1111 Bayou Road
La Marque, Texas
409-938-9202

Mayor Bobby Hocking
Mayor Pro- Tem Keith Bell- District A *Councilmember Robert Michetich- District C*
Councilmember Chris Lane- District B *Councilmember Casey Mc Auliffe- District D*

****

CITY OF LA MARQUE
SPECIAL CALLED CITY COUNCIL
AGENDA
of
SEPTEMBER 17, 2019

Notice is hereby given that the City Council of the City of La Marque, Texas will conduct a Special Called Meeting on **Tuesday, September 17, 2019**, beginning at 6:00 p.m. at 1109-B Bayou Road for the purpose of considering the following agenda**:**

(1) CALL MEETING TO ORDER

(2) ROLL CALL

(3) PUBLIC HEARING

a. Conduct **SECOND** Public Hearing to hear public input regarding adopting Ordinance No. **O-2019-0018,** levying ad valorem taxes for use and operation of the municipal government of the City of La Marque, Texas for the 2019 tax year; providing for apportioning each levy for specific purposes; and providing when taxes shall become due and when same shall become delinquent if not paid – Finance Director S. Kou

b. Conduct Public Hearing to hear public input regarding adopting Ordinance No. **O-2019-0019**, amending Appendix A, Schedule of Fees and Charges of the Code of Ordinances, City of La Marque, Texas by amending prescribed solid waste collection charges

c. Conduct Public Hearing to hear public input regarding adopting Ordinance No. **O-2019-0020,** amending Appendix A, Schedule of Fees and Charges of the Code of Ordinances, City of La Marque, Texas by amending prescribed water and sewer rates effective with October 2019 billing

(4) OLD BUSINESS

a. Discussion/possible action regarding adopting Ordinance No. **O-2019-0018,** levying ad valorem taxes for use and operation of the municipal government of the City of La Marque, Texas for the 2019 tax year; providing for apportioning

each levy for specific purposes; and providing when taxes shall become due and when same shall become delinquent if not paid – Finance Director S. Kou ***THIS IS THE SECOND AND FINAL READING***

b. Discussion/possible regarding adopting Ordinance No. **O-2019-0019**, amending Appendix A, Schedule of Fees and Charges of the Code of Ordinances, City of La Marque, Texas by amending prescribed solid waste collection charges – T. Ortiz Utility Billing ***THIS IS SECOND AND FINAL READING***

c. Discussion/possible regarding adopting Ordinance No. **O-2019-0020,** amending Appendix A, Schedule of fees and Charges of the Code of Ordinances, City of La Marque, Texas by amending prescribed water and sewer rates effective with October 2019 billing – T. Ortiz Utility Billing ***THIS IS THE SECOND AND FINAL READING***

d. Discussion/possible regarding adopting Resolution No. **R-2019-0027**, accepting the 2019 City of La Marque Investment Policy for investment of municipal funds per Public Funds Investment Act – Finance Director S. Kou

(5) ADJOURNMENT

CERTIFICATION:
I hereby certify that the above notice of meeting was posted at 1109-B Bayou Road, La Marque, Texas on or before September 13, 2019, before 5:30 p.m.

_____
Robin Eldridge, TRMC
City Clerk

This facility is wheelchair accessible and accessible parking spaces are available. Request for accommodations or interpretive services must be made 48 hours prior to this meeting. Please contact the City Clerk's office at (409) 938-9259, or Fax (409) 935-0401, or e-mail cityclerk@cityoflamarque.org for further information.

CITY COUNCIL AGENDA FORM

Meeting Date: September 17, 2019
Agenda item: **4a**
Prepared by: Suzy Kou
Reviewed by: Charlene Warren/ Charles Jackson
Department: Finance

AGENDA ITEM DESCRIPTION: Disccussion/possible action regarding adopting Ordinance No. **O-2019-0018**, levying ad valorem taxes for use and operation of the municipal government of the City of La Marque, Texas for the 2019 tax year; providing for apportioning each levy for specific purposes; and providing when taxes shall become due and when same shall become delinquent if not paid *THIS IS THE SECOND AND FINAL READING*

[X]

ATTACHMENTS FOR REFERENCE

1. Ordinance

STAFF BRIEFING:

- In order to meet statutory requirements for budget and state property Tax Code, the proposed ordinance is attached.
- 2019 tax information:

	2019-20	2018-19
Proposed Tax Rate:	$0.550764/100	$0.490764/100
Effective Tax Rate:	$0.464697/100	$0.485918/100
Rollback Tax Rate:	$0.553554/100	$0.561158/100

HISTORY: N/A

TARGET IMPLEMENTATION:
September 9, 2019- Tax Rate adoption on First Reading
September 17, 2019- Tax Rate adoption on Second and Final Reading

SIGNIFICANT ACTION DATES:
August 5, 2019 – Set dates and time for public hearings on proposed Tax Rate
August 19, 2019 – First public hearing on proposed Tax Rate for tax year 2019
August 26, 2019 – Second public hearing on proposed Tax Rate for year 2019
September 9, 2019 – Adoption of Tax Rate 2019 on First Reading
September 17, 2019 – Adoption of Tax Rate 2019 on Second and Final Reading

Cost Details:	
Budgeted	
Actual Bid	

CITY COUNCIL AGENDA FORM

ACTION:

☒	Ordinance	☐	Resolution
☐	Special Presentation	☐	Proclamation
☐	Finance Report	☐	Public Hearing
☐	Other		

☒ Mark if this item does not conflict with any Resolution, Ordinance or City Charter, policies, procedures

Estimated Expenditure	
Acct. Name(s)	
Line Item #	
Other Funding	

STAFF'S RECOMMENDATION: Motion to adopt Ordinance **O-2019-0018**, levying ad valorem taxes for use and operation of the municipal government of the City of La Marque, Texas for the 2019 tax year; providing for apportioning each levy for specific purposes; and providing when taxes shall become due and when same shall become delinquent if not paid *THIS IS THE SECOND AND FINAL READING*

"I move that the property tax rate be increased by the adoption of a tax rate of 0.550764 which is effectively a 4 percent increase in the tax rate."

