's anticipated cash flow needs, or a competitive yield alternative for short term fixed maturity investments. A singular repurchase agreement may be utilized if disbursements are allowed in the amount necessary to satisfy any expenditure request. This investment structure is commonly referred to as a flexible repurchase agreement.

**Diversification** - Market conditions and arbitrage regulations influence the attractiveness of staggering the maturity of fixed rate investments for construction, loan and bond proceeds. Generally, when investment rates exceed the applicable cost of borrowing, the City is best served by locking in most investments. If the cost of borrowing cannot be exceeded, then concurrent market conditions will determine the attractiveness of diversifying maturities or investing in shorter and larger amounts. At no time shall the anticipated expenditure schedule be exceeded in an attempt to bolster yield.

**Yield** - Achieving a positive spread to the cost of borrowing is the desired objective, within the limits of the Investment Policy's risk constraints. The yield of an equally weighted, rolling six-month Treasury Bill portfolio will be the minimum yield objective for non-borrowed funds.

## **V. Legal limitations, Responsibilities and Authority**

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"). The Public Funds Collateral Act, Chapter 2257, Texas Government Code, specifies collateral requirements for all public funds deposits. All investments will be

made in accordance with these statutes.

## **VI. Standards of Care**

### **A. Delegation of Investment Authority**

The Director of Finance and Assistant Director of Finance, acting on behalf of the City, are designated as the Investment Officers of the City and is responsible for investment management decisions and activities. The Director of Finance is designated as the lead Investment Officer. The Director of Finance is also responsible for considering the quality and capability of staff, investment advisors, and consultants involved in the investment management and procedures. All participants in the investment process shall seek to act as a prudent person as custodian of the public trust.

The Director of Finance shall develop and maintain written administrative procedures for the operation of the investment program which are consistent with this Policy. The Procedures will include reference to safekeeping, require and include the "Bond Market Master Repurchase Agreements" (as applicable), wire transfer agreements, banking services contracts, and other investment related activities.

The Investment Officers shall be responsible for all transactions undertaken and shall establish a system of controls to regulate the activities of subordinate officials and staff. The Investment Officer shall designate a staff person as a liaison/deputy in the event circumstances require timely action and the Investment Officer is unavailable. No Investment Officer or designee may engage in an investment transaction except as provided under the terms of this Policy.

### **Authorization Resolution**

A Trading Resolution shall be established authorizing the Investment Officer to engage in investment transactions on behalf of the City. The persons authorized by the Resolution to transact business for the City must also be authorized to approve wire transfers and other transaction-related authorizations used in the process of investing.

### **B. Prudence**

The standard prudence to be used in the investment function shall be the "prudent person" standard and shall be applied in the context of managing the overall portfolio. This standard 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 expected income to be derived."

### **Limitation of Personal Liability**

The Investment Officers and those delegated investment authority under this Policy, when acting in accordance with the written procedures and this

Policy and in accord with the Prudent Person Rule, shall be relieved of personal liability in the management of the portfolio provided that deviations from expectations for a specific investment's credit risk or market price change or portfolio shifts are reported in a timely manner and the appropriate action is taken to control adverse market effects.

**C. Internal Controls**

The Director of Finance is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the City 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 (a) the cost of a control should not exceed the benefits likely to be derived and (b) the valuation of costs and benefits requires estimates and judgments by management. Additionally, the Director of Finance shall establish a process for annual independent review by an external auditor to assure compliance with policies and procedures. Also, the Quarterly Investment Reports shall be formally reviewed at least annually by the independent auditor and reported to the City Council.

A compliance audit of management controls on investments and adherence to the City's established investment policies will be conducted in conjunction with the City's annual audit by the independent auditor.

**Cash Flow Forecasting**

Cash Flow forecasting is designed to protect and sustain cash flow requirements of the City. Supplemental to the financial and budgetary systems, the Investment Officer will maintain a cash flow forecasting process designed to monitor and forecast cash positions for investment purposes.

**D. Ethics and Conflicts of Interest**

City employees involved in the investment process shall refrain from personal business activity that could conflict with proper execution of the investment program, or which could impair the ability to make impartial investment decisions. City staff shall properly disclose to the City Manager and City Secretary any material financial interest in a financial institution that conducts business with the City.

An Investment Officer who has a personal business relationship with an organization seeking to sell an investment to the City shall file a disclosure 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 state with the Texas Ethics Commission and the City Council disclosing that relationship.

**E. Training**

Investment Officers must complete at least 10 hours of investment training within 12 months of taking office or assuming duties, and shall attend training not less than once in a two year period and accumulating not less than 8 hours of

instruction relating to investment responsibilities. The City shall provide the training through courses and seminars offered by professional organizations and associations in order to insure the quality and capability of the City's investment personnel making investment decisions in compliance with Public Funds Investment Act (PFIA). Professional organizations and associations that may provide investment training are: the Government Treasurer's Organization of Texas, the University of North Texas, the Government Finance Officers Association of Texas, the Government Finance Officers Association, the North Central Texas Council of Governments, and the Texas Municipal League.

## **VII. Authorizations**

### **A. Authorized Investments**

Acceptable investments under this Policy shall be limited to the instruments listed below and as further described by the Public Funds Investment Act.

1. Obligations of the United States Government, its agencies and instrumentalities and government sponsoring enterprises, not to exceed two years to stated maturity, excluding collateralized mortgage obligations (CMOs);
2. Fully insured or collateralized certificates of deposit from a bank doing business in the State of Texas and under the terms of a written depository agreement with the bank, not to exceed one year to stated maturity;
3. Repurchase agreement and reverse repurchase agreements as defined by the Act, not to exceed 180 days to stated maturity, provided an executed Bond Market Master Repurchase Agreement is on file with the City and the counterparty bank or primary dealer. Flex repurchase agreements used specifically for capital projects may extend beyond two years but only to match the expenditure plan of the projects;
4. No-load, SEC registered money market funds, each approved specifically before use by the City; and
5. Constant dollar Texas Local Government Investment Pools as defined by the Public Funds Investment Act; and

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 approved by the City Council.

### **B. Competitive Bidding Requirement**

All securities, including certificates of deposit, will be purchased or sold after three (3) offers/bids are taken to verify that the City is receiving fair market

value/price for the investment.

**C. Delivery versus Payment**

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

**D. Exemption for Existing Investments**

Any investment currently held that does not meet the guidelines of this Policy, but are authorized investments at the time of purchase, shall be exempted from the requirements of this Policy and is not required to be liquidated. At maturity or liquidation, such monies shall be reinvested only as provided by this Policy.

**E. Authorized Financial Dealer and Institutions**

All investments made by the City will be made through either the City's banking services bank or a primary dealer. The Investment Officer will review the list of authorized broker/dealers annually. A list of at least three broker/dealers will be maintained in order to assure competitive bidding. The City Council must review, approve and adopt the Authorized List of Brokers on at least an annual basis.

Securities Broker/Dealers must meet certain criteria as determined by the Investment Officers. The following criteria must be met by those firms on the list:

- Provision of an audited financial statement each year
- Proof of current registration by the Financial Industry Regulatory Authority ("FINRA")
- Proof of current registration with the State Securities Commission

Every broker/dealer and bank the City transacts business with will be provided a copy of this Investment Policy to assure that they are familiar with the goals and objectives of the investment program. A qualified representative of a local government investment pool or discretionary investment management firm will be required to return a signed certification stating that the Policy has been received and reviewed and has implemented reasonable procedures and controls in an effort to preclude investment transactions conducted between the City and the organization that are not authorized by the City's Investment Policy as required by the Act.

**VIII. Diversification and Maturity Limitations**

It is the Policy of the City to diversify its investment portfolio. Invested funds shall be diversified to minimize risk or loss resulting from over-concentration of assets in a specific maturity, specific issuer, or specific class of securities. Diversification strategies shall be established and periodically reviewed. At a minimum, diversification standards by security type and issuer shall be:

<u>Security Type</u>	<u>Max% of Portfolio</u>
U.S. Treasury obligations	100%
U.S. Government agencies and instrumentalities	Not to exceed 50%
Fully insured or collateralized CDs	Not to exceed 30%
Repurchase agreements	100%
Money Market Funds for Bond Funds	100%
Local Government Investment Pools	80%
Liquidity Pools	100%
Maximum percent ownership of pool for Bond Funds	Not authorized

The Investment Officer shall be required to diversify maturities. The Investment Officer, to the extent possible, will attempt to match investment with anticipated cash flow requirements. Matching maturities with cash flow dates will reduce the need to sell securities prior to maturity, thus reducing market risk. Unless matched to a specific requirement, the Investment Officer may not invest more than 20% of the portfolio for a period greater than five (5) years. The Investment Officer may not invest any portion of the portfolio for a period greater than ten (10) years.

## **IX. Safekeeping and Collateralization**

The laws of the State and prudent treasury management require that all purchased securities be bought on a delivery versus payment basis and be held in safekeeping by an independent Third Party safekeeping agent.

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

All securities pledged to the City for certificates of deposit or demand deposits shall be held by an independent third party bank doing business in Texas. The safekeeping bank may not be within the same holding company as the bank from which the securities are pledged.

### **Collateralization**

Collateralization is required on the time and demand deposits over the FDIC insurance coverage of \$250,000 and repurchase agreements. Acceptable forms of collateral are limited to those authorized in the Public Funds Collateral Act. The City reserves the right to accept or reject any proposed collateral and to increase the minimum required collateral level.

In order to anticipate market changes and provide a level of additional security for all funds, the collateralization level required will be 102% of the market value of the principal and accrued interest. Collateral will be held by an independent third party safekeeping agent.

Securities pledged as collateral will be held in the City's name by an independent third party with whom the City has a current custodial agreement. The Investment Officer is responsible for entering into collateralization agreements with third party custodians in compliance with this Policy. The agreements are to specify the acceptable investment securities for collateral, including provisions relation to: possession of the collateral, the substitution or release of investment securities, ownership of securities, and the method of valuation of securities. A clearly marked evidence of ownership (safekeeping receipt) must be supplied to the City and retained. Collateral shall be reviewed at least quarterly to assure that the market value of the pledged securities is adequate.

Financial institutions serving as City depositories will be required to sign a depository or



collateral agreement with the City. The custodial portion of the agreement shall define the City's rights to the collateral in case of default, bankruptcy, or closing, and shall establish a perfected security interest in compliance with Federal and State regulations, including:

- the agreement must be in writing;
- the agreement has to be executed by the depository and the City contemporaneously with the acquisition of the asset;
- the agreement must be approved by the board of directors or the loan committee of the depository and a copy of the meeting minutes must be delivered to the City, specifically to the Director of Finance; and
- the agreement must be part of the depository's "official record" continuously since its execution.

The City considers repurchase agreements as simultaneous sales and purchases of securities rather than collateralized loans. However, securities underlying repurchase agreements are referred to as "collateral" for the purpose of this Investment Policy.

Financial Institution deposits (plus accrued interest) do not need to be collateralized pursuant to this Investment Policy as long as FDIC insurance provides full deposit coverage.

## **X. Performance Evaluation and Reporting**

### **A. Methods**

The Investment Officer shall prepare an investment report at least quarterly, including a management summary that provides an analysis of the status of the current investment portfolio and transactions made over the last quarter. This management summary will be prepared in a manner consistent with the requirements of Section 2256.023 (Internal Management Reports) of the PFIA, and that will allow the City to ascertain whether investment activities during the reporting period have conformed to the Investment Policy. The report should be provided to the City Council.

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

### **B. Performance Standards**

The investment portfolio shall be managed in accordance with the objectives specified in this Policy (safety, public trust, liquidity, diversification, and yield). The portfolio shall seek to obtain a market average rate of return during variable market/economic environments of stable interest rates. Weighted average yield to maturity shall be the portfolio's performance standard. The Investment Officers shall determine appropriate benchmarks whether market

yields are being achieved by comparing the portfolio market yield to the three (3) month U.S. Treasury Bill, the six (6) month U.S. Treasury Bill and the two (2) year U.S. Treasury Note.

