



**A Meeting of the Waco
City Council Budget & Audit Committee or
A Meeting of the City Council, Acting as
City Council Budget & Audit Committee
Regular Meeting
Public Notice**

Tuesday, June 13, 2017

11:30 AM

City Hall - 3rd Floor Conference Room
300 Austin Ave, Waco, TX 76701

AGENDA

I. Call to Order

II. Minutes Approval

Budget & Audit Committee – May 25, 2017

III. Discussions

1. Discussion and Update of the City's Financial Reporting for FY2016-17
2. Discussion of FY2017-18 Preliminary Operating Budget, CIP Budget, Fee Schedule, and Budget Calendar
3. Discussion of Janitorial Services for Building Facilities
4. Discussion of Funding for Outside Agencies
5. Discussion of Texas Municipal Retirement System (TMRS)
6. Discussion of City's Investment Policy
7. Discussion of the City's Financial Management Policy Statement for General Fund Reserves
8. Discussion of Investment Management RFP
9. Discussion of Funding Recommendations of Federal Funds from the Department of Housing and Urban Development (HUD) for the 2017-2018 Annual Action Plan

IV. Request for Future Agenda Items and Next Meeting Date

The Committee/City Council may go into Executive Session on any item listed on the Agenda in accordance with Chapter 551 of the Government Code, specifically including Sec. 551.071(2) (attorney-client privilege/relationship).

Jack Harper II, Assistant City Manager

It is the opinion of the City Attorney's Office that this agenda complies with the requirements of Chapter 551 of the Texas Government Code.

Jennifer Richie, City Attorney

I hereby certify that this notice was posted at Waco City Hall on the _____ day of _____ at _____ AM/PM.

Esmeralda Hudson, City Secretary

Note: Persons with disabilities who plan to attend this meeting and who need auxiliary aides or services should contact the City Secretary's Office, at (254) 750-5750 at least twenty-four (24) hours before this meeting so that appropriate arrangements can be made.



**Meeting of the Waco City Council, acting as
The Budget & Audit Committee
Special Meeting**

Draft Summary Notes

Tuesday, May 25, 2017

1: 33 PM to 3:07 PM

**City Hall - 3rd Floor Conference Room
300 Austin Ave, Waco, TX 76701**

- I. Call to Order
Mayor Kyle Deaver called a meeting of the City Council sitting as the Budget and Audit Committee at 1:33 PM
Council Members Present: Kyle Deaver, Alice Rodriguez, John Kinnaird, Dillon Meek, and Jim Holmes
- II. Minutes Approval
Minutes were approved as submitted.
- III. Discussions
 1. Discussion of Prosper Waco Funding and Proposal for Goodwill and Caritas Case Managers
Matthew Polk, Executive Director of Prosper Waco, introduced Tiffany Fry, Workforce Development Director Heart of Texas Goodwill, and Tammy Stevens, Caritas. Tiffany Fry and Tammy Stevens provided an overview of the Waco Employer Resource Network Project and their request for funding to provide a liaison position and success coach case management respectively. The positions will provide employers with a link with social service agencies to improve employee retention. The proposal is for a three year pilot project to evaluate and collect data. The program was recommended in the UpJohn Study. A success coach would provide case management support to employers. The proposal will be evaluated during the budget process.
 2. Discussion of YMCA of Central Texas Bonds
Daniel Pleitz, Naman, Howell, Smith and Lee, PLLC, provided an overview of a request for a resolution to support tax-exempt loan and explained the request would not affect the City of Waco's bonding ability.
 3. Discussion of Funding Recommendations of Federal Funds from the Department of Housing and Urban Development (HUD) for the 2017-2018 Annual Action Plan.
Melett Harrison, Director of Housing and Economic Development, provided an overview of funding recommendations. A presentation is on file in the City Secretary's Office. Funding for the next year is still unknown.