**** VOTE TAKEN BY ROLL CALL****

FISCAL IMPACT: **See 2019-20 budget for details.**

ORDINANCE NO. O-2019-0018

AN ORDINANCE LEVYING AD VALOREM TAXES FOR USE AND OPERATION OF THE MUNICIPAL GOVERNMENT OF THE CITY OF LA MARQUE, TEXAS FOR THE 2019 TAX YEAR; PROVIDING FOR APPORTIONING EACH LEVY FOR SPECIFIC PURPOSES; AND, PROVIDING WHEN TAXES SHALL BECOME DUE AND WHEN SAME SHALL BECOME DELINQUENT IF NOT PAID

BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF LA MARQUE;

SECTION 1. That there is hereby levied and there shall be collected, for use and operation of the municipal government of the City of La Marque and to provide an Interest and Sinking Fund for the 2019-2020 fiscal year, upon all property, real, personal and mixed within the corporate limits of said City subject to taxation here set forth:

1. For the maintenance and operation of the general government 0.456574 on each $100.00 taxable valuation of property; and

2. For the interest and sinking fund, 0.094190 on each $100.00 taxable valuation of property.

For a total tax rate of 0.550764 on each $100.00 taxable valuation of property tax being so levied and apportioned to the specific purposes here set forth above.

SECTION 2. All taxes shall become a lien upon the property against which assessed, and the assessor and collector for the City of La Marque is hereby authorized and empowered to enforce the collection of such taxes according to the Constitution and laws of the State of Texas and ordinances of the City of La Marque and shall, by virtue of the tax rolls, fix and establish a lien by levying upon such property, whether real or personal, for the payment of said taxes, penalty and interest and, the interest penalty collected from such delinquent taxes shall be apportioned to the general fund of the City of La Marque. All delinquent taxes shall bear interest from date of delinquency at the rate as prescribed by state law.

SECTION 3. That this ordinance shall take effect after the second and final reading.

PASSED AND APPROVED on the First reading on this **9th** day of **September** 2019, at a Special Meeting of the City Council of the City of La Marque, Texas, there being a quorum present, by **5 AYES** and **0 NAYES** and approved by the Mayor on the date above set.

PASSED, APPROVED and ADOPTED on the Second and Final reading on this the ____ day of _____ , 2019, at a Special Meeting of the City Council of the City of La Marque, Texas, there being a quorum present by _____ **AYES** and _____ **NAYES** and approved by the Mayor on the date above set.

CITY OF LA MARQUE, TEXAS

_____
Bobby Hocking, Mayor

ATTEST:

_____
Robin Eldridge, TRMC, City Clerk

APPROVED AS TO FORM:

_____
Ellis J. Ortego, City Attorney

CITY COUNCIL AGENDA FORM

Meeting Date: September 17, 2019 Agenda item: **4b**

Prepared by: Tina Ortiz Reviewed by: *Charlene Warren/ Charles Jackson*

Department: Finance/Utility Billing

AGENDA ITEM DESCRIPTION: Discussion/possible action regarding adopting Ordinance No. **O-2019-0019**, amending Appendix A, Schedule of Fees and Charges of the Code of Ordinances, City of La Marque, Texas by amending prescribed solid waste collection charges *THIS IS SECOND AND FINAL READING*

X

ATTACHMENTS FOR REFERENCE

1. Ordinance
2. Solid Waste Rate Chart

STAFF BRIEFING:

- On July 27, 2017, City Council approved contract with Waste Management to perform solid waste services effective October 1, 2017 through September 30, 2024 with renewal option
- Per contract terms, fees shall be increased by 3% each year until the end of contract term
- Per Council, the 56 cents requested uncontrollable recycling increase by Waste Management budget year 2018-2019 will be part of the new rates effective 2019-2020 budget year

HISTORY: N/A

TARGET IMPLEMENTATION: October 1, 2019

SIGNIFICANT ACTION DATES:

September 9, 2019 - Ordinance approval First Reading

September 17, 2019 - Public Hearing for Ordinance approval Second and Final Reading

Cost Details:	
Budgeted	$1,904,520
Actual Bid	
Estimated Expenditure	
Acct. Name(s)	Various Sanitation expenditure accounts
Line Item #	Various

CITY COUNCIL AGENDA FORM

ACTION:

☒	Ordinance	☐	Resolution
☐	Special Presentation	☐	Proclamation
☐	Finance Report	☐	Public Hearing
☐	Other		
☒	Mark if this item does not conflict with any Resolution, Ordinance or City Charter, policies, procedures		

Other Funding	Fund Balance

STAFF'S RECOMMENDATION: Motion to approve Ordinance No**. O-2019-0019,** amending Appendix A, Schedule of Fees and Charges of the Code of Ordinances, City of La Marque, Texas by amending prescribed solid waste collection charges *THIS IS THE SECOND AND FINAL READING*

FISCAL IMPACT: See budget details

ORDINANCE NO. O-2019-0019

AN ORDINANCE AMENDING APPENDIX A, SCHEDULE OF FEES AND CHARGES OF THE CODE OF ORDINANCES, CITY OF LA MARQUE, TEXAS BY AMENDING PRESCRIBED SOLID WASTE COLLECTIONS CHARGES.

NOW, THEREFORE BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF LA MARQUE, TEXAS:

Section 1. That Appendix A, Schedule of Fees and Charges, Solid Waste Collection Charges, of the La Marque Code of Ordinances is hereby amended to read as follows:

APPENDIX A: SCHEDULE OF FEES AND CHARGES

Solid Waste Collection Charges

There are hereby levied the following charges, to be collected from the owner occupying any premises located or from the occupant or person in possession or control of any premises located on an established garbage and rubbish route within the city, for the removal and disposition of garbage and rubbish;

(1) Residential Rates Per Month per Residential Service Unit (not including sales tax)

(a) Twice a week Residential Collection Rate - $23.14.

(b) Every other week Recycling Collection - Included.

(c) Once a week Bulky Waste Collection - Included.

(d) At Your Door Household Hazardous Waste/Electronics Collection - Included.

(e) Residential Service Unit- Additional Cart - $5.30 per Cart.

(f) Bulky Waste in excess of 5 cubic yards - $159.14 per occurrence.

(g) Replacement Cart - $74.26 per Cart.

(2) Commercial Unit Collection Rates

(a) Castors per month - $15.91.

(b) Locking Device per month - $37.13.