**C. Marking to Market**

The market value of the portfolio shall be calculated at least quarterly and a statement of the market value of the portfolio shall be issued at least quarterly. The market value of each investment shall be obtained from a source such as the Wall Street Journal, a reputable brokerage firm or security pricing service and reported on the investment reports.

**D. Monitoring Credit Ratings**

Any Authorized Investment that requires a minimum rating does not qualify during the period the investment does not have the minimum rating. The City shall monitor the rating of each investment, as applicable, at least quarterly, and take all prudent measures that are consistent with this Policy to liquidate an investment that does not have the minimum rating.

**XI. Depositories**

The City will designate one banking institution through a competitive process as its central banking services provider at least every three years. This institution will be used for normal banking services including disbursements, collections, and safekeeping of securities. Other banking institutions from which the City may purchase certificates of deposit will also be designated as depositories after they provide their latest audited financial statements to the City.

**XII. Investment Policy Adoption by City Council**

The City's Investment Policy shall be adopted annually by the City Council. The policy and strategies shall be reviewed on an annual basis prior to adoption. A written resolution approving the review and changes to the Policy will be passed and recorded by the City Council.

**EXHIBIT A**

**City of Lancaster, Texas  
Authorized Investment Officials**

Baron Sauls, Director of Finance

Raju Anthony, Assistant Finance Director

## EXHIBIT B

### City of Lancaster, Texas Statement of Ethics and Conflicts of Interest

Investment Officers for the City of Lancaster shall refrain from personal business relationships with business organizations that could conflict with the proper execution of the investment program, or which could impair their ability to make partial investment decisions. This would only apply to personal business relationships with business organizations that have been approved by City Council to conduct investment transactions with the City of Lancaster.

An investment official is considered to have a personal business relationship with a business organization if:

- (1) The investment official owns 10 percent or more of the voting stock or shares of the business organization or owns \$5,000 or more of the fair market value of the business.
- (2) Funds received by the investment official from the business organization exceed 10 percent of the investment official's gross income for the previous year.
- (3) The investment official has acquired from the business organization during the previous year investments with a book value of \$2,500 or more for the personal account of the investment official.

I do hereby certify that I do not have a personal business relationship with any business organization approved to conduct investment transactions with the City of Lancaster, nor am I related within the second degree by affinity or consanguinity, as determined under Chapter 573, to an individual seeking to sell an investment to the City of Lancaster as of the date of this statement.

City of Lancaster Investment Officers

\_\_\_\_\_  
Baron Sauls, Director of Finance

\_\_\_\_\_  
Date

\_\_\_\_\_  
Raju Anthony, Assistant Finance Director

\_\_\_\_\_  
Date

## **EXHIBIT C**

### **City of Lancaster, Texas Approved Broker/Dealers, Financial Institutions and Investment Pools**

#### **Broker/Dealers**

FTN Financial  
Duncan-Williams, Inc.  
Hilltop Securities

#### **Public Depositories**

JP Morgan Chase, NA (Primary)

#### **Investment Pools**

TexPool  
LOGIC  
Texas Class

**EXHIBIT D**  
**City of Lancaster, Texas**  
**Certification by Business Organization - EXAMPLE**

*(date)*

City of Lancaster, Texas

*(Attn: Designated Investment official)*

211 N. Henry Street Lancaster, TX 75146

Dear Mr./s. *(investment official)*:

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

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

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

**Qualified Representative**

Signed By: \_\_\_\_\_

Printed Name: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

Exhibit "1"

City of Lancaster, Texas  
INVESTMENT POLICY  
September 11, 2017



## INVESTMENT POLICIEY

### Table of Contents

I.	Purpose	1
II.	Policy Statement	1
III.	Scope	1
IV.	Objectives and Strategy	
	A. Safety	2
	B. Public Trust	2
	C. Liquidity	2
	D. Diversification	2
	E. Yield	2
V.	Legal Limitations, Responsibilities and Authority	3
VI.	Standards of Care	
	A. Delegation of Authority	3
	B. Prudence	4
	C. Internal Controls	4
	D. Ethics and Conflicts of Interest	5
	E. Training	5
VII.	Authorizations	
	A. Authorized Investments	6
	B. Competitive Bidding Requirement	7
	C. Delivery vs. Payment	7
	D. Exemption for Existing Investments	7
	E. Authorized Financial Dealers and Institutions	7
VIII.	Diversification and Maturities	8
IX.	Safekeeping and Collateralization	9
X.	Performance Evaluation and Reporting	
	A. Methods	10
	B. Performance Standards	10
	C. Marking to Market	10
XI.	Depositories	11
XII.	Investment Policy Adoption by City Council	11

### **EXHIBITS**

A-	Authorized Investment Officials	12
B-	Statement of Ethics and Conflicts of Interest	13
C-	Approved Broker/Dealers, Financial Institutions and Investment Pools	14
D-	Certification by Business Organization	15



## **City of Lancaster, Texas Investment Policy**

### **I. Purpose**

The purpose of this document is to set forth specific investment policy and strategy guidelines for the City of Lancaster, Texas, the Lancaster Economic Development Corporation, and the Lancaster Recreation Development Corporation (collectively referred to as the “City”) in order to achieve the objectives in order of priority: safety, public trust, liquidity, diversification, and yield for all investment activity. This Policy ensures compliance with Chapter 2256, Public Funds Investment Act of the Government Code to define, adopt and annually review the Investment Policy of the City.

### **II. 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 will provide the maximum security of principal invested through limitations and diversification while meeting the daily cash flow needs of the City and conforming to all applicable state statutes governing the investment of public funds.

The receipt of a market rate of return will be secondary to the requirements for safety and liquidity. It is the intent of the City to be in complete compliance with local law and the Texas Public Funds Investment Act (the “Act”). The earnings from investment will be used in a manner that lawfully fulfills the best serves the interest of the City.

### **III. Scope**

This investment Policy applies to all the financial assets and funds of the City. The City commingles its funds into one pooled investment fund for investment purposes for efficiency and maximum investment opportunity. These funds shall be defined in the City's Annual Financial Report and any new funds created by the City unless specifically exempted by the City Council and this Policy.

### **IV. Objectives and Strategies**

The City shall manage and invest with five primary objectives, listed in order of priority: safety, public trust, liquidity, diversification, and yield. Investments are to be chosen in a manner which promotes diversity by market sector, credit and maturity. The choice of high-grade government investments and high-grade money market instruments is designed to assure the marketability of those investments should liquidity needs arise.

#### **A. Safety**

Safety of principal is the foremost objective of the City. Investments of the City shall be undertaken in a manner that seeks to insure the preservation of capital in the overall portfolio.

#### **B. Public Trust**

All parties of the City's investment process shall seek to act responsibly as custodians of the public trust. Investment advisors and officials shall avoid any transaction that might impair public confidence in the City's ability to govern

effectively and maintain a sound, sustainable city government.

**C. Liquidity**

The City's investment portfolio will be based on a cash flow analysis of needs and will remain sufficiently liquid to enable it to meet all operating and debt/bond requirements which might be reasonably anticipated.

**D. Diversification**

Diversification of the portfolio will include diversification by maturity and market sector, as appropriate, and will include the use of a number of broker/dealers for diversification and market coverage. Competitive bidding will be used on each security sale and purchase.

**E. Yield**

The City's investment portfolio shall be designed with the objective of attaining a market rate of return, taking into account the City's risk constraints and the cash flow needs of the portfolio.

**F. Strategy - Operating and Other Pooled Funds**

**Suitability** - Any investment eligible in the Investment Policy is suitable for Operating Funds (including debt service and other pooled funds).

**Safety of Principal** - All investments shall be high quality with no perceived default risk. Market price fluctuations will occur. However, managing the weighted average days to maturity for the Operating Fund's portfolio to less than 300 days and restricting the maximum allowable maturity to two years will minimize the price volatility of the overall portfolio.

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

**Liquidity** - The Operating Fund requires the greatest short-term liquidity of any of the Fund types. Short-term deposits, investment pools, and money market mutual funds will provide daily liquidity and may be utilized as a competitive yield alternative to fixed maturity investments.

**Diversification** - Investment maturities should be staggered throughout the budget cycle to provide cash flow based on the anticipated operating needs of the City. Diversifying the appropriate maturity structure out through two years will reduce market cycle risk.

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

## **G. Strategy - Capital Improvement Program Funds**

**Suitability** - Any investment eligible in the Investment Policy is suitable for Capital Improvement Program Funds ("CIP").

**Safety of Principal** - All investments will be high quality with no perceived default risk. Market price fluctuations will occur. However, by managing CIP Funds to not exceed the shorted of anticipated expenditure schedule or "temporary period" as defined by the IRS, the market risk of the overall portfolio will be minimized.

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

**Liquidity** - CIP Funds used for capital improvements programs have reasonably predictable draw down schedules. Therefore investment maturities should generally follow the anticipated cash flow requirements. Short-term deposits, investment pools, and money market mutual funds will provide readily available funds generally equal to at least one month's anticipated cash flow needs, or a competitive yield alternative for short term fixed maturity investments. A singular repurchase agreement may be utilized if disbursements are allowed in the amount necessary to satisfy any expenditure request. This investment structure is commonly referred to as a flexible repurchase agreement.

**Diversification** - Market conditions and arbitrage regulations influence the attractiveness of staggering the maturity of fixed rate investments for construction, loan and bond proceeds. Generally, when investment rates exceed the applicable cost of borrowing, the City is best served by locking in most investments. If the cost of borrowing cannot be exceeded, then concurrent market conditions will determine the attractiveness of diversifying maturities or investing in shorter and larger amounts. At no time shall the anticipated expenditure schedule be exceeded in an attempt to bolster yield.

**Yield** - Achieving a positive spread to the cost of borrowing is the desired objective, within the limits of the Investment Policy's risk constraints. The yield of an equally weighted, rolling six-month Treasury Bill portfolio will be the minimum yield objective for non-borrowed funds.

## **V. Legal limitations, Responsibilities and Authority**

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"). The Public Funds Collateral Act, Chapter 2257, Texas Government Code, specifies collateral requirements for all public funds deposits. All investments will be

made in accordance with these statutes.

## **VI. Standards of Care**

### **A. Delegation of Investment Authority**

The Director of Finance and Assistant Director of Finance, acting on behalf of the City, are designated as the Investment Officers of the City and is responsible for investment management decisions and activities. The Director of Finance is designated as the lead Investment Officer. The Director of Finance is also responsible for considering the quality and capability of staff, investment advisors, and consultants involved in the investment management and procedures. All participants in the investment process shall seek to act as a prudent person as custodian of the public trust.

The Director of Finance shall develop and maintain written administrative procedures for the operation of the investment program which are consistent with this Policy. The Procedures will include reference to safekeeping, require and include the "Bond Market Master Repurchase Agreements" (as applicable), wire transfer agreements, banking services contracts, and other investment related activities.

The Investment Officers shall be responsible for all transactions undertaken and shall establish a system of controls to regulate the activities of subordinate officials and staff. The Investment Officer shall designate a staff person as a liaison/deputy in the event circumstances require timely action and the Investment Officer is unavailable. No Investment Officer or designee may engage in an investment transaction except as provided under the terms of this Policy.

### **Authorization Resolution**

A Trading Resolution shall be established authorizing the Investment Officer to engage in investment transactions on behalf of the City. The persons authorized by the Resolution to transact business for the City must also be authorized to approve wire transfers and other transaction-related authorizations used in the process of investing.

### **B. Prudence**

The standard prudence to be used in the investment function shall be the "prudent person" standard and shall be applied in the context of managing the overall portfolio. This standard 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 expected income to be derived."