Staff was asked to communicate with currently funded groups that are not providing information that is required by HUD. In addition, staff was asked to keep groups informed so they can prepare and possibly begin fundraising efforts. Council expressed their support of additional Mental Health programs.
 4. Discussion of Investment Management RFP
Rusty Hill, Assistant Director of Finance, provided an update on the RFP process and explained that an award will be presented to the City Council on June 6, 2017.
 5. Discuss and make recommendation to the City Council concerning engagement letters from Jaynes, Reitmeier, Boyd and Therrell, P.C. and audit engagement

Minutes Acceptance: Minutes of May 25, 2017 1:30 PM (Minutes Approval)

Janice Andrews, Director of Finance, provided an overview of the audit engagement process for Fiscal Year 2016-2017 and agreed procedures. A resolution for Council's consideration is scheduled for June 6, 2017.

6. Discussion of recommended Capital Improvement Projects

Laura Chiota, Budget Manager, provided an overview of recommended Capital Improvement Projects (CIP). The presentation is available in the City Secretary's Office. Discussion included recommendation related to issuing debt, debt capacity, and balancing CIP requests for public safety and infrastructure projects.

Council asked staff to:

- Provide a list of planned/specifics street projects including Richie Road extension and Chapel Road
- Provide copies of the applications for funding requests from outside agencies
- Include statement in the application for funding related to alignment with Prosper Waco/UpJohn Study recommendations
- Provide a report on the percentage of the General Fund that has been awarded to outside agencies over the past five years

IV. Request for Future Agenda Items and Next Meeting Date

The next meeting is scheduled for Tuesday, June 13, 2017 to begin at 11:30 A.M.

Possible Future Agenda Items:

- Preliminary operating budget discussion
- Funding of Outside agencies
- Entitlement Funds
- Gift Shop Proposal
- Prevailing Wages
- Building Attendants
- Fund Balance, Pension Liability
- Financial Management Policies
- HUD and CDBG

The meeting was adjourned at 3:07 P.M.

Approved on _____

Esmeralda Hudson, City Secretary

Kyle Deaver, Mayor



(Revised 06/2017-City Secretary's Office)

CITY OF WACO

Meeting Date: 06/13/2017	Originating Department: Budget & Audit Committee	Presentation By: Janice Andrews	Reference #:
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Item:
Discussion and Update of the City's Financial Reporting for FY2016-217

Background:

Fiscal Impact:

Project Schedule:



(Revised 06/2017-City Secretary's Office)

CITY OF WACO

Meeting Date: 06/13/2017	Originating Department: Budget & Audit Committee	Presentation By: Laura Chiota	Reference #:
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Item:
Discussion of FY2017-18 Preliminary Operating Budget, CIP Budget, Fee Schedule, and Budget Calendar

Background:

Fiscal Impact:

Project Schedule:



(Revised 05/2017-Purchasing)

CITY OF WACO

Meeting Date: 06/13/2017	Originating Department: Budget & Audit Committee	Presentation By: Kelly Holecek	Reference #:
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Item:
Discussion of Janitorial Services for Building Facilities

Background:

Fiscal Impact:

Project Schedule:



(Revised 06/2017-City Secretary's Office)

CITY OF WACO

Meeting Date: 06/13/2017	Originating Department: Budget & Audit Committee	Presentation By: Melett Harrison	Reference #:
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Item:
Discussion of Funding for Outside Agencies

Background:

Fiscal Impact:

Project Schedule:



(Revised 06/2017-City Secretary's Office)

CITY OF WACO

Meeting Date: 06/13/2017	Originating Department: Budget & Audit Committee	Presentation By: Janice Andrews	Reference #:
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Item:
Discussion of Texas Municipal Retirement System (TMRS)

Background:

Fiscal Impact:

Project Schedule:



(Revised 06/2017-Finance)

CITY OF WACO

Meeting Date:	Originating Department:	Presentation By:	Reference #:
06/13/2017	Budget & Audit Committee	Janice Andrews	

Item:

Discussion of City's Investment Policy

Background:

The City maintains a written Investment Policy (the Policy) in accordance with the Public Funds Investment Act, Chapter 2256 of the Texas Government Code (the Act). Section 2256.005(e) of the Act requires the governing body of an investing entity to review its policy at least annually. The Policy was last reviewed and approved by Council on July 5, 2016 (Resolution No. 2016-431).