(c) Monthly Commercial Unit Rates

Container Size/Type	Weekly Collection Frequency						
	1	2	3	4	5	6	Extra P/U
Commercial Hand PU 96 Gal Cart	N/A	$47.07	N/A	N/A	N/A	N/A	N/A
Commercial Hand Extra Cart (Each)		$15.91					
2yd FEL Container	$90.36	$142.65	$208.79	$239.73	$287.73	$340.05	$53.05
3yd FEL Container	$97.96	$187.05	$249.54	$264.15	$377.78	$438.82	$58.35
4yd FEL Container	$124.97	$205.19	$279.08	$347.34	$424.24	$496.72	$63.65
6yd FEL Container	$163.58	$248.95	$376.36	$491.00	$596.60	$695.05	$68.96
8yd FEL Container	$213.27	$314.22	$444.12	$575.08	$717.90	$879.08	$74.26

(d) Roll Off Bin (non-Temporary) and Compactor Rates

Roll off Size/Type	Container Rental Fee (Per Month)	Initial Delivery Fee (One-time)	Collection Fee (Per Haul)	Disposal Fee (Per Ton)
10 CY Roll off	$132.61	$150.00	$237.64	$32.89
20 CY Roll off	$132.61	$150.00	$237.64	$32.89
30 CY Roll off	$132.61	$150.00	$237.64	$32.89
40 CY Roll off	$132.61	$150.00	$237.64	$32.89
30 CY Roll off Compactor	$371.32	*	$237.64	$32.89
40 CY Roll off Compactor	$371.32	*	$237.64	$32.89

** To be determined by Contractor and Customer*

Section 2. Effective Date: The effective date shall coincide with the first utility billing after October 1, 2019.

PASSED AND APPROVED by the City Council of the City of La Marque on the First Reading this the **9th** day of **September** 2019.

PASSED, APPROVED AND ADOPTED by the City Council of the City of La Marque on the Second and Final Reading this the _____day of _____ 2019.

CITY OF LA MARQUE, TEXAS

_____
Bobby Hocking, Mayor

ATTEST:

_____
Robin Eldridge, City Clerk

APPROVED AS TO FORM:

_____
Ellis J. Ortego, City Attorney

	Bill to customers FY 2019	Bill to customers FY 2020
Residential		
R1	21.92	23.14
R2	27.07	28.44
R3	32.22	33.74
R4	37.37	39.04
R5	42.52	44.34
Senior		
S1	21.27	22.49
S2	26.42	27.79
S3	31.57	33.09
Multi Family		
M1	21.92	23.14
M2	21.92	28.44
Commercial		
C1	45.71	47.07
C2	61.16	62.98
C3	76.61	78.89
C4	92.06	94.80
C5	107.51	110.71
C6	122.96	126.62

CITY COUNCIL AGENDA FORM

Meeting Date: September 17, 2019 Agenda item: **4c**

Prepared by: Tina Ortiz Reviewed by: *Charlene Warren/ Charles Jackson*

Department: Finance/Utility Billing

AGENDA ITEM DESCRIPTION: Discussion/possilbe action regarding adopting Ordinance No. **O-2019-0020,** amending Appendix A, Schedule of Fees and Charges of the Code of Ordinances, City of La Marque, Texas by amending prescribed water and sewer rates effective with October 2019 billing *THIS IS THE SECOND AND FINAL READING*

[X]

ATTACHMENTS FOR REFERENCE

1. Ordinance
2. Proposed rates

STAFF BRIEFING:

- During budget workshop for the fiscal year 2019-2020, Council reached consensus to increase water and sewer rates and differentiate rates for both Residential and Commercial customers
- Residential and Commercial customers will now have a tiered billing system effective October 1, 2019
- The rates take effect beginning with the October 2019 billings

HISTORY:

- Last Rate Increase was **September 8, 2008**

TARGET IMPLEMENTATION: October 1, 2019

SIGNIFICANT ACTION DATES:

July 22, 23, and 25, 2019 – Budget workshops with discussions
September 9, 2019 - Ordinance approval First Reading
September 17, 2019 - Ordinance approval Second and Final Reading

Cost Details:	
Budgeted	Budget Adoption details
Actual Bid	
Estimated Expenditure	
Acct. Name(s)	
Line Item #	

CITY COUNCIL AGENDA FORM

ACTION:

Other Funding	

☒	Ordinance	☐	Resolution
☐	Special Presentation	☐	Proclamation
☐	Finance Report	☐	Public Hearing
☐	Other		
☒	Mark if this item does not conflict with any Resolution, Ordinance or City Charter, policies, procedures		

STAFF'S RECOMMENDATION: Motion to adopt Ordinance No. **O-2019-0020,** amending Appendix A, Schedule of Fees and Charges of the Code of Ordinances, City of La Marque, Texas by amending prescribed water and sewer rates effective with October 2019 billing *THIS IS THE SECOND AND FINAL READING*

FISCAL IMPACT: See budget details

ORDINANCE NO. O-2019-0020

AN ORDINANCE AMENDING APPENDIX A, SCHEDULE OF FEES AND CHARGES OF THE CODE OF ORDINANCES, CITY OF LA MARQUE, TEXAS BY AMENDING PRESCRIBED WATER AND SEWER RATES.

NOW, THEREFORE BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF LA MARQUE, TEXAS:

Section 1. That Appendix A, Schedule of Fees and Charges, Water and Sewer Rates, of the La Marque Code of Ordinances is hereby amended to read as follows:

APPENDIX A: SCHEDULE OF FEES AND CHARGES

Water and Sewer Rates

The following rates shall apply to all customers of the city water and sewer system:

(a) *Water rates:* All residential and commercial customer, including single-family units, which shall include each mobile home whether located in a mobile home park or not and each unit of a duplex, triplex and apartments shall pay the following water rates per family unit:

Water Rates (monthly charges) *Inside the city limits:*

For the first increment of water usage up to and including 1,000 gallons of water, minimum rate:

(a) For residential and multi-family users $8.53

(b) For commercial users $15.08

For the second increment of water usage from 1,001-2,000 gallons of water, per 1,000 gallons

(a) For residential and multi-family users $3.47 per 1,000 gallons

(b) For commercial users $3.72 per 1,000 gallons

For the third increment of water usage from 2,001-5,000 gallons of water, per 1,000 gallons

(a) For residential and multi-family users $3.63 per 1,000 gallons

(b) For commercial users $4.62 per 1,000 gallons

For the fourth increment of water usage from 5,001-10,000 gallons of water, per 1,000 gallons

(a) For residential and multi-family users $4.29 per 1,000 gallons

(b) For commercial users $6.47 per 1,000 gallons

For the fifth increment of water usage from 10,001 gallons and above, per 1,000 gallons

(a) For residential and multi-family users $5.58 per 1,000 gallons

(b) For commercial users $9.06 per 1,000 gallons

Outside the city limits:

One and one-half times the charge applied inside the city limits for the same water usage.