### **Limitation of Personal Liability**

The Investment Officers and those delegated investment authority under this Policy, when acting in accordance with the written procedures and this

Policy and in accord with the Prudent Person Rule, shall be relieved of personal liability in the management of the portfolio provided that deviations from expectations for a specific investment's credit risk or market price change or portfolio shifts are reported in a timely manner and the appropriate action is taken to control adverse market effects.

**C. Internal Controls**

The Director of Finance is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the City 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 (a) the cost of a control should not exceed the benefits likely to be derived and (b) the valuation of costs and benefits requires estimates and judgments by management. Additionally, the Director of Finance shall establish a process for annual independent review by an external auditor to assure compliance with policies and procedures. Also, the Quarterly Investment Reports shall be formally reviewed at least annually by the independent auditor and reported to the City Council.

A compliance audit of management controls on investments and adherence to the City's established investment policies will be conducted in conjunction with the City's annual audit by the independent auditor.

**Cash Flow Forecasting**

Cash Flow forecasting is designed to protect and sustain cash flow requirements of the City. Supplemental to the financial and budgetary systems, the Investment Officer will maintain a cash flow forecasting process designed to monitor and forecast cash positions for investment purposes.

**D. Ethics and Conflicts of Interest**

City employees involved in the investment process shall refrain from personal business activity that could conflict with proper execution of the investment program, or which could impair the ability to make impartial investment decisions. City staff shall properly disclose to the City Manager and City Secretary any material financial interest in a financial institution that conducts business with the City.

An Investment Officer who has a personal business relationship with an organization seeking to sell an investment to the City shall file a disclosure 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 state with the Texas Ethics Commission and the City Council disclosing that relationship.

**E. Training**

Investment Officers must complete at least 10 hours of investment training within 12 months of taking office or assuming duties, and shall attend training not less than once in a two year period and accumulating not less than 8 hours of

instruction relating to investment responsibilities. The City shall provide the training through courses and seminars offered by professional organizations and associations in order to insure the quality and capability of the City's investment personnel making investment decisions in compliance with Public Funds Investment Act (PFIA). Professional organizations and associations that may provide investment training are: the Government Treasurer's Organization of Texas, the University of North Texas, the Government Finance Officers Association of Texas, the Government Finance Officers Association, the North Central Texas Council of Governments, and the Texas Municipal League.

## **VII. Authorizations**

### **A. Authorized Investments**

Acceptable investments under this Policy shall be limited to the instruments listed below and as further described by the Public Funds Investment Act.

1. Obligations of the United States Government, its agencies and instrumentalities and government sponsoring enterprises, not to exceed two years to stated maturity, excluding collateralized mortgage obligations (CMOs);
2. Fully insured or collateralized certificates of deposit from a bank doing business in the State of Texas and under the terms of a written depository agreement with the bank, not to exceed one year to stated maturity;
3. Repurchase agreement and reverse repurchase agreements as defined by the Act, not to exceed 180 days to stated maturity, provided an executed Bond Market Master Repurchase Agreement is on file with the City and the counterparty bank or primary dealer. Flex repurchase agreements used specifically for capital projects may extend beyond two years but only to match the expenditure plan of the projects;
4. No-load, SEC registered money market funds, each approved specifically before use by the City; and
5. Constant dollar Texas Local Government Investment Pools as defined by the Public Funds Investment Act; and

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 approved by the City Council.

### **B. Competitive Bidding Requirement**

All securities, including certificates of deposit, will be purchased or sold after three (3) offers/bids are taken to verify that the City is receiving fair market

value/price for the investment.

**C. Delivery versus Payment**

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

**D. Exemption for Existing Investments**

Any investment currently held that does not meet the guidelines of this Policy, but are authorized investments at the time of purchase, shall be exempted from the requirements of this Policy and is not required to be liquidated. At maturity or liquidation, such monies shall be reinvested only as provided by this Policy.

**E. Authorized Financial Dealer and Institutions**

All investments made by the City will be made through either the City's banking services bank or a primary dealer. The Investment Officer will review the list of authorized broker/dealers annually. A list of at least three broker/dealers will be maintained in order to assure competitive bidding. The City Council must review, approve and adopt the Authorized List of Brokers on at least an annual basis.

Securities Broker/Dealers must meet certain criteria as determined by the Investment Officers. The following criteria must be met by those firms on the list:

- Provision of an audited financial statement each year
- Proof of current registration by the Financial Industry Regulatory Authority ("FINRA")
- Proof of current registration with the State Securities Commission

Every broker/dealer and bank the City transacts business with will be provided a copy of this Investment Policy to assure that they are familiar with the goals and objectives of the investment program. A qualified representative of a local government investment pool or discretionary investment management firm will be required to return a signed certification stating that the Policy has been received and reviewed and has implemented reasonable procedures and controls in an effort to preclude investment transactions conducted between the City and the organization that are not authorized by the City's Investment Policy as required by the Act.

**VIII. Diversification and Maturity Limitations**

It is the Policy of the City to diversify its investment portfolio. Invested funds shall be diversified to minimize risk or loss resulting from over-concentration of assets in a specific maturity, specific issuer, or specific class of securities. Diversification strategies shall be established and periodically reviewed. At a minimum, diversification standards by security type and issuer shall be:

<u>Security Type</u>	<u>Max% of Portfolio</u>
U.S. Treasury obligations	100%
U.S. Government agencies and instrumentalities	Not to exceed 50%
Fully insured or collateralized CDs	Not to exceed 30%
Repurchase agreements	100%
Money Market Funds for Bond Funds	100%
Local Government Investment Pools	80%
Liquidity Pools	100%
Maximum percent ownership of pool for Bond Funds	Not authorized



The Investment Officer shall be required to diversify maturities. The Investment Officer, to the extent possible, will attempt to match investment with anticipated cash flow requirements. Matching maturities with cash flow dates will reduce the need to sell securities prior to maturity, thus reducing market risk. Unless matched to a specific requirement, the Investment Officer may not invest more than 20% of the portfolio for a period greater than five (5) years. The Investment Officer may not invest any portion of the portfolio for a period greater than ten (10) years.

## **IX. Safekeeping and Collateralization**

The laws of the State and prudent treasury management require that all purchased securities be bought on a delivery versus payment basis and be held in safekeeping by an independent Third Party safekeeping agent.

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

All securities pledged to the City for certificates of deposit or demand deposits shall be held by an independent third party bank doing business in Texas. The safekeeping bank may not be within the same holding company as the bank from which the securities are pledged.

### **Collateralization**

Collateralization is required on the time and demand deposits **over the FDIC insurance coverage of \$250,000 and repurchase agreements. Acceptable forms of collateral are limited to those authorized in the Public Funds Collateral Act. The City reserves the right to accept or reject any proposed collateral and to increase the minimum required collateral level.**

In order to anticipate market changes and provide a level of additional security for all funds, the collateralization level required will be 102% of the market value of the principal and accrued interest. Collateral will be held by an independent third party safekeeping agent.

Securities pledged as collateral will be held in the City's name by an independent third party with whom the City has a current custodial agreement. The Investment Officer is responsible for entering into collateralization agreements with third party custodians in compliance with this Policy. The agreements are to specify the acceptable investment securities for collateral, including provisions relation to: possession of the collateral, the substitution or release of investment securities, ownership of securities, and the method of valuation of securities. A clearly marked evidence of ownership (safekeeping receipt) must be supplied to the City and retained. Collateral shall be reviewed at least quarterly to assure that the market value of the pledged securities is adequate.

**Financial institutions serving as City depositories will be required to sign a depository or**

collateral agreement with the City. The custodial portion of the agreement shall define the City's rights to the collateral in case of default, bankruptcy, or closing, and shall establish a perfected security interest in compliance with Federal and State regulations, including:

- the agreement must be in writing;
- the agreement has to be executed by the depository and the City contemporaneously with the acquisition of the asset;
- the agreement must be approved by the board of directors or the loan committee of the depository and a copy of the meeting minutes must be delivered to the City, specifically to the Director of Finance; and
- the agreement must be part of the depository's "official record" continuously since its execution.

The City considers repurchase agreements as simultaneous sales and purchases of securities rather than collateralized loans. However, securities underlying repurchase agreements are referred to as "collateral" for the purpose of this Investment Policy.

Financial Institution deposits (plus accrued interest) do not need to be collateralized pursuant to this Investment Policy as long as FDIC insurance provides full deposit coverage.

## **X. Performance Evaluation and Reporting**

### **A. Methods**

The Investment Officer shall prepare an investment report at least quarterly, including a management summary that provides an analysis of the status of the current investment portfolio and transactions made over the last quarter. This management summary will be prepared in a manner consistent with the requirements of Section 2256.023 (Internal Management Reports) of the PFIA, and that will allow the City to ascertain whether investment activities during the reporting period have conformed to the Investment Policy. The report should be provided to the City Council.

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

### **B. Performance Standards**

The investment portfolio shall be managed in accordance with the objectives specified in this Policy (safety, public trust, liquidity, diversification, and yield). The portfolio shall seek to obtain a market average rate of return during variable market/economic environments of stable interest rates. **Weighted average yield to maturity shall be the portfolio's performance standard.** The Investment Officers shall determine appropriate benchmarks whether market

yields are being achieved by comparing the portfolio market yield to the three (3) month U.S. Treasury Bill, the six (6) month U.S. Treasury Bill and the two (2) year U.S. Treasury Note.

**C. Marking to Market**

The market value of the portfolio shall be calculated at least quarterly and a statement of the market value of the portfolio shall be issued at least quarterly. The market value of each investment shall be obtained from a source such as the Wall Street Journal, a reputable brokerage firm or security pricing service and reported on the investment reports.

**D. Monitoring Credit Ratings**

Any Authorized Investment that requires a minimum rating does not qualify during the period the investment does not have the minimum rating. The City shall monitor the rating of each investment, as applicable, at least quarterly, and take all prudent measures that are consistent with this Policy to liquidate an investment that does not have the minimum rating.

**XI. Depositories**

The City will designate one banking institution through a competitive process as its central banking services provider at least every three years. This institution will be used for normal banking services including disbursements, collections, and safekeeping of securities. Other banking institutions from which the City may purchase certificates of deposit will also be designated as depositories after they provide their latest audited financial statements to the City.

**XII. Investment Policy Adoption by City Council**

The City's Investment Policy shall be adopted annually by the City Council. The policy and strategies shall be reviewed on an annual basis prior to adoption. A written resolution approving the review and changes to the Policy will be passed and recorded by the City Council.

**EXHIBIT A**

**City of Lancaster, Texas  
Authorized Investment Officials**

Baron Sauls, Director of Finance

Raju Anthony, Assistant Finance Director

## EXHIBIT B

### City of Lancaster, Texas Statement of Ethics and Conflicts of Interest

Investment Officers for the City of Lancaster shall refrain from personal business relationships with business organizations that could conflict with the proper execution of the investment program, or which could impair their ability to make partial investment decisions. This would only apply to personal business relationships with business organizations that have been approved by City Council to conduct investment transactions with the City of Lancaster.

An investment official is considered to have a personal business relationship with a business organization if:

- (1) The investment official owns 10 percent or more of the voting stock or shares of the business organization or owns \$5,000 or more of the fair market value of the business.
- (2) Funds received by the investment official from the business organization exceed 10 percent of the investment official's gross income for the previous year.
- (3) The investment official has acquired from the business organization during the previous year investments with a book value of \$2,500 or more for the personal account of the investment official.

I do hereby certify that I do not have a personal business relationship with any business organization approved to conduct investment transactions with the City of Lancaster, nor am I related within the second degree by affinity or consanguinity, as determined under Chapter 573, to an individual seeking to sell an investment to the City of Lancaster as of the date of this statement.