Attached is a copy of the City's current policy, including proposed changes, as well as a letter from the City's current Investment Advisor, First Southwest Asset Management Company (FSAM). The only proposed changes are to update Exhibit 1, the listing of authorized broker/dealers.

FSAM and City staff recommend approval of these revisions to the City's Investment Policy.

Attachments:

FSAM Waco Policy Letter 2017 (DOCX)

Waco Investment Policy 6-20-2017 Redline (DOCX)

Fiscal Impact:**Project Schedule:**

A Resolution to adopt the amended policy is planned for the June 20, 2017 City Council meeting.



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Scott McIntyre
Managing Director

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POLICY REVIEW

May 25, 2017

Mr. Rusty Hill
City of Waco
300 Austin Avenue
P.O. Box 2570
Waco TX 76702-2570

Dear Rusty:

As requested, First Southwest Asset Management, LLC. (“FSAM”) has performed its annual review of the City of Waco (“the City”)’s written investment policy to determine compliance with the Texas Public Funds Investment Act (the “Act”), Texas Government Code, Chapter 2256. Our review was limited in scope, with the primary purpose being to evaluate conformity with the Act. We did not seek to ensure that all funds and procedures were addressed in the policy, nor have we reviewed compliance with the policy or internal controls of the City.

All written requirements of the Act are included within the current policy. The Texas Legislature is currently in session and is expected to enact legislation that will affect the Public Funds Investment Act. Although the proposed amendments will be relevant to Waco policy, we don’t perceive a need to make changes before next year’s review. Below are annual changes to the approved broker dealer list:

EXHIBIT 1. SCHEDULE OF APPROVED BROKER/DEALERS FOR THE CITY OF WACO

In EXHIBIT 1, under *Other Broker/Dealer Firms* -

Add Loop Capital Markets and D.A. Davidson.

Rationale: These two regional dealers will allow for more competitive bidding on security purchases.

Remove Robert W. Baird & Company

Rationale: Unresponsive

Amend the following name changes:

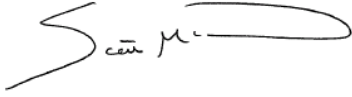
~~BOSC, Inc.~~ Now - BOK Financial Securities

~~Key Bank~~ Now – KeyBanc Capital Markets

These proposed amendments are provided in a redline draft of the Waco policy.

If you have any questions, please contact me at 1-800-575-3792 or scott.mcintyre@hilltopsecurities.com.

Sincerely,

A handwritten signature in black ink, appearing to read "Scott McIntyre". The signature is fluid and cursive, with a large loop at the end.

Scott McIntyre, CFA
Managing Director

Cc: Janice Andrews

Attachment: FSAM Waco Policy Letter 2017 (5199 : City's Investment Policy)

*EXHIBIT A***CITY OF WACO, TEXAS****INVESTMENT POLICY**

This Investment Policy of the City of Waco, Texas is written in compliance with Chapter 2256 of the Texas Statutes otherwise known as the Public Funds Investment Act. This Investment Policy has been adopted by the City Council of the City of Waco by resolution on ~~July 5, 2016~~June 20, 2017.

The provisions of this Investment Policy shall apply to all investable funds of the City of Waco: General Funds, Special Revenue Funds, Permanent Funds, Debt Service Funds, Capital Projects Funds (including bond proceeds), Enterprise Funds, Internal Service Funds and Fiduciary Funds.

All excess cash, except for cash in certain restricted and special accounts, shall be pooled for investment purposes. The investment income derived from the pooled investment account shall be allocated to the contributing funds based upon the proportion of the respective average balances relative to the total pooled balance. Investment income shall be distributed to the individual funds on a monthly basis.

The objectives of this Investment Policy in order of importance are:

- Preservation of capital and protection of investment principal.
- Maintenance of sufficient liquidity to meet anticipated cash flows.
- Diversification to avoid incurring unreasonable market risks.
- Attainment of a market value rate of return.