(b) Sewer rates:

Sewer rates (monthly charges) *Inside the city limits:*

For the first increment of sewer usage up to and including 1,000 gallons of sewer, minimum rate:

(a) *For residential and multi-family users $18.87

(b) For commercial users $27.30

For the additional incremental water usage in excess of 1,000 gallons, customers shall pay $2.90 per 1,000 gallons for operation, maintenance and repair of the city sewer system.

*The minimum charge for each single-family and multi-family unit shall be $18.87 per month, except that, for a single family residence where the head of the household is a person of 65 years of age or over shall be $17.87 per month which charge shall provide for and be applied to payment of the bond, contract bond debt and other fixed operating costs of the city sewer system. All multiple unit customers such as apartments, mobile home parks, duplexes, etc., shall be charged the minimum charge of $18.87 per month for each unit located in such apartment, mobile home park, or duplex so that by example, if such apartment building contains ten apartments, the minimum monthly charge shall be $188.70.

Outside the city limits:

One and one-half times the charge applied inside the city limits for the same usage.

Computation of this charge shall be based upon consumption of metered water as read each month by the city. Malfunctioning water meter that fails to register consumption-Average daily consumption as shown when metering operating properly.

Section 2. Effective Date: The effective date shall coincide with the first utility billing after October 1, 2019.

PASSED AND APPROVED by the City Council of the City of La Marque on this the FIRST reading this the **9th** day of **September** 2019.

PASSED, APPROVED AND ADOPTED by the City Council of the City of La Marque on the SECOND AND FINAL reading on this the _____ day of _____ 2019.

CITY OF LA MARQUE, TEXAS

_____
Bobby Hocking, Mayor

ATTEST:

_____
Robin Eldridge, City Clerk

APPROVED AS TO FORM:

_____
Ellis J. Ortego, City Attorney

Proposed Rates

	Current Rates			Proposed Rates	
Residential	**Water**	**Sewer**		**Water**	**Sewer**
0-1000- Base Rate	**7.75**	**17.15**		**8.53**	**18.87**
1001-2000	3.3	2.9		3.47	2.90
2001-5000	3.3	2.9		3.63	2.90
5001-10,000	3.3	2.9		4.29	2.90
10,001-up	3.3	2.9		5.58	2.90
Commercial	**Water**	**Sewer**		**Water**	**Sewer**
0-1000 Base Rate	**7.75**	**17.15**		**15.08**	**27.30**
1001-2000	3.3	2.9		3.72	2.90
2001-5000	3.3	2.9		4.62	2.90
5001-10,000	3.3	2.9		6.47	2.90
10,001- up	3.3	2.9		9.06	2.90

Impact to Residential Citizens

Consumption	Increases per month	
Gallons/Month	**Residential**	**Commercial**
0-1,000	$2.50	$17.48
2,000	$2.67	$17.90
3,000	$3.16	$20.12
4,000	$3.49	$21.44
5,000	$3.82	$22.76
6,000	$7.45	$33.33
7,000	$8.44	$36.50
8,000	$9.43	$39.67
9,000	$10.42	$42.84
10,000	$11.41	$46.01
11,000	$25.30	$75.08

Proposed additional revenues will pay for:

Departments	Expenditure	Descriptions		Estimated Cost
UB	Personnel	One part-time employee for customer service	$	12,932.65
UB	Professional Services	Software support and maintenance AMI	$	40,000.00
Lines and Maintenance	Personnel	Five full-time maintenance technicians	$	258,006.96
Water Sewer Operations	Repairs and Maintenance	STP	$	70,000.00
Water Sewer Operations	Repairs and Maintenance	Equipment-service calls for backup generators	$	20,000.00
Water Sewer Operations	Professional Services	Outside contractor Precision to maintain Wastewater Treatment Plant and meet TCEQ requirements	$	300,000.00
Water Sewer Operations	Purchased water	Add water capacity to current level	$	500,000.00
			$	**1,200,939.61**

La Marque Proposed Rates vs Neighboring Cities

	Dickinson WCID #1	Hitchcock	La Marque	Santa Fe WCID #8	Texas City		Dickinson WCID #1	Hitchcock	La Marque	Santa Fe WCID #8	Texas City
	Meter Size				**Meter Size**						
Residential Water							**Residential Sewer**					
Base	9.90-27.80	18.00	8.53	16.00	8.75-28.28		Base	14.80-40.00	18.00	18.87	16.00	
0-1000	1.90	4.00					0-1000	2.60	3.00			4.00
1001-2000			3.47				1001-2000			2.90		
2001-3000	5.10		3.63	4.50			2001-3000				2.90	
3001-4000							3001-4000					
4001-5000				4.75	4.00		4001-5000				3.20	
5001-6000			4.29				5001-6000					
6001-7000	5.35						6001-7000					
7001-8000				5.00			7001-8000				3.50	
8001-9000							8001-9000					
9001-10000							9001-10000					
10001-11000			5.58	5.25	6.00		10001-11000				3.70	
11001-12000							11001-12000					
12001-13000	5.60						12001-13000					
13001-14000							13001-14000					
14001-15000							14001-15000					
15001-16000							15001-16000					
16001-17000							16001-17000					
17001-18000							17001-18000					
18001-23000							18001-23000					
23001-25000							23001-25000					
25001 and up					8.00		25001 and up					

CITY COUNCIL AGENDA FORM

Meeting Date: September 17, 2019
Agenda item: **4d**
Prepared by: Suzy Kou
Reviewed by: Charlene Warren/ Charles Jackson
Department: Finance

AGENDA ITEM DESCRIPTION: Discussion/possible action regarding adopting Resolution No. **R-2019-0027**, accepting the 2019 City of La Marque Investment Policy for investment of municipal funds per Public Funds Investment Act

[X]

ATTACHMENTS FOR REFERENCE

1. Resolution
2. Exhibit A - Investment Policy 2019

STAFF BRIEFING:

- Per Public Funds Investment Act of Texas, it is required that City Council review the City investment policy at least annually
- No change to current policy

HISTORY:

- Last reviewed and approved 9/10/2018

TARGET IMPLEMENTATION: September 17, 2019

SIGNIFICANT ACTION DATES: **N/A**

ACTION:

☐	Ordinance	☒	Resolution
☐	Special Presentation	☐	Proclamation
☐	Finance Report	☐	Public Hearing
☐	Other		

☒ Mark if this item does not conflict with any Resolution, Ordinance or City Charter, policies, procedures

Cost Details:	
Budgeted	
Actual Bid	
Estimated Expenditure	
Acct. Name(s)	
Line Items #	
Other Funding	

STAFF'S RECOMMENDATION: Motion to adopt Resolution No. **R-2019-0027**, accepting the 2019 City of La Marque Investment Policy for investment of municipal funds per Public Funds Investment Act

FISCAL IMPACT: **N/A**

RESOLUTION NO. R-2019-0027

A RESOLUTION BY THE CITY COUNCIL OF THE CITY OF LA MARQUE, TEXAS, UPDATING THE CITY OF LA MARQUE INVESTMENT POLICY FOR THE INVESTMENT OF MUNICIPAL FUNDS; PROVIDING FOR AN EFFECTIVE DATE, AND SETTING FORTH OTHER RELATED MATTERS.