City of Lancaster Investment Officers

\_\_\_\_\_  
Baron Sauls, Director of Finance

\_\_\_\_\_  
Date

\_\_\_\_\_  
Raju Anthony, Assistant Finance Director

\_\_\_\_\_  
Date

## EXHIBIT C

### City of Lancaster, Texas Approved Broker/Dealers, Financial Institutions and Investment Pools

#### **Broker/Dealers**

FTN Financial  
Duncan-Williams, Inc.  
Hilltop Securities

#### **Public Depositories**

JP Morgan Chase, NA (Primary)

#### **Investment Pools**

TexPool  
LOGIC  
Texas Class

**EXHIBIT D**  
**City of Lancaster, Texas**  
**Certification by Business Organization - EXAMPLE**

*(date)*

City of Lancaster, Texas

*(Attn: Designated Investment official)*

211 N. Henry Street Lancaster, TX 75146

Dear Mr./s. *(investment official)*:

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

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

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

**Qualified Representative**

Signed By: \_\_\_\_\_

Printed Name: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

GOVERNMENT CODE

TITLE 10. GENERAL GOVERNMENT

SUBTITLE F. STATE AND LOCAL CONTRACTS AND FUND MANAGEMENT

CHAPTER 2256. PUBLIC FUNDS INVESTMENT

SUBCHAPTER A. AUTHORIZED INVESTMENTS FOR GOVERNMENTAL ENTITIES

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

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

Sec. 2256.002. DEFINITIONS. In this chapter:

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

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

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

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

(B) the investing entity has authority to invest.

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

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

(6) "Investment pool" means an entity created under this code to invest public funds jointly on behalf of the entities that participate in the



pool and whose investment objectives in order of priority are:

- (A) preservation and safety of principal;
- (B) liquidity; and
- (C) yield.

(7) "Local government" means a municipality, a county, a school district, a district or authority created under Section 52(b)(1) or (2), Article III, or Section 59, Article XVI, Texas Constitution, a fresh water supply district, a hospital district, and any political subdivision, authority, public corporation, body politic, or instrumentality of the State of Texas, and any nonprofit corporation acting on behalf of any of those entities.

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

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

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

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

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

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

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

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

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

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

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

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

(1) a local government;

(2) a state agency;

(3) a nonprofit corporation acting on behalf of a local government or a state agency; or

(4) an investment pool acting on behalf of two or more local governments, state agencies, or a combination of those entities.

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

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

duties under this chapter.

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

This section was amended by the 85th Legislature. Pending publication of the current statutes, see H.B. [1003](#), 85th Legislature, Regular Session, for amendments affecting this section.

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

(1) a public retirement system as defined by Section [802.001](#);

(2) state funds invested as authorized by Section [404.024](#);

(3) an institution of higher education having total endowments of at least \$95 million in book value on May 1, 1995;

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

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

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

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

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

This section was amended by the 85th Legislature. Pending publication of the current statutes, see H.B. [1701](#), 85th Legislature, Regular Session, for amendments affecting this section.

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

(b) The investment policies must:

(1) be written;

(2) primarily emphasize safety of principal and liquidity;

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

(4) include:

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

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

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

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

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

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

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

(1) orally;

(2) in writing;

(3) electronically; or

(4) in any combination of those methods.

(d) As an integral part of an investment policy, the governing body shall adopt a separate written investment strategy for each of the funds or group of funds under its control. Each investment strategy must describe the investment

objectives for the particular fund using the following priorities in order of importance:

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

(e) The governing body of an investing entity shall review its investment policy and investment strategies not less than annually. The governing body shall adopt a written instrument by rule, order, ordinance, or resolution stating that it has reviewed the investment policy and investment strategies and that the written instrument so adopted shall record any changes made to either the investment policy or investment strategies.

(f) Each investing entity shall designate, by rule, order, ordinance, or resolution, as appropriate, one or more officers or employees of the state agency, local government, or investment pool as investment officer to be responsible for the investment of its funds consistent with the investment policy adopted by the entity. If the governing body of an investing entity has contracted with another investing entity to invest its funds, the investment officer of the other investing entity is considered to be the investment officer of the first investing entity for purposes of this chapter. Authority granted to a person to invest an entity's funds is effective until rescinded by the investing entity, until the expiration of the officer's term or the termination of the person's employment by the investing entity, or if an investment management firm, until the expiration of the contract with the investing entity. In the administration of the duties of an investment officer, the person designated as investment officer shall exercise the judgment and care, under prevailing circumstances, that a prudent person would exercise in the management of the person's own affairs, but the governing body of the investing entity retains ultimate responsibility as fiduciaries of the assets of the entity. Unless authorized by law, a person may not deposit, withdraw, transfer, or manage in any other manner the funds of the investing entity.

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

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

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

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

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

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

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

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

(3) the investment officer has acquired from the business

organization during the previous year investments with a book value of \$2,500 or more for the personal account of the investment officer.

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

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

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

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

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

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

(n) Except as provided by Subsection (o), at least once every two years a state agency shall arrange for a compliance audit of management controls on investments and adherence to the agency's established investment policies. The

compliance audit shall be performed by the agency's internal auditor or by a private auditor employed in the manner provided by Section [321.020](#). Not later than January 1 of each even-numbered year a state agency shall report the results of the most recent audit performed under this subsection to the state auditor. Subject to a risk assessment and to the legislative audit committee's approval of including a review by the state auditor in the audit plan under Section [321.013](#), the state auditor may review information provided under this section. If review by the state auditor is approved by the legislative audit committee, the state auditor may, based on its review, require a state agency to also report to the state auditor other information the state auditor determines necessary to assess compliance with laws and policies applicable to state agency investments. A report under this subsection shall be prepared in a manner the state auditor prescribes.

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

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

Amended by:

Acts 2011, 82nd Leg., R.S., Ch. 1004 (H.B. [2226](#)), Sec. 1, eff. June 17, 2011.

Sec. 2256.006. STANDARD OF CARE. (a) Investments shall be made with judgment and care, under prevailing circumstances, that a person of prudence, discretion, and intelligence would exercise in the management of the person's own affairs, not for speculation, but for investment, considering the probable safety of capital and the probable income to be derived. Investment of funds shall be governed by the following investment objectives, in order of priority:

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

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



into consideration:

(1) the investment of all funds, or funds under the entity's control, over which the officer had responsibility rather than a consideration as to the prudence of a single investment; and

(2) whether the investment decision was consistent with the written investment policy of the entity.

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

Sec. 2256.007. INVESTMENT TRAINING; STATE AGENCY BOARD MEMBERS AND OFFICERS. (a) Each member of the governing board of a state agency and its investment officer shall attend at least one training session relating to the person's responsibilities under this chapter within six months after taking office or assuming duties.

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

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

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

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

Amended by:

Acts 2011, 82nd Leg., R.S., Ch. 1004 (H.B. [2226](#)), Sec. 2, eff. June 17, 2011.

This section was amended by the 85th Legislature. Pending publication of the

current statutes, see H.B. 1238 and S.B. 1488, 85th Legislature, Regular Session, for amendments affecting this section.

Sec. 2256.008. INVESTMENT TRAINING; LOCAL GOVERNMENTS.

Text of subsection as amended by Acts 2015, 84th Leg., R.S., Ch. 222 (H.B. 1148), Sec. 1

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

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

(2) except as provided by Subsections (b), (e), and (f), attend an investment training session not less than once in a two-year period that begins on the first day of that local government's fiscal year and consists of the two consecutive fiscal years after that date, and receive not less than 10 hours of instruction relating to investment responsibilities under this subchapter from an independent source approved by the governing body of the local government or a designated investment committee advising the investment officer as provided for in the investment policy of the local government.

Text of subsection as amended by Acts 2015, 84th Leg., R.S., Ch. 1248 (H.B. 870), Sec. 1

(a) Except as provided by Subsections (a-1), (b), and (e), the treasurer, the chief financial officer if the treasurer is not the chief financial officer, and the investment officer of a local government shall:

(1) attend at least one training session from an independent source approved by the governing body of the local government or a designated

investment committee advising the investment officer as provided for in the investment policy of the local government and containing at least 10 hours of instruction relating to the treasurer's or officer's responsibilities under this subchapter within 12 months after taking office or assuming duties; and

(2) attend an investment training session not less than once in a two-year period that begins on the first day of that local government's fiscal year and consists of the two consecutive fiscal years after that date, and receive not less than 10 hours of instruction relating to investment responsibilities under this subchapter from an independent source approved by the governing body of the local government or a designated investment committee advising the investment officer as provided for in the investment policy of the local government.

(a-1) In addition to the requirements of Subsection (a)(1), the treasurer, or the chief financial officer if the treasurer is not the chief financial officer, and the investment officer of a school district or a municipality shall attend an investment training session not less than once in a two-year period that begins on the first day of the school district's or municipality's fiscal year and consists of the two consecutive fiscal years after that date, and receive not less than eight hours of instruction relating to investment responsibilities under this subchapter from an independent source approved by the governing body of the school district or municipality, or by a designated investment committee advising the investment officer as provided for in the investment policy of the school district or municipality.

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

(c) Training under this section must include education in investment

controls, security risks, strategy risks, market risks, diversification of investment portfolio, and compliance with this chapter.

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

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

(f) Subsection (a)(2) does not apply to an officer of a municipality if the municipality:

- (1) does not invest municipal funds; or
- (2) only deposits municipal funds in:
  - (A) interest-bearing deposit accounts; or
  - (B) certificates of deposit as authorized by Section [2256.010](#).

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

Amended by:

Acts 2011, 82nd Leg., R.S., Ch. 1004 (H.B. [2226](#)), Sec. 3, eff. June 17, 2011.

Acts 2015, 84th Leg., R.S., Ch. 222 (H.B. [1148](#)), Sec. 1, eff. September 1, 2015.

Acts 2015, 84th Leg., R.S., Ch. 1248 (H.B. [870](#)), Sec. 1, eff. September 1, 2015.

This section was amended by the 85th Legislature. Pending publication of the current statutes, see H.B. [1003](#), H.B. [2647](#) and H.B. [2928](#), 85th Legislature, Regular Session, for amendments affecting this section.

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

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

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

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

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

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

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

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

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

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

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

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

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

ch. 558, Sec. 1, eff. Sept. 1, 2001.

Amended by:

Acts 2011, 82nd Leg., R.S., Ch. 1004 (H.B. [2226](#)), Sec. 4, eff. June 17, 2011.

This section was amended by the 85th Legislature. Pending publication of the current statutes, see H.B. [2928](#), 85th Legislature, Regular Session, for amendments affecting this section.

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

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

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

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

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

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

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

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

(2) the broker or the depository institution selected by the investing entity under Subdivision (1) arranges for the deposit of the funds in certificates of deposit in one or more federally insured depository institutions, wherever located, for the account of the investing entity;

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

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

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

Amended by:

Acts 2005, 79th Leg., Ch. 128 (H.B. [256](#)), Sec. 1, eff. September 1, 2005.

Acts 2011, 82nd Leg., R.S., Ch. 1004 (H.B. [2226](#)), Sec. 5, eff. June 17, 2011.

This section was amended by the 85th Legislature. Pending publication of the current statutes, see H.B. [1003](#), 85th Legislature, Regular Session, for amendments affecting this section.

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

(1) has a defined termination date;

(2) is secured by a combination of cash and obligations described by Section [2256.009](#)(a)(1); and

(3) requires the securities being purchased by the entity or cash held by the entity to be pledged to the entity, held in the entity's name, and

deposited at the time the investment is made with the entity or with a third party selected and approved by the entity; and

(4) is placed through a primary government securities dealer, as defined by the Federal Reserve, or a financial institution doing business in this state.

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

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

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

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

Amended by:

Acts 2011, 82nd Leg., R.S., Ch. 1004 (H.B. [2226](#)), Sec. 6, eff. June 17, 2011.