WHEREAS, Chapter 2256 of the Texas Government Code requires the City Council to annually review its Investment Policy regarding the investment of City funds and funds under its control; and

WHEREAS, the City Council of the City of La Marque, Texas adopt its 2019 Investment Policy pursuant to Chapter 2256 Texas Government Code, Public Funds Investment Act;

WHEREAS, pursuant to the Public Funds Investment Act, the governing body of the City shall adopt a resolution stating 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; and

WHEREAS, the 2019 Investment Policy, attached as Exhibit "A", has been reviewed and includes updates since the last adoption on September 10, 2018, **NOW, THEREFORE,**

BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF LA MARQUE, TEXAS, THAT:

Section 1. Findings. The foregoing recitals are hereby found to be true and correct and are hereby adopted by the City Council and made a part hereof for all purposes as findings of fact.

Section 2. Proceedings. That the 2019 City of La Marque Investment Policy, as updated, attached hereto as "Exhibit A" is hereby adopted as the investment policy of the City of La Marque, effective _____, 2019.

Section 3. Open Meetings. It is hereby officially found and determined that the meeting at which this resolution was passed was open to the public as required and that public notice of the time, place and purpose of said meeting was given as required by the Open Meetings Act, *Chapter 551, Tex. Gov't Code*.

Section 4. Effective Date. This resolution shall take effect upon its adoption.

PASSED AND APPROVED this the _____day of _____, 2019.

THE CITY OF LA MARQUE, TEXAS

By: _____
Bobby Hocking, Mayor

ATTEST:

By: _____
Robin Eldridge, TRMC, City Clerk

Exhibit A

CITY OF LA MARQUE, TEXAS

AN INVESTMENT POLICY

Pursuant to Chapter 2256, Texas Government Code, Public Funds Investment Act; as amended by House Bill 2549 enacted by the 74th Texas Legislature:

CITY OF LA MARQUE, TEXAS
INVESTMENT POLICY

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* Reference in parenthesis is to the Public Funds Investment Act.

CITY OF LA MARQUE, TEXAS
INVESTMENT POLICY

I. **Policy** -- It is the policy of the City of La Marque, Texas (the "City") to administer and invest its funds in a manner which will preserve the Principal and maintain the liquidity through limitations and diversification while meeting the daily cash flow requirements of the City. The City will invest all available funds in conformance with legal and administrative guidelines, seeking to optimize interest earnings to the maximum extent possible.

II**.** **Purpose –** The purpose of this investment policy is to comply with all statutes governing the investment of the City's funds and Chapter 2256 of the Government Code ("Public Funds Investment Act"), which required the City to adopt a written investment policy regarding the investment of its fund and funds under its control. The Investment Policy addresses the methods, procedures and practices that must be exercised to ensure effective and judicious fiscal management of the City's funds.

III. **Scope** – The City will strive to earn a return on funds invested at the highest investment return possible after taking in consideration the primary goals of preservation of principal and liquidity of funds invested, consistent with the policy objectives described below. This investment policy applies to all financial assets and funds held by the City. It is also applicable to those monetary funds held in trust or safekeeping by the City eg. PID, La Marque Economic Development Corporation, or Employees Insurance Benefits Trust Fund. However this policy does not apply to the assets administered for the benefit of the entity by outside agencies under deferred compensation programs.

FUNDS INCLUDED The City's funds, which are pooled together and constitute the investment portfolio, include all financial assets of all funds managed by the City, including but not limited to receipts of tax revenues, charges for services, bond proceeds, interest incomes, loans and funds received by the City where the City performs a custodial function.

EDC FUNDS EDC funds were segregated from the City's pooled cash beginning January 2014 and shall comply to the same City investment policy under Chapter 2256 of the Public Funds Investment Act.

IV. **Objectives** --The investment policy of the City shall be governed by these primary objectives: safety, liquidity, and yield.

A. **Safety** - The foremost objective of the investment program shall be to assure the safety of the invested funds. Investments shall be undertaken in a manner that seeks to ensure the preservation of capital.

B. **Liquidity** - Funds will be invested with maturities necessary to maintain sufficient liquidity to provide adequate and timely working funds.

C. **Yield** - The City shall avoid investment for speculation. Return on investment is of least importance compared to the safety and liquidity objectives described above and shall be expressed as **optimization of interest earnings.**

D. **Public trust** from prudent investment activities.

V. **Investment Authority** -- Responsibility and authority to conduct investment transactions resides with Finance Administration pursuant to Article VIII, Section 8.25. INVESTMENTS, of the City Charter. The director of finance is designated as the Investment Officer with the authority and responsibility to conduct, record, and report all investment transactions, and maintain the operation of the investment program, as governed by this Investment Policy.

A. The investment officer shall exhibit prudence and discretion in the selection and management of securities. Skill and judgment shall be exercised in order that no individual or group or transactions undertaken would jeopardize the total capital sum of the overall portfolio. The City of La Marque shall not allow speculation (such as anticipating an appreciation of capital through changes in market interest rates) in the selection of any investments. The investment officer shall observe financial market indicators, study financial trends, and utilize available educational tools in order to maintain appropriate managerial expertise.

B. The investment officer shall attend at least one training session relating to his/her responsibilities under this policy within 12 months after taking office or assuming duties and at least 10 hours once every two years thereafter. Training hereunder must include education in investment controls, security risks, strategy risks, market risks, and compliance with Chapter 2256 (T.G.C.)

C. In keeping with sound accounting practice and to assure adequate internal controls, and in the event circumstances require timely action and the investment officer is not available, the investment officer may delegate to a designee to follow procedural responsibilities for the operation of the investment program consistent with this Policy.

No person may engage in an investment transaction except as provided under the terms of this Policy and the procedures established by the investment officer.

D. All investments made by the City will be made through either the City's Investment Officer or authorized securities broker/dealers. The use of brokers/dealers is encouraged to utilize their investment expertise, a method to obtain diversification and to gain an expanded market coverage.

Authorized securities dealer/broker shall be required to be classified as a "Primary Government Securities Dealer" reporting to the Market Reports Division of the Federal Reserve Bank of New York or; securities dealer may be considered authorized if they maintain a bona-fide clearing agent agreement with a primary dealer. This list is found as Exhibit "A" to this Policy. Dealers on this list are assumed to conduct business in a highly ethical and professional manner.

Coastal Securities is designated as an authorized broker/dealer.

Duncan-Williams, Inc. is designated as an authorized broker/dealer.

UBS Financial Services is designated as an authorized broker/dealer.

Every dealer with whom the City transacts business will be provided a copy of this Investment Policy to assure that they are familiar with the goals and objectives of the investment program. The broker/dealer will be required to return a signed copy of the Certification Form certifying that the policy has been received and reviewed. (Exhibit "B")
The selection of investment instruments by dealer/broke will be on a competitive basis using a minimum of three (3) quotes.

VI. **Standards** -- To be observed.

A. **Prudence** - The standard of prudence used by the City of La Marque shall be the "prudent person" and shall be applied in the context of managing the overall portfolio. The prudent person rule is restated below:

In acquiring, investing, reinvesting, exchanging, retaining, selling and managing property for any trust heretofore or hereafter created, the City of La Marque will exercise the judgment and care under the circumstances then prevailing which persons of prudence, discretion and intelligence exercise in regard to the permanent disposition of their funds, considering the probable income as well as the probable safety for their capital.

B. **Ethics** - Officers and employees involved in the investment process shall refrain from personal business activity that could conflict with the proper execution and management of the investment program, or that could impair their ability to make impartial decisions. Employees and investment officials shall disclose any material interests in financial institutions with which they conduct business. They shall further disclose any personal financial/investment positions that could be related to the performance of the investment portfolio. Employees and officers shall refrain from undertaking personal investment transactions with the same individual with whom business is conducted on behalf of their entity.

C. **Liquidity** - To meet the investment objectives of the City, the maturity of investments shall be targeted to coincide with the cash flow needs of the City. Funds of the City shall be invested in instruments whose maturities do not exceed approved periods as determined by this policy. Unless matched to a specific requirement, the investment officer may not invest more than 30% of the portfolio for a period greater than two (2) years. Unless matched to a specific requirement, the investment officer may not invest in any portion of the portfolio for a period greater than three (3) years.

D. **Diversification** - The investment portfolio shall be diversified to minimize the risk of loss resulting from over concentration of assets in a specific issue, a specific issue size, with a specific issuer, in a specific maturity or in a specific class of securities. Risk of loss includes principal as well as potential investment income.

Nevertheless, the City of La Marque recognizes that in a diversified portfolio, occasional measured interest losses are inevitable, and must be considered within the context of the overall portfolio's investment return. Also, it is intended that investments in all funds shall be managed in such a way that any market price losses resulting from interest-rate volatility shall be offset by income received from the balance of the portfolio during a 12-month period.

C. **Yield** - The core of investment are limited to relatively low risk securities in anticipation of earning a fair return relative to the risk being assumed. The earnings from investments will be used in a manner that best serves the public trust and interests of the City in compliance with applicable covenants or other legal restrictions.

D. Weighted Average Maturity – The portfolio shall carry a weighted average maturity for any quarter to be no more than 90 days.

G. **Safekeeping and Custody** - To protect against potential fraud and embezzlement, the cash and investments of the City of La Marque shall be secured by the City, or through third party custody and safekeeping procedures as herein designated. The third party custodian shall be required to issue safekeeping receipts to the City listing each specific security, description, maturity, cusip number, yield and/or coupon, and other pertinent information. Each safekeeping receipt will clearly indicate that the instrument is held for the City of La Marque. All safekeeping arrangements shall be designated by the investment officer; said agreement to be documented.

All investment transactions shall be executed on a delivery vs. payment basis; to ensure the securities are deposited in the eligible financial institutions prior to the release of funds.

H. The investment officer shall develop and maintain written administrative procedures for the operation of the investment program which are consistent with this investment policy. Those authorized to conduct the operation of the investment program shall be bonded.

VII. **Internal Controls** -- The investment officer is responsible for establishing and maintaining an internal control structure designed to prevent losses of public funds arising from fraud, theft, misuse, employee error, and misrepresentation of third parties, unanticipated changes in financial markets or imprudent actions by any person involved in the investment program. The internal control structure shall be designed to provide reasonable assurance that these objectives are met. The concept of reasonable assurance recognizes that 1) the cost of a control should not exceed the benefits likely to be derived; and 2) the valuation of costs and benefits requires estimates and judgments by management.

The internal control shall address the following points:

A. **Control of Collusion** - Collusion is a situation where two or more employees are working in conjunction to defraud their employer.

B. **Separation of Transaction Authority from Accounting and Record Keeping** - By separating the person who authorizes or performs the transactions from the people who record or otherwise account for the transaction, a separation of duties is achieved.

C. **Custodial Safekeeping** - Securities purchased from any bank or dealer including appropriate collateral (as defined by State Law) shall be placed with an independent third party for custodial safekeeping.

D. **Avoidance of Bearer-form Securities** - Book entry securities are much easier to transfer and account for since actual delivery of a document never takes place. Delivered securities must be properly safeguarded against loss or destruction. The potential for fraud and loss increases with physically delivered securities.

E. **Clear Delegation of Authority to Subordinate Staff Member** - Subordinate staff members must have a clear understanding of their authority and responsibilities to avoid improper actions. Clear delegation of authority also preserves the internal control structure that is contingent on the various staff positions and their respective responsibilities.

F. **Written Confirmation of Telephone Transactions for Investments and Wire Transfers** - Due to the potential for error and improprieties arising from telephone transactions, all telephone transactions should be supported by written communications and approved by the appropriate person. Written communications may be via fax if on letterhead and the safekeeping institution has a list of authorized signatures.

G. **Development of a Wire Transfer Agreement with the Lead Bank or Third Party Custodian** - This agreement should outline the various controls, security provisions, and delineate responsibilities of each party making and receiving wire transfers.