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

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

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

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

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



(A) pledged securities described by Section 2256.009;

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

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

(ii) continuously rated by at least one nationally recognized investment rating firm at not less than A or its equivalent; or

(C) cash invested in accordance with Section:

(i) 2256.009;

(ii) 2256.013;

(iii) 2256.014; or

(iv) 2256.016;

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

(A) pledged to the investing entity;

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

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

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

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

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

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

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

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

(1) has a stated maturity of 270 days or fewer from the date of its issuance;

(2) will be, in accordance with its terms, liquidated in full at maturity;

(3) is eligible for collateral for borrowing from a Federal Reserve Bank; and

(4) is accepted by a bank organized and existing under the laws of the United States or any state, if the short-term obligations of the bank, or of a bank holding company of which the bank is the largest subsidiary, are rated not less than A-1 or P-1 or an equivalent rating by at least one nationally recognized credit rating agency.

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

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

(1) has a stated maturity of 270 days or fewer from the date of its issuance; and

(2) is rated not less than A-1 or P-1 or an equivalent rating by at least:

(A) two nationally recognized credit rating agencies; or

(B) one nationally recognized credit rating agency and is fully secured by an irrevocable letter of credit issued by a bank organized and existing under the laws of the United States or any state.

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

This section was amended by the 85th Legislature. Pending publication of the current statutes, see H.B. [1003](#), 85th Legislature, Regular Session, for amendments affecting this section.

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

(1) is registered with and regulated by the Securities and Exchange Commission;

(2) provides the investing entity with a prospectus and other information required by the Securities Exchange Act of 1934 (15 U.S.C. Section 78a et seq.) or the Investment Company Act of 1940 (15 U.S.C. Section 80a-1 et seq.);

(3) has a dollar-weighted average stated maturity of 90 days or fewer; and

(4) includes in its investment objectives the maintenance of a stable net asset value of \$1 for each share.

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

(1) is registered with the Securities and Exchange Commission;

(2) has an average weighted maturity of less than two years;

(3) is invested exclusively in obligations approved by this subchapter;

(4) is continuously rated as to investment quality by at least one nationally recognized investment rating firm of not less than AAA or its equivalent; and

(5) conforms to the requirements set forth in Sections [2256.016](#)(b) and (c) relating to the eligibility of investment pools to receive and invest funds of investing entities.

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

(1) invest in the aggregate more than 15 percent of its monthly average fund balance, excluding bond proceeds and reserves and other funds held for debt service, in mutual funds described in Subsection (b);

(2) invest any portion of bond proceeds, reserves and funds held for debt service, in mutual funds described in Subsection (b); or

(3) invest its funds or funds under its control, including bond proceeds and reserves and other funds held for debt service, in any one mutual fund described in Subsection (a) or (b) in an amount that exceeds 10 percent of the total assets of the mutual fund.

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

This section was amended by the 85th Legislature. Pending publication of the current statutes, see H.B. [1003](#), 85th Legislature, Regular Session, for amendments affecting this section.

Sec. 2256.015. AUTHORIZED INVESTMENTS: GUARANTEED INVESTMENT CONTRACTS.

(a) A guaranteed investment contract is an authorized investment for bond proceeds under this subchapter if the guaranteed investment contract:

(1) has a defined termination date;

(2) is secured by obligations described by Section [2256.009\(a\)\(1\)](#), excluding those obligations described by Section [2256.009\(b\)](#), in an amount at least equal to the amount of bond proceeds invested under the contract; and

(3) is pledged to the entity and deposited with the entity or with a third party selected and approved by the entity.

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

(c) To be eligible as an authorized investment:

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

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

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

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

(5) the provider must certify the administrative costs reasonably

expected to be paid to third parties in connection with the guaranteed investment contract.

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

This section was amended by the 85th Legislature. Pending publication of the current statutes, see H.B. [1003](#), 85th Legislature, Regular Session, for amendments affecting this section.

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

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

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

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

(3) the maximum stated maturity date any investment security within the portfolio has;

(4) the objectives of the pool;

(5) the size of the pool;

(6) the names of the members of the advisory board of the pool and the dates their terms expire;

(7) the custodian bank that will safekeep the pool's assets;

(8) whether the intent of the pool is to maintain a net asset value of one dollar and the risk of market price fluctuation;

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

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

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

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

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

(1) investment transaction confirmations; and

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

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

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

(C) the current percentage of the pool's portfolio in investments that have stated maturities of more than one year;

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

(E) the size of the pool;

(F) the number of participants in the pool;

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

(H) a listing of daily transaction activity of the entity

participating in the pool;

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

(J) the portfolio managers of the pool; and

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

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

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

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

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

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

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

(h) To maintain eligibility to receive funds from and invest funds on

behalf of an entity under this chapter, an investment pool must be continuously rated no lower than AAA or AAA-m or at an equivalent rating by at least one nationally recognized rating service.

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

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

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

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

Amended by:

Acts 2011, 82nd Leg., R.S., Ch. 1004 (H.B. [2226](#)), Sec. 7, eff. June 17, 2011.

This section was amended by the 85th Legislature. Pending publication of the current statutes, see S.B. [253](#), 85th Legislature, Regular Session, for amendments affecting this section.

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

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

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



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

Amended by:

Acts 2011, 82nd Leg., R.S., Ch. 1004 (H.B. [2226](#)), Sec. 8, eff. June 17, 2011.

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

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

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

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

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

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

(b) A payment by a municipally owned electric or gas utility under a hedging contract or related agreement in relation to fuel supplies or fuel

reserves is a fuel expense, and the utility may credit any amounts it receives under the contract or agreement against fuel expenses.

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

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

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

Amended by:

Acts 2007, 80th Leg., R.S., Ch. 7 (S.B. 495), Sec. 1, eff. April 13, 2007.

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

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

Added by Acts 2009, 81st Leg., R.S., Ch. 1371 (S.B. 894), Sec. 1, eff. September 1, 2009.

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

(b) In addition to the authorized investments permitted by this subchapter, a port or district may purchase, sell, and invest its funds and funds under its control in negotiable certificates of deposit issued by a bank that has a certificate of deposit rating of at least 1 or the equivalent by a

nationally recognized credit rating agency or that is associated with a holding company having a commercial paper rating of at least A-1, P-1, or the equivalent by a nationally recognized credit rating agency.

Added by Acts 2011, 82nd Leg., R.S., Ch. 804 (H.B. [2346](#)), Sec. 1, eff. September 1, 2011.

Sec. 2256.0204. AUTHORIZED INVESTMENTS: INDEPENDENT SCHOOL DISTRICTS.

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

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

(2) is an unsecured debt obligation.

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

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

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

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

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

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

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

(2) adopts procedures to provide for:

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

(B) liquidating the investment in corporate bonds; and

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

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

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

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

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

Added by Acts 2011, 82nd Leg., R.S., Ch. 1347 (S.B. [1543](#)), Sec. 1, eff. June 17, 2011.

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

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

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

(b) In addition to other investments authorized under this subchapter, a municipality that owns a municipal electric utility that is engaged in the

distribution and sale of electric energy or natural gas to the public may invest funds held in a decommissioning trust in any investment authorized by Subtitle B, Title 9, Property Code.

Added by Acts 2005, 79th Leg., Ch. 121 (S.B. [1464](#)), Sec. 1, eff. September 1, 2005.

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

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

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

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

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

(b) The report must:

- (1) describe in detail the investment position of the entity on the date of the report;
- (2) be prepared jointly by all investment officers of the entity;
- (3) be signed by each investment officer of the entity;
- (4) contain a summary statement of each pooled fund group that states

the:

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

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

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

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

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

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

(B) relevant provisions of this chapter.

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

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

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

Amended by:

Acts 2011, 82nd Leg., R.S., Ch. 1004 (H.B. [2226](#)), Sec. 9, eff. June 17, 2011.

This section was amended by the 85th Legislature. Pending publication of the current statutes, see S.B. [253](#), 85th Legislature, Regular Session, for amendments affecting this section.

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

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

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

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

- (1) the Texas Department of Housing and Community Affairs or a nonprofit corporation created to act on its behalf;
- (2) an entity created under Chapter [392](#), Local Government Code; or
- (3) an entity created under Chapter [394](#), Local Government Code.

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

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

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

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

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

## SUBCHAPTER B. MISCELLANEOUS PROVISIONS

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

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

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

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

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

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

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



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

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

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

## LANCASTER CITY COUNCIL

### City Council Special Meeting

2.

**Meeting Date:** 09/18/2017

**Policy Statement:** This request supports the City Council 2017-2018 Policy Agenda.

**Goal(s):** Financially Sound Government

**Submitted by:** Sam Urbanski, Police Chief

---

#### **Agenda Caption:**

Consider an ordinance approving the proposed fiscal year 2017/2018 budget for proceeds of seized property for the Lancaster Police Department for the fiscal year beginning October 1, 2017 and ending September 30, 2018; providing that expenditures for said fiscal year shall be in accordance with said budget.

#### **Background:**

Pursuant to the agreements signed by the Lancaster Police Department and the State Attorney General and United States Department of Justice to share the use of property and/or proceeds from seizures in connection with combined law enforcement activities, the Police Chief is submitting to the City Council a proposed budget of the expenditures for conducting the affairs of the Lancaster Police Department throughout the fiscal year beginning October 1, 2017 and ending September 30, 2018.

#### **Operational Considerations:**

The proposed detail budget is outlined below.

Fund	2017-2018 Budget Expenditures
Police Seized Funds - State	\$32,886.00
Police Seized Funds - Federal	\$16,087.00
<b>Total</b>	<b>\$48,973.00</b>

#### **Legal Considerations:**

The ordinance has been reviewed and approved as to form by the City Attorney.

#### **Public Information Considerations:**

This item is being considered at a meeting of the City Council noticed in accordance with the Texas Open Meetings Act.

#### **Fiscal Impact:**

The Seized Funds proposed budget is a plan for expenditures related to the operations of the Lancaster Police Department.

**Options/Alternatives:**

1. City Council may approve the ordinance, as presented.
2. City Council may deny the ordinance.

**Recommendation:**

Staff recommends approval of the ordinance as presented.

**Attachments**

Ordinance

Exhibit A

Exhibit B

---

## **ORDINANCE NO.**

**AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF LANCASTER, TEXAS, APPROVING AND ADOPTING A BUDGET FOR PROCEEDS OF SEIZED PROPERTY FOR THE LANCASTER POLICE DEPARTMENT FOR THE FISCAL YEAR BEGINNING OCTOBER 1, 2017 AND ENDING SEPTEMBER 30, 2018; PROVIDING THAT EXPENDITURES FOR SAID FISCAL YEAR SHALL BE IN ACCORDANCE WITH SAID BUDGET; PROVIDING FOR THE REPEAL OF ALL ORDINANCES IN CONFLICT; PROVIDING A SEVERABILITY CLAUSE; AND PROVIDING AN EFFECTIVE DATE.**

**WHEREAS**, the Lancaster Police Department has signed certain agreements with the State Attorney General and United States Department of Justice to share the use of property and/or proceeds from seizures in connection with combined law enforcement activities; and

**WHEREAS**, the Chief of Police of the City of Lancaster Police Department has submitted to the City Council a proposed budget of the expenditures for utilizing such funds in accordance with the law for the benefit of law enforcement activities of the department for fiscal year 2017-2018; and

**WHEREAS**, the City Council has received the Chief of Police's proposed seizure budget, a copy of which proposed seizure budget is attached hereto and incorporated herein as Exhibits A and B, and has been filed with the City Secretary of the City of Lancaster;

**NOW, THEREFORE, BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF LANCASTER, TEXAS:**

**SECTION 1.** That the budget of expenditures as set forth in the attachments hereto as Exhibits A and B, for conducting the affairs of the Lancaster Police Department and providing a financial plan for the ensuing fiscal year beginning October 1, 2017 and ending September 30, 2018, is hereby approved as the adopted budget for proceeds of seized property on behalf of the Lancaster Police Department; and, the Department shall expend those funds in accordance with Agreements recited herein and applicable law.