H. Limiting the number of authorized investment officials.

I. Documentation of transactions and strategies.

VIII. **Authorized Investments** -- Specific security instruments are authorized under the provisions of the Public Funds Investment Act. The conservative philosophy employed by the City is to choose investments in a manner which ensures safety, while promoting diversity and maturity. The choice of high grade government instruments is designed to provide for a safety of principal, return an acceptable yield and to assure marketability.

City funds may be invested in the following:

A. Obligations of the United States Government, its agencies and instrumentalities with ratings not lower than AA and, not to exceed three (3) years to stated maturities.

B. Fully insured (FDIC) or collateralized certificates of deposit from a bank or a savings and loan association that has its main office or a branch office in the State of Texas with ratings no lower than AAA, in face amount not to exceed $250,000, and not to exceed 36 months to stated maturity. In addition, certificates of deposit obtained through a depository institution that has its main office or a branch office in Texas and that contractually agrees to place the funds in federally insured depository institutions in accordance with the conditions prescribed in Section 2256.010(b) of the Public Funds Investment Act are authorized investments.

C. No-load, SEC registered money market funds with ratings not lower than AAA.

D. The Interlocal Cooperation Act, Chapter 791, Texas Government Code, authorizes local governments in Texas to participate in an investment pool established hereunder. Texas Local Government Investment Pools authorized under this Policy:

1. TEXPOOL
2. LOGIC
3. TEXSTAR
4. TEXAS CLASS

The investment pools may invest in any of the securities authorized by statute. The pools must demonstrate compliance with Chapter 2256, Sections 016, 017, 018 and 019 and must maintain ratings of AAA.

E. Overnight balances remaining with the City's depository institution subject to a written depository agreement. These are interest bearing accounts, fully collateralized by pledged U.S. and Texas State government securities with ratings no lower than AA.

F. Fully collateralized direct repurchase agreements with a defined termination date secured by obligations of the United States or its agencies and instrumentalities with ratings no lower than AA. These shall be pledged to the City, held in the City's name, and deposited at the time the investment is made with the City or with a third party selected and approved by the City. Repurchase agreements must be purchased through a primary government securities dealer, as defined by the Federal Reserve, or a financial institution doing business in Texas. A Master Repurchase Agreement must be signed by the bank/dealer prior to investment in a repurchase agreement. All repurchase agreement transactions will be on a delivery vs. payment basis. Securities received for repurchase agreements must have

a market value greater than or equal to 102 percent at the time funds are disbursed.

G. Although additional types of securities and instruments are approved for investment, they are not eligible for investment by the City under this Policy. An amended version of this Policy approved by the City Council is required prior to investments in any other investment instrument not specified herein.

H. City shall monitor credit ratings of all securities within the portfolio periodically. If credit ratings fall below minimum allowed per policy, Investment Officer shall notify City Manager and Council of the change and liquidate the security as quickly as possible to minimize the risk on the City's portfolio..

IX. **Prohibited Investments** -- There is an absolute prohibition on investments in any of the following investment instruments.

A. Collateralized mortgage obligations that have a stated final maturity date of greater than 10 years.

B. Collateralized mortgage obligations the interest rate of which is determined by an index that adjusts opposite to the changes in a market index; inverse floaters.

C. The City will not invest in mortgage backed derivative products.

X. **Reporting** -- The investment officer shall submit a quarterly and annual investment reports to the City Manager, Mayor and City Council that provides a clear picture of the status of the current investment portfolio. This report shall contain sufficient information to permit an informed outside reader to evaluate the performance of the investment program, while allowing the entity to ascertain whether investment activities during the reporting period have conformed to the Investment Policy.

The annual report should encompass activity through the entire year. At a minimum this report should contain:

A. A listing of individual securities with maturity dates.

B. Overall weighted average maturity of the portfolio.

C. Overall current yield of the portfolio.

D. State the reported auction yield of the appropriate U.S. Treasury bill comparable to the overall portfolio.

E. Beginning and ending market value of the total portfolio by market sector and total portfolio.

F. Beginning and ending carrying (book) value of the portfolio by market sector and total portfolio.

G. Transactions which change market and book value.

All reports will be prepared jointly by all involved in the investment activity and be signed by all staff involved.

XI. **Limitation of Personal Liability** - The investment officer and those delegated investment authority under this policy, when acting in accordance with the written procedures and this policy and in accordance with the Prudent Person Rule, shall be relieved of personal responsibility and liability in the management of the portfolio provided that deviations from expectations for a specific security's credit risk or market price change or portfolio shifts are reported in a timely manner and that appropriate action is taken to control adverse market effects.

XII. **Diversifications Strategy** -- At a minimum, diversification standards by security type and issuer shall be:

U.S. Treasuries and securities with the U.S. Government's guarantee	NTE	100%
U.S. Government Agencies and Instrument abilities	NTE	85%
Certificates of Deposit	NTE	100%
Money Market Funds	NTE	75%
Local Government Investment Pools	NTE	100%

XIII. **Fund Strategy** --

A. **Accounting Funds Strategy Statement** - The City of La Marque maintains a portfolio which involves specific investment strategy considerations, designed to address the unique characteristics of the fund groups represented in the portfolio. The objectives of each fund group must be considered in context of the structure of the overall portfolio. Objectives to be considered for each fund type:

1. suitability of the investment to the financial requirements of the fund

2. preservation and safety of the principal

3. liquidity

4. marketability

5. diversification

6. yield

B. **Operating Funds** - The general operating fund generates cash income stream on relatively predictable patterns. Investments are usually made during tax receipts season with maturities scheduled to coincide with a decreased income stream later in the year. The investment structure must be liquid with a short weighted average maturity. Consideration to unreserved fund balance permits some maturity to exceed one year.

C. **Enterprise Funds** - A stable revenue stream from payment of utility bills coupled with fairly predictable expense patterns renders a smooth cash management program during the course of the year. Accordingly, weighted average maturities may extend to 120-150 days. Special consideration is given to the debt service payment requirements and maturities of certain investments are scheduled accordingly.

D. **Construction and Special Projects Funds** - Primary strategy for these fund types is to assure that anticipated cash requirements are matched to adequate liquidity at the time of payment. A portion of investments (10%) should be highly liquid to allow for flexible and unanticipated project outlays. The balance may be scheduled to coincide with engineered project construction payment timetables. The stated final maturity date of any security held should not exceed the estimated project completion date.

E. **EDC Fund** – Main revenue source is sales tax. Beginning January 2014, EDC operating cash was segregated from the City's pooled cash. Funds not protected under the City pooled cash collateral agreement shall be invested in securities allowed by the City's investment policy which shall carry the appropriate FDIC or other equivalent insurance protection on EDC funds..