**SECTION 2.** That the appropriations for the fiscal year are hereby approved beginning October 1, 2017, and ending September 30, 2018, for the various funds and purposes of the Lancaster Police Department, which is attached hereto and incorporated herein as Exhibit A and is summarized as follows:

Exhibit "A"

		2017-2018
		Budget
Fund		Expenditures
Police Seized Funds – State		\$32,886.00

Exhibit "B"

Police Seized Funds – Federal	\$16,087.00
Total	\$48,973.00

**SECTION 3.** Those expenditures during the fiscal year shall be made in accordance with the seizure budget approved by this ordinance and made part hereof for all purposes unless otherwise authorized by a duly enacted ordinance of the City.

**SECTION 4.** That all provisions of the ordinances of the City of Lancaster in conflict with the provisions of this ordinance be and the same are hereby repealed, and all other provisions of the ordinances of the City of Lancaster not in conflict with the provisions of this ordinance shall remain in full force and effect.

**SECTION 5.** That should any sentence, paragraph, subdivision, clause, phase or section of this ordinance be adjudged or held to be unconstitutional, illegal, or invalid, the same shall not affect the validity of this ordinance as a whole, or any part or provision thereof other than the part so decided to be invalid, illegal or unconstitutional.

**DULY PASSED** and approved by the City Council of the City of Lancaster, Texas, on this the 18<sup>th</sup> day of September, 2017.

**ATTEST:**

**APPROVED:**

\_\_\_\_\_  
Sorangel O. Arenas, City Secretary

\_\_\_\_\_  
Marcus E. Knight, Mayor

**APPROVED AS TO FORM:**

\_\_\_\_\_  
David T. Ritter, City Attorney

bdpbrqst fk3880

13:24 08/03/17

Fund: 11 POLICE SEIZED FUNDS - STATE

Dept: 14 POLICE

City of Lancaster

Detailed Budget Request Report

Fiscal Year: 2018

Revision level: 2 No increase No Positions

Page 1

Prog: POLICE DEPARTMENT		Account Type Selected: E Expenses	
Account Number	Description	Budget Reference	Comment
11-0102-14-00	SALARIES PART TIME		
			Totals: .00 *
11-0107-14-00	FICA		
			Totals: .00 *
11-0109-14-00	SALARIES WELL PAY		
			Totals: .00 *
11-0110-14-00	DENTAL INSURANCE		
			Totals: .00 *
11-0112-14-00	SALARIES OUT OF CLASS/FTO PAY		
			Totals: .00 *
11-0114-14-00	SALARIES ASSIGNMENT PAY		
			Totals: .00 *
11-0115-14-00	CERTIFICATION PAY		
			Totals: .00 *
11-0116-14-00	SALARIES EDUCATION PAY		
			Totals: .00 *
11-0117-14-00	SALARIES SECOND LANGUAGE		
			Totals: .00 *
11-0120-14-00	GROUP LIFE INSURANCE		
			Totals: .00 *
11-0130-14-00	WORKERS COMPENSATION		
			Totals: .00 *
11-0169-14-00	ELLIS COUNTY PROGRAM FEE		
			Totals: .00 *
11-0170-14-00	ELLIS COUNTY SAL REIMB		
			Totals: .00 *
11-0172-14-00	BLOCK GRANT OVERTIME		
			Totals: .00 *
11-0201-14-00	OFFICE SUPPLIES		
			Totals: .00 *
11-0202-14-00	UNIFORMS AND CLOTHING		
			Totals: 10,000.00 *
11-0203-14-00	MOTOR VEHICLE SUPPLIES		
			Totals: .00 *
11-0204-14-00	MINOR EQUIPMENT		
			Totals: .00 *
11-0210-14-00	FOOD/BEV-MEETING/FUNCTIONS		
			Totals: .00 *
11-0211-14-00	OTHER OPERATIONAL SUPPLIES		
			Totals: .00 *
11-0212-14-00	AMMUNITION		
			Totals: .00 *
11-0219-14-00	DATA PROCESSING SUPPLIES		
			Totals: .00 *
11-0220-14-00	INVESTIGATION SUPPLIES		

bdpbrqst fk3880

13:24 08/03/17

Fund: 11 POLICE SEIZED FUNDS - STATE

Dept: 14 POLICE

City of Lancaster

Detailed Budget Request Report

Fiscal Year: 2018

Revision level: 2 No increase No Positions

Page 2

Prog: POLICE DEPARTMENT		Account Type Selected: E Expenses	
Account Number	Description	Budget Reference	Comment
			Totals: .00 *
11-0302-14-00	MAINT-MOTOR VEHICLES		Totals: .00 *
11-0314-14-00	MAINT-RADIO EQUIPMENT		Totals: .00 *
11-0318-14-00	MAINT-OFFICE EQUIPMENT		Totals: .00 *
11-0342-14-00	MAINT-DATA PROCESSING EQUIP		Totals: .00 *
11-0401-14-00	TELEPHONE & COMMUNICATIONS		Totals: .00 *
11-0402-14-00	RENTAL OF EQUIPMENT		Totals: .00 *
11-0404-14-00	COURT COSTS		Totals: .00 *
11-0405-14-00	DISTRICT ATTORNEY		Totals: .00 *
11-0407-14-00	SPECIAL SERVICES		Totals: .00 *
11-0409-14-00	TRAVEL & EDUCATION		Totals: .00 *
11-0414-14-00	DUES & SUBSCRIPTIONS		Totals: 9,000.00 *
11-0416-14-00	OTHER/PROFESSIONAL SERVICES		Totals: .00 *
11-0421-14-00	PRINTING		Totals: .00 *
11-0430-14-00	OTHER CITIES		Totals: .00 *
11-0442-14-00	COMPUTER PROFESSIONAL SERVICES		Totals: .00 *
11-0450-14-00	ADMINISTRATIVE FEES		Totals: .00 *
11-0462-14-00	CELLULAR TELEPHONE		Totals: .00 *
11-0546-14-00	REFUNDS		Totals: .00 *
11-0602-14-00	CAPITAL-BUILDING & STRUCTURE		Totals: .00 *
11-0608-14-00	CAPITAL-FURNITURE & FIXTURES		Totals: .00 *
11-0615-14-00	CAPITAL-COMMUNICATION EQUIP		Totals: .00 *
11-0617-14-00	CAPITAL-OFFICE EQUIPMENT		Totals: .00 *
11-0618-14-00	CAPITAL-COMPUTER EQUIPMENT		

13:24 08/03/17

Fund: 11 POLICE SEIZED FUNDS - STATE

Dept: 14 POLICE

City of Lancaster

## Detailed Budget Request Report

Fiscal Year: 2018

Revision level: 2 No increase No Positions

Page 3

Prog: POLICE DEPARTMENT

Account Type Selected: E Expenses

Account Number	Description	Budget Reference	Comment
			Totals:
11-0620-14-00	CAPITAL-SOFTWARE		.00 *
			Totals:
11-0625-14-00	CAPITAL-POLICE EQUIPMENT		.00 *
			Totals:
			.00 *
Program 0 - POLICE DEPARTMENT Totals:			19,000.00 *



13:24 08/03/17

Fund: 11 POLICE SEIZED FUNDS - STATE

Dept: 14 POLICE

City of Lancaster

Detailed Budget Request Report

Fiscal Year: 2018

Revision level: 2 No increase No Positions

Page 4

---

Prog: 1 STATE SEIZED FUNDS

Account Type Selected: E Expenses

Account Number	Description	Budget Reference	Comment		
11-0101-14-01	SALARIES REGULAR				
				Totals:	.00 *
11-0103-14-01	SALARIES OVERTIME				
				Totals:	.00 *
11-0104-14-01	SALARIES LONGEVITY				
				Totals:	.00 *
11-0105-14-01	GROUP HEALTH INSURANCE				
				Totals:	.00 *
11-0106-14-01	TMRS				
				Totals:	.00 *
Program 1 - STATE SEIZED FUNDS Totals:					.00 *
Department 14 - POLICE Totals:					19,000.00 **
Expenditure	Totals:				19,000.00 ****
Fund 11 - POLICE SEIZED FUNDS - STATE Totals:					19,000.00 ***
***** End of Report *****					

13:24 08/03/17

Fund: 12 POLICE SEIZED FUNDS - FEDERAL

Dept: 14 POLICE DEPARTMENT

City of Lancaster

Detailed Budget Request Report

Fiscal Year: 2018

Revision level: 2 No increase No Positions

Page 1

Prog:	POLICE DEPT EXPENDITURES
-------	--------------------------

Account Type Selected: E Expenses

Account Number	Description	Budget Reference	Comment		
12-0201-14-00	SUPPLIES				
				Totals:	.00 *
12-0202-14-00	UNIFORMS AND CLOTHING				
				Totals:	21,000.00 *
12-0204-14-00	MINOR EQUIP/TOOLS				
				Totals:	.00 *
12-0301-14-00	MAINTENANCE				
				Totals:	.00 *
12-0407-14-00	SERVICES				
				Totals:	.00 *
12-0409-14-00	TRAVEL & EDUCATION				
				Totals:	10,000.00 *
12-0414-14-00	DUES & SUBSCRIPTIONS				
				Totals:	.00 *
12-0416-14-00	OTHER/PROFESSIONAL SERVICES				
				Totals:	.00 *
12-0421-14-00	PRINTING				
				Totals:	.00 *
12-0620-14-00	CAPITAL-SOFTWARE				
				Totals:	.00 *
12-0625-14-00	CAPITAL - EQUIPMENT				
				Totals:	.00 *
Program 0 - POLICE DEPT EXPENDITURES Totals:					31,000.00 *
Department 14 - POLICE DEPARTMENT Totals:					31,000.00 **
Expenditure	Totals:				31,000.00 ****
Fund 12 - POLICE SEIZED FUNDS - FEDERAL Totals:					31,000.00 ***
***** End of Report *****					

## LANCASTER CITY COUNCIL

### City Council Special Meeting

3.

**Meeting Date:** 09/18/2017

**Policy Statement:** This request supports the City Council 2017-2018 Policy Agenda.

**Goal(s):** Professional & Committed City Workforce

**Submitted by:** Dori Lee, Human Resources Director

---

#### **Agenda Caption:**

Discuss and consider an ordinance, establishing Civil Service classifications within the Police and Fire Departments; prescribing the number of positions in each classification.

#### **Background:**

Pursuant to Title 5, Chapter 143, of the Texas Local Government Code, the City Council must establish the civil service classifications in the Police and Fire Departments and the number of positions in each classification. The proposed ordinance is consistent with the staffing levels discussed in the proposed FY 2017-2018 budget.

#### **Operational Considerations:**

- The Fire Department staffing includes 62 sworn fire personnel. The Police Department staffing includes 62 sworn police personnel. The proposed classifications are as follows:

	<b>FIRE PREVENTION</b>	<b>FIRE SUPPRESSION</b>
	Authorized	Authorized
<u>Classification</u>	<u>No. of Positions as of 10/01/2017</u>	<u>No. of Positions as of 10/01/2017</u>
Assistant Chief	0	1
Fire Marshal/Battalion Chief	1	5
Fire Captains	0	9
Fire Engineer	0	21
Fire Fighter**	0	25
<hr/>	<hr/>	<hr/>
Total	1	61

## **POLICE**

<u>Classification</u>	<u>Authorized No. of Positions as of 10/1/2016</u>
Assistant Chief	2
Police Lieutenant	6
Police Sergeant	7
Police Officer*	47
<hr/> Total	<hr/> 62

### **Public Information Considerations:**

This item is being considered at a meeting of the City Council noticed in accordance with the Texas Open Meeting Act.

### **Fiscal Impact:**

Funding is included in the Fire Department and Police Department Fiscal Year 2017-2018 Operating Budget.

### **Options/Alternatives:**

1. Council may approve the ordinance as presented.
2. Council may deny the ordinance.

### **Recommendation:**

Staff recommends approving the ordinance as presented.

### **Attachments**

Ordinance

---

**ORDINANCE NO. \_\_\_\_\_**

**AN ORDINANCE OF THE CITY OF LANCASTER, TEXAS, ESTABLISHING CIVIL SERVICE CLASSIFICATIONS WITHIN THE POLICE AND FIRE DEPARTMENTS; PRESCRIBING THE NUMBER OF POSITIONS IN EACH CLASSIFICATION; PROVIDING FOR SEVERABILITY; PROVIDING A REPEALER; AND PROVIDING FOR AN EFFECTIVE DATE.**

**WHEREAS**, pursuant to Chapter 143 of the Texas Local Government Code, the City Council shall establish certain classifications and shall prescribe the number of positions in each of these classifications by ordinance; and

**WHEREAS**, the City Council has reviewed and approved a budget for the City for fiscal year beginning October 1, 2017 and ending September 30, 2018; and

**WHEREAS**, such budget contains a program of planned expenditures and for authorized positions within the police and fire departments, including programmed changes to the operations and human resources of those departments.

**WHEREAS**, it is the express intent of the City Council that the total number of authorized positions within the Lancaster Fire Department remain the same & the Police Department increase by three positions the next fiscal year; and

**WHEREAS**, such budget contains a program of planned expenditures and for authorized positions within the police and fire departments, including programmed changes to the operations and human resources of those departments;

**NOW, THEREFORE, BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF LANCASTER, TEXAS;**

**SECTION 1.** That City Council hereby establishes the classifications and the number of authorized positions within each classification in the Fire Department. The following strength of force for the Lancaster Fire Department is set forth as follows:

	<b>FIRE PREVENTION</b>	<b>FIRE SUPPRESSION</b>
	Authorized	Authorized
<u>Classification</u>	<u>No. of Positions as of</u>	<u>No. of Positions as of</u>
	<u>10/01/2017</u>	<u>10/01/2017</u>
Assistant Chief	0	1
Fire Marshal/Battalion Chief	1	5
Fire Captains	0	9
Fire Engineer	0	21
Fire Fighter**	0	25
<hr/>	<hr/>	<hr/>
Total	1	61

**SECTION 2.** That City Council hereby establishes the classifications and the number of authorized positions within each classification in the Police Department. At that time and date, the following strength of force for the Lancaster Police Department is set forth as follows:

<b>POLICE</b>	
Authorized	
<u>Classification</u>	<u>No. of Positions as of</u>
	<u>10/1/2017</u>
Assistant Chief	2
Police Lieutenant	6
Police Sergeant	7
Police Officer	47
<hr/>	
Total	62

**SECTION 3. Severability:** If any provision, section, clause, sentence, or phrase of this ordinance is for any reason held to be unconstitutional, void, invalid, or un-enforced, the validity of the remainder of this ordinance or its application shall not be affected, it being the intent of the City Council in adopting and of the Mayor in approving this ordinance that no portion, provision, or regulation contained herein shall become inoperative or fail by way of reasons of any unconstitutionality or invalidity of any other portion, provision, or regulation.

**SECTION 4. Repealer:** That all other ordinances, section, or parts of ordinances heretofore adopted by the City of Lancaster in conflict with the provisions set out above in this ordinance are hereby repealed or amended as indicated.

**SECTION 5.** This ordinance shall take effect on October 1, 2017.

**DULY PASSED** and approved by the City Council of the City of Lancaster, Texas, on this the 18<sup>th</sup> day of September, 2017.

**ATTEST:**

**APPROVED:**

\_\_\_\_\_  
Sorangel O. Arenas, City Secretary

\_\_\_\_\_  
Marcus E. Knight, Mayor

**APPROVED AS TO FORM:**

\_\_\_\_\_  
David T. Ritter, City Attorney

## LANCASTER CITY COUNCIL

### City Council Special Meeting

4.

**Meeting Date:** 09/18/2017

**Policy Statement:** This request supports the City Council 2017-2018 Policy Agenda.

**Goal(s):** Financially Sound Government

**Submitted by:** Opal Mauldin-Jones, City Manager

---

### **Agenda Caption:**

Consider an ordinance regarding the proposed fiscal year 2017/2018 budget for the fiscal year beginning October 1, 2017 ending September 30, 2018 providing that expenditures for said fiscal year shall be in accordance with said budget.

### **Background:**

State Truth-in-Taxation and the City Charter require the City of Lancaster to conduct a public hearing on the proposed annual budget. The proposed total tax rate required to provide revenue for maintenance and operations and interest and sinking fund requirements is \$0.8675 cents per \$100 assessed valuation. The approval of the proposed ordinance will adopt the FY 2017/2018 budget and appropriate necessary funds for the City's operation, maintenance and debt service requirements.

The proposed budget was presented to the Lancaster City Council at meetings and work sessions held on Monday, August 7, and August 21, August 28, and September 11, 2017.

The first public hearing was conducted on Monday, August 28, 2017 at the City Council regular meeting to receive comment from the public regarding the FY 2017/2018 proposed budget. There were no speakers.

The second and final public hearing was conducted on Monday, September 11, 2017 at the City Council Special Meeting to receive comment from the public regarding the FY 2017/2018 proposed budget. There were no speakers.

### **Operational Considerations:**

The proposed tax rate is \$0.8675 per \$100 assessed valuation to be assessed on taxable property to generate revenues for the maintenance, operations, interest and sinking fund requirements. The proposed maintenance and operations fund requirements (\$0.6012) and the interest and sinking fund requirements (\$0.2663) will remain the same.

### **Legal Considerations:**

The ordinance has been reviewed and approved as to form by the City Attorney.

### **Public Information Considerations:**

Notice regarding the public hearing was posted in accordance with state law in the City's newspaper of record, Focus Daily News on August 17, 2017 and on the City of Lancaster website.

**Fiscal Impact:**

The proposed budget is a plan for revenues and expenditures related to the operations of the City.

**Options/Alternatives:**

1. Approve the ordinance as presented.
2. Deny the ordinance and provide direction.

**Recommendation:**

Staff recommends approval of the ordinance adopting the FY 17/18 budget.

**Attachments**

Ordinance

Exhibit A

---



## ORDINANCE NO.

**AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF LANCASTER, TEXAS, APPROVING AN ADOPTING A BUDGET FOR THE FISCAL YEAR BEGINNING OCTOBER 1, 2017 AND ENDING SEPTEMBER 30, 2018; PROVIDING THAT EXPENDITURES FOR SAID FISCAL YEAR SHALL BE IN ACCORDANCE WITH SAID BUDGET; PROVIDING FOR THE REPEAL OF ALL ORDINANCES IN CONFLICT; PROVIDING A SEVERABILITY CLAUSE; AND PROVIDING AN EFFECTIVE DATE.**

**WHEREAS**, the City Manager of the City of Lancaster has submitted to the City Council a proposed budget of the revenues and expenditures for conducting the affairs of the City and providing a complete financial plan for fiscal year 2017-2018; and

**WHEREAS**, the City Council has received the City Manager's proposed budget, a copy of which proposed budget has been filed with the City Secretary of the City of Lancaster;

**WHEREAS, THIS BUDGET WILL RAISE MORE TOTAL PROPERTY TAXES THAN LAST YEAR'S BUDGET BY \$1,513,459 OR 8.33%, AND OF THAT AMOUNT, \$900,302 IS TAX REVENUE TO BE RAISED FROM NEW PROPERTY ADDED TO THE TAX ROLL THIS YEAR.**

**NOW, THEREFORE, BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF LANCASTER, TEXAS;**

**SECTION 1.** That the Budget of the revenues and expenditures, necessary for conducting the affairs of the City of Lancaster and providing a financial plan for the ensuing fiscal year beginning October 1, 2017 and ending September 30, 2018, as submitted by the City Manager, after the required public hearing, be and the same is hereby adopted as the Budget of the City of Lancaster for the fiscal year beginning October 1, 2017 and ending September 30, 2018 a copy of which is maintained in the office of the City Secretary, and; said budget contains all of the proposed projects and expenditures in accordance with law. (Exhibit A)

**SECTION 2.** That the appropriation for the fiscal year including the budgets of the Lancaster Economic Development Corporation (Type A) and Lancaster Recreational Development Corporation (Type B), which are hereby approved beginning October 1, 2017, and ending September 30, 2018, for herein as Exhibit A and is summarized as follows:

<b>Fund</b>	<b>2017-2018 Budget Expenditures</b>
General Fund	\$26,637,033
G.O. Debt Service	\$4,727,599
WaterWastewater	\$15,181,043
Airport	\$425,840
Hotel/Motel	\$68,012
LEDC/4A	\$1,567,619
LRDC/4B	\$3,374,557
Golf Course	\$105,178
Sanitation	\$1,790,842
E911	\$205,575
Stormwater	\$1,315,591
<b>Total</b>	<b>\$55,398,889</b>

**SECTION 3.** Those expenditures during the fiscal year shall be made in accordance with the budget approved by this ordinance and made part hereof for all purposes unless otherwise authorized by a duly enacted ordinance of the City; and, said budget may be amended from time to time as authorized by ordinance of the City Council.

**SECTION 4.** That all notices and public hearings required by law have been duly completed.

**SECTION 5.** That all provisions of the ordinances of the City of Lancaster in conflict with the provisions of this ordinance be and the same are hereby repealed, and all other provisions of the ordinances of the City of Lancaster not in conflict with the provisions of this ordinance shall remain in full force and effect.

**SECTION 6.** That should any sentence, paragraph, subdivision, clause, phase or section of this ordinance be adjudged or held to be unconstitutional, illegal, or invalid, the same shall not affect the validity of this ordinance as a whole, or any part or provision thereof other than the part so decided to be invalid, illegal or unconstitutional.

**DULY PASSED** and approved by the City Council of the City of Lancaster, Texas, on this the 18<sup>th</sup> day of September, 2017.