F. **Other Fund Types** - These funds typically have identifiable income/expense patterns whereby investments can be diversified according to the needs established. Prime objective involved with these

fund types is to provide for the safety of the investment with a low degree of volatility. Such securities will tend to hold their value during economic cycles. Particular attention is given to requirements which may govern the use of funds.

G. **Overall Short-term Strategy** - The City uses a consolidated cash system where cash is co-mingled and ownership tracked by equity accounts. From this a considerable amount is available for investment in a high liquid local government investment pool. Interest earnings are apportioned back based on equity in the pool. Use of the pool enables short term inter-fund borrowing during the course of the year using due to-due from accounting methodology. This gives considerable flexibility to the immediate cash needs of an individual fund.

XIV. **Intent** -- It is the stated intent of this Policy to adhere by and to be in conformance with the statute known as Chapter 2256, Public Funds Investment Act, Texas Government Code as amended by House Bill 2459 enacted by the 74th Texas Legislature. Specific interpretation of a section contrary to this intent shall not void the remaining Policy.

XV. **Compliance** -- The investment officer shall establish a process for annual independent review by an external audit to assure compliance with management controls and adherence to these policies and procedures.

XVI. **Adoption** -- This Investment Policy shall be formally adopted by Resolution of the City Council. The Policy shall be reviewed on an annual basis by the City Manager and City Council.

BROKER/DEALER CERTIFICATION FORM
As required by Texas Government Code 2256.005(k)

CITY OF LA MARQUE, TEXAS (the "City")

The City acknowledges that the only means the firm has to preclude "imprudent investment activities arising out of transactions between the firm and the City" is to confirm that all provisions of the City's investment policy are followed in investment transactions conducted between the firm and the City, and the second paragraph below should be read accordingly.

I, or the business organization, _____ , do hereby certify that

we have thoroughly reviewed the investment policy for the City.

We acknowledge that the business organization has implemented reasonable internal procedures and controls in an effort to preclude imprudent investment activity which may arise between the City and the organization.

_____
Signature

Name: _____

Title: _____

Date: _____

Policy Amendments Through September 17, 2019

1. Add Texas Class as additional authorized investment pool option (2016).

2. Add Employees Insurance Benefits Trust Fund to the City's authorized investment portfolio (2016).

3. Revise Broker/Dealer Certification form to reflect "Business Organization" instead of individual. (2017).

4. No change in 2018.

5. No change in 2019.

GLOSSARY

1. **Certificate of Deposit (CD)** - A time deposit evidences by a certificate that specifies the amount, maturity date, rate of interest and terms under which interest is calculated. Usually insured up to a face amount of $100,000. Typically note marketable (illiquid) with a fixed maturity date and penalty for early redemption.

2. **Derivatives** - For the purposes of this Investment Policy, the definition of derivatives includes instruments which have embedded features that alter their character or income stream or allow holders to hedge or speculate on a market or spreads between markets that are external to the issuer, or are not correlated on a one-to-one basis to the associated index or market. Prohibited derivations include the following:

   Interest Rate Swaps, Range Index Notes, Option Contracts, Futures Contracts, Inverse Floating Rate Notes, Non-Money Market Index Based Notes, Dual Index Notes, Index Amortizing Notes, Inverse Multi-Index Bonds, Stepped Inverse Index Bonds, Inverse Index Bonds, and Collateralized Mortgage Obligations.

4. **CMA Treasury Fund** - (the "Treasury Fund") is a no-load, diversified, open-end investment company seeking preservation of capital, liquidity and current income available from investing exclusively in a diversified portfolio of short-term marketable securities which are direct obligations of the U.S. Treasury. Dividends are declared and reinvested daily in the form of additional shares at net asset value. **The Treasury Fund seeks to maintain a constant $1.00 net asset value per share. An investment in the Treasury Fund is neither insured nor guaranteed by the U.S. Government.** The Treasury Fund has adopted a Distribution and Shareholder Servicing Plan in compliance with Rule12b-1 under the Investment Company Act of 1940, as amended (the "Investment Company Act").

5. **CMA Government Securities Fund** - (the "Government Fund") is a no-load, diversified, open-end investment company seeking preservation of capital, liquidity and current income available from investing exclusively in a diversified portfolio of short-term marketable securities which are direct obligations of the U.S. Government and repurchase agreements pertaining to such securities. Dividends are declared and reinvested daily in the form of additional shares at net asset value. **The Government Fund seeks to maintain a constant $1.00 net asset value per share. An investment in the Government Fund is neither insured nor guaranteed by the U.S. Government.** The Government Fund has adopted a Distribution and Shareholder Servicing Plan in compliance with Rule 12b-1 under

the Investment Company Act of 1940 as amended (the “Investment Company Act”).

6. **CMA Money Fund** - (the “Money Market Fund”) is a no-load, diversified, open-end investment company seeking current income, preservation of capital and liquidity available from investing in a diversified portfolio of short-term money market securities. These securities will consist primarily of short-term U.S. Government securities, bank certificates of deposit, commercial paper and repurchase agreements. Dividends are declared and reinvested daily in the form of additional shares at net asset value. **The Money Market Fund seeks to maintain a constant $1.00 net asset value per share. An investment in the Money Market Fund is neither insured nor guaranteed by the U.S. Government.** The Money Market Fund has adopted a Distribution and Shareholder Servicing Plan in compliance with Rule 12b-1 under the Investment Company Act of 1940, as amended (the “Investment Company Act”).

7. **U.S. Treasury Bills** - (the “T-Bills”) are issued to meet the government’s short-term financing needs and are insured on a discount basis with a maturity ranged one year or less. Probable the most liquid money market instrument.

8. **U.S. Treasury Notes and Bonds** - are negotiable, interest-bearing securities redeemable at face value at maturity. Notes fall in a maturity range from one to ten years with current issues of 2, 3, 4, 5, 7 and 10 year notes issued on a regular basis. Bonds are the same as notes, except that they have maturities of 10 years or more. T-Notes have the advantages of generally trading at a yield higher than that of T-Bills for comparable maturities, yet retaining a high degree of liquidity.

9. **Federal Agencies and Discount Notes** - are Federal Government agencies established to help meet the credit needs of various classes of institutions. These agencies issue and sell debt obligations directly into the financial markets to meet their financing needs. Three of the more active agencies:

    Farm Credit Administration (FFCB)
    Federal Home Loan Bank (FHLB)
    Federal National Mortgage Association (FNMA)