**ATTEST:**

**APPROVED:**

\_\_\_\_\_  
Sorangel O. Arenas, City Secretary

\_\_\_\_\_  
Marcus E. Knight, Mayor

**APPROVED AS TO FORM:**

\_\_\_\_\_  
David T. Ritter, City Attorney

# CITY-WIDE OPERATING FUND TOTALS

Fund Summary as of: 8/6/2017

TOTAL REVENUES		2015	2016	2017		2018
Fund Number	Fund	Actual	Actual	Year to Date	Budget	Proposed
	1 General Fund	23,044,626	25,058,916	22,377,047	23,441,407	26,243,463
	2 G.O. Debt Service	24,171,833	6,010,687	5,765,883	5,834,673	5,878,623
	5 WaterWastewater	17,088,652	18,791,676	15,059,680	14,404,548	16,292,577
	9 Airport	355,996	1,992,197	1,286,054	463,190	451,000
	14 HotelMotel	145,711	130,366	95,680	58,844	86,000
	16 LEDC/4A	1,111,038	1,139,622	820,492	966,625	1,030,000
	17 LRDC/4B	2,990,730	2,904,437	2,176,319	2,406,650	2,988,000
	18 Golf Course	72,115	70,170	51,456	65,200	105,503
	19 Sanitation	2,306,871	2,374,798	2,241,901	2,158,880	2,279,298
	20 HAP	35,952	-	-	-	-
	21 E911	307,317	318,500	214,120	215,984	218,800
	53 Stormwater	1,482,502	1,522,759	1,354,847	1,260,000	1,412,000
Total		\$ 73,113,343	\$ 60,314,129	\$ 51,443,479	\$ 51,276,002	\$ 56,985,264
TOTAL EXPENDITURES		2015	2016	2017		2018
Fund Number	Fund	Actual	Actual	Year to Date	Budget	Proposed
	1 General Fund	22,008,984	23,859,143	20,295,762	24,183,595	26,637,033
	2 G.O. Debt Service	23,967,095	5,804,491	4,274,386	4,718,311	4,727,599
	5 WaterWastewater	13,936,806	14,417,325	11,634,082	13,166,329	15,181,043
	9 Airport	470,916	459,451	1,129,268	503,403	425,840
	14 HotelMotel	43,861	44,397	34,961	61,345	68,012
	16 LEDC/4A	679,729	755,477	1,453,949	1,267,399	1,567,619
	17 LRDC/4B	2,860,689	2,762,564	2,408,621	2,919,057	3,374,557
	18 Golf Course	141,399	142,666	56,967	83,075	105,178
	19 Sanitation	2,310,593	1,620,072	1,451,735	1,792,542	1,790,842
	20 HAP	234,221	-	-	-	-
	21 E911	139,993	116,762	116,941	185,762	205,575
	30 DHAP	(27)	-	-	-	-
	53 Stormwater	1,169,437	1,164,082	857,848	1,256,203	1,315,591
Total		\$ 67,963,694	\$ 51,146,430	\$ 43,714,519	\$ 50,137,022	\$ 55,398,889
Net Gain (Loss)		\$ 5,149,649	\$ 9,167,699	\$ 7,728,959	\$ 1,138,980	\$ 1,586,375

## LANCASTER CITY COUNCIL

### City Council Special Meeting

5.

**Meeting Date:** 09/18/2017

**Policy Statement:** This request supports the City Council 2017-2018 Policy Agenda.

**Goal(s):** Financially Sound Government

**Submitted by:** Opal Mauldin-Jones, City Manager

---

#### **Agenda Caption:**

Discuss and consider a resolution ratifying the budget for the fiscal year 2017/2018 that results in an increase of revenues by 8.33% from property taxes than the previous year.

#### **Background:**

As of September 1, 2007 several laws went into effect, including House Bill 3195 as passed by the 80th Legislature. This bill requires cities to post both their preliminary and adopted budgets on their website.

It also requires cities and counties that will be raising more revenue from property taxes than in the previous year, to have a separate vote of the governing body to ratify the tax increase reflected in the budget. The FY 2017/2018 budget and tax rate results in an increase in revenues by 3.54% (percentage by which the tax rate will be higher than effective rate calculated under Chapter 26, Tax Code) from property taxes compared to the previous year.

The legislation is specific and requires separate action by the City Council.

#### **Operational Considerations:**

Resolution and action must be approved for adoption of the fiscal year 2017/2018 budget.

#### **Legal Considerations:**

The motion and resolution are pursuant to State law. The resolution has been reviewed and approved as to form.

#### **Public Information Considerations:**

All public notices and hearings were provided and published in accordance with state law.

#### **Options/Alternatives:**

1. Approve the resolution.
2. Deny the resolution and provide direction.

#### **Recommendation:**

Staff recommends approval of the resolution with the following motion that is required by state law: "Motion to approve a budget that will result in an increase of revenue from property taxes than the previous year and to ratify a property tax revenue increase reflected in said budget."

#### **Attachments**

Resolution

**RESOLUTION NO.**

**A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF LANCASTER, TEXAS, RATIFYING THE BUDGET FOR THE FISCAL YEAR 2017/2018 THAT RESULTS IN AN INCREASE OF REVENUES BY 8.33% FROM PROPERTY TAXES THAN THE PREVIOUS YEARS; AND PROVIDING AN EFFECTIVE DATE.**

**WHEREAS**, following public notice duly posted and published in all things as required by law, a public hearing was held, by and before the City Council of the City of Lancaster, the subject of which was the proposed budget for the City of Lancaster for Fiscal Year 2017/2018; and

**WHEREAS**, House Bill 3195, as adopted at the Regular Session of the 80th Legislature requires a separate vote on a budget that will require raising more revenue from property taxes than previous years.

**NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF LANCASTER, TEXAS:**

**SECTION 1.** The City Council hereby ratifies, by a record vote, the adoption of a budget for Fiscal Year 2017/2018 which results in an increase of revenues from property taxes than the previous years.

**SECTION 2.** This Resolution shall become effective immediately from and after its passage, as the law and charter in such cases provides.

**DULY PASSED** and approved by the City Council of the City of Lancaster, Texas, on this the 18th day of September, 2017.

**ATTEST:**

**APPROVED:**

---

Sorangel O. Arenas, City Secretary

---

Marcus E. Knight, Mayor

**APPROVED AS TO FORM:**

---

David T. Ritter, City Attorney

## LANCASTER CITY COUNCIL

### City Council Special Meeting

6.

**Meeting Date:** 09/18/2017

**Policy Statement:** This request supports the City Council 2017-2018 Policy Agenda.

**Goal(s):** Financially Sound Government

**Submitted by:** Opal Mauldin-Jones, City Manager

---

#### **Agenda Caption:**

Consider approval of an ordinance regarding the proposed revenue increase from levying ad valorem taxes for fiscal year 2017/2018 at \$0.8675 per one hundred dollars assessed valuation of all taxable property within the corporate limits to provide revenues for current maintenance and operation expenses and interest and sinking fund requirements; providing due and delinquent dates; penalties and interest; providing a homestead exemption and disability exemption.

#### **Background:**

State Truth-in-Taxation law, Local Government Code and the City Charter require that an ordinance levying the ad valorem taxes be read and a public hearing held at a regular or special meeting of the Lancaster City Council.

The tax rate for fiscal year 2017/2018 is proposed at \$0.8675 per one hundred dollars assessed valuation on taxable property within the corporate limits. These tax dollars provide revenue for current operating and maintenance expenses and interest and sinking fund requirements. The total tax revenue will increase from properties on the tax roll in the preceding tax year by \$2,448,103 or 3.54% (percentage by which the tax rate will be higher than effective tax rate calculated under Chapter 26, Tax Code.) Individual taxes may increase or decrease at a rate greater or lesser depending on the change in the taxable value of each property.

A public hearing was conducted on Monday, August 28, 2017 and September 11, 2017 at the City Council regular meeting to receive comment from the public regarding the proposed tax rate. There were no speakers. The governing body could not adopt the tax rate at either of the public hearings.

#### **Operational Considerations:**

The proposed tax rate of eighty-six and seventy-five one thousandths cents (\$0.8675) on each one hundred dollars (\$100.00) assessed value of taxable property to be apportioned and distributed as follows: \$0.6012 for the purpose of maintenance and operations, and \$0.2663 for interest and sinking fund requirements.

#### **Legal Considerations:**

The required notice and vote are being held in accordance with state law and the City Charter. The ordinance has been reviewed and approved as to form by the City Attorney.

**Public Information Considerations:**

Public notices were published in the official City publication of record, Focus Daily News and on the City of Lancaster website. The first public hearing was conducted on Monday, August 28, 2017. The second public hearing was conducted on Monday, September 11, 2017. Information regarding the proposed tax rate is being made available in accordance with state law and the City Charter.

**Fiscal Impact:**

The proposed tax rate is to cover the cost of the maintenance and operations and interest and sinking fund requirements.

**Options/Alternatives:**

1. Approve the ordinance as presented.
2. Deny the ordinance and provide direction.

**Recommendation:**

Staff recommends approval of the ordinance with the following motion that is required by state law: I move that the property tax rate be increased by the adoption of a tax rate of 0.867500, which is effectively a 3.54 percent increase in the tax rate.

**Attachments**

Ordinance

---

## **ORDINANCE NO.**

**AN ORDINANCE OF THE CITY OF LANCASTER, TEXAS LEVYING AD VALOREM TAXES FOR FISCAL YEAR 2017/2018 AT \$0.8675 PER ONE HUNDRED DOLLARS ASSESSED VALUATION OF ALL TAXABLE PROPERTY WITHIN THE CORPORATE LIMITS TO PROVIDE REVENUES FOR CURRENT MAINTENANCE AND OPERATIONAL EXPENSES AND INTEREST AND SINKING FUND REQUIREMENTS; PROVIDING DUE AND DELINQUENT DATES; PENALTIES AND INTEREST; PROVIDING A HOMESTEAD EXEMPTION AND DISABILITY EXEMPTION; AND PROVIDING AN EFFECTIVE DATE.**

**NOW, THEREFORE, BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF LANCASTER, TEXAS:**

RECITALS: On Monday, August 28, 2017 and September 11, 2017 City Council read the ordinance and conducted a public hearing to receive comment regarding the proposed ad valorem tax rate of \$0.8675 per one hundred dollars assessed valuation. No comments were received on August 28, 2017 and no comments were received on September 11, 2017. The public hearing and meetings were noticed in accordance with the Texas Open Meetings Act, Tax Code, Truth-In-Taxation and Lancaster Home Rule Charter.

**SECTION 1.** There be and is hereby levied for the fiscal year 2017/2018 on all taxable property, real, personal and mixed, situated within the corporate limits of the City of Lancaster, Texas, and not exempt by the Constitution of the State and valid State laws, a tax of eighty-six and seventy-five one thousandths cents (\$0.8675) on each one hundred dollars (\$100.00) assessed value of taxable property, and shall be apportioned and distributed as follows: \$0.6012 for the purpose of paying maintenance and operation, and, defraying the expenses of current operations, and \$0.2663 for interest and sinking fund requirements of the municipal government of the City.

**SECTION 2. THAT THIS TAX RATE WILL RAISE MORE TAXES FOR MAINTENANCE AND OPERATIONS THAN LAST YEAR'S TAX RATE.**

**SECTION 3. THE TAX RATE WILL EFFECTIVELY BE RAISED BY 3.09 PERCENT AND WILL RAISE TAXES FOR MAINTENANCE AND OPERATIONS ON A \$100,000 HOME BY APPROXIMATELY \$0.00.**

**SECTION 4.** All 2017 ad valorem taxes shall become due and payable on October 1, 2017, shall become delinquent after January 31, 2018. If any person fails to pay the ad valorem taxes on or before the 31st day of January 2018, the penalties and interest as set forth under Section 33.01 of the Texas State Property Tax Code shall apply.

**SECTION 5.** Taxes are payable to the Dallas County Tax Assessor-Collector, Records Building, Dallas, Texas, by contract dated November 12, 2001 and amended April 2014. The City shall have available all the rights and remedies provided by law for the enforcement of the collection of taxes levied under this ordinance.

**SECTION 6.** The tax rolls as presented to the City Council, together with any supplement thereto, be and the same are hereby approved.



**SECTION 7.** All delinquent taxes shall accrue interest at the rate of one percent (1%) per month, in addition to the penalties provided for herein. All taxes that remain delinquent on July 1st of the year in which they become delinquent shall incur an additional penalty to defray costs of collection, of an amount not to exceed 20% of the amount of taxes, penalty and interest due.

**SECTION 8.** In accordance with the Texas State Property Tax Code, and effective with the passage of the ordinance, there is hereby provided an exemption of \$30,000 on homestead property for those head-of-household persons who have attained the age of 65 years prior to January 1, 2018 and an exemption of \$30,000 on disability designations.

**SECTION 9.** This Ordinance shall become effective upon its adoption as the law in such cases provides.

**SECTION 10.** All recitals are incorporated herein by reference as if fully written.

**DULY PASSED** and approved by the City Council of the City of Lancaster, Texas, on this the 18th day of September, 2017.

**ATTEST:**

**APPROVED:**

---

Sorangel O. Arenas, City Secretary

---

Marcus E. Knight, Mayor

**APPROVED AS TO FORM:**

---

David T. Ritter, City Attorney