I. AUTHORIZED SECURITIES AND TRANSACTIONS

All investments of the City shall be made in accordance with Chapter 2256 of the Texas Statutes. Any revisions or extensions of this chapter of the Texas Statutes will be assumed to be part of this Investment Policy immediately upon being enacted.

The City has further restricted the investment of funds to the following types of securities and transactions:

1. U.S. Treasury Obligations: Treasury Bills, Treasury Notes, and Treasury Bonds with maturities not exceeding three years from the date of purchase. In addition, State and Local Government Series Securities (SLGS) purchased directly from the Treasury Department's Bureau of the Public Debt.
2. Other obligations of the U.S. government, including obligations fully guaranteed or insured by the Federal Deposit Insurance Corporation (FDIC) or by the explicit full-faith-and-credit of the United States.

3. Federal Agency Securities: Only non-subordinated debt securities including debentures, discount notes, callable securities and step-up securities issued by the following only: Federal Home Loan Banks (FHLB), Federal National Mortgage Association (FNMA), Federal Farm Credit Banks (FFCB) and Federal Home Loan Mortgage Corporation (FHLMC), with maturities not exceeding three years from the date of purchase.
4. Repurchase Agreements and Flexible Repurchase Agreements: Collateralized by a combination of cash and U.S. Treasury Obligations, non-subordinated debt securities issued by Federal Agencies listed in item 2 above, or pass-through mortgage-backed securities issued by Federal Agencies listed in item 2 above. For the purpose of this section, the term collateral shall mean purchased securities under the terms of the City's approved Master Repurchase Agreement. Further, for purposes of this section, the term "pass-through mortgage-backed securities" shall not include collateralized mortgage obligations, interest-only mortgage-backed securities, or principal-only mortgage-backed securities. The purchased securities shall have an original minimum market value including accrued interest of 102 percent of the dollar value of the transaction and the collateral maintenance level shall be 102 percent. Collateral shall be registered in the City's name and held by a third-party safekeeping agent approved by the City. Collateral shall be marked-to-market at least on a weekly basis, except Federal Agency pass-through mortgage-backed securities, which shall be marked-to-market on a daily basis. The maximum maturity for each repurchase agreement transaction shall be thirty (30) days with the exception of bond proceeds which may be invested into flexible repurchase agreements with maturities not to exceed the expected construction draw schedule of the related bonds.

Repurchase Agreements shall be entered into only with Financial Institutions doing business in the State of Texas who have executed a Master Repurchase Agreement with the City. Financial Institutions approved as Repurchase Agreement counterparties shall have a short-term credit rating of not less than A-1 or the equivalent and a long-term credit rating of not less than A- or the equivalent.

5. Money Market Mutual Funds: registered under the Investment Company Act of 1940 which (1) are "no-load" (meaning no commission or fee shall be charged on purchases or sales of shares); (2) have a constant daily net asset value per share of \$1.00; (3) limit assets of the fund to securities authorized herein; and (4) have a maximum stated maturity and weighted average maturity in accordance with Federal Securities Regulation 2a-7; and 5) have a rating of not less than AAAM by Standard and Poor's, Aaa by Moody's or AAA/V1+ by Fitch.
6. Time Certificates of Deposit: issued by depository institutions having their main offices or branch offices in Texas that are insured by the Federal Deposit Insurance Corporation (FDIC) or the National Credit Union Share Insurance Fund (NCUSIF) or their successors. Certificates of Deposit which exceed the insured amount shall be secured in accordance with Section IV of this policy. Maturities for Certificates of Deposit shall generally be limited to three years; however, investment of bond proceeds may exceed this maturity limit provided that maturity dates do not extend beyond forecasted spending needs.
7. Local Government Investment Pools authorized under Section 2256.016 of the Texas

Statutes which 1) are "no-load" (i.e.: no commission fee shall be charged on purchases or sales of shares); 2) have a constant daily net asset value per share of \$1.00; 3) limit assets of the fund to securities authorized herein; 4) have a maximum stated maturity and weighted average maturity in accordance with Federal Securities Regulation 2a-7; and 5) have a rating of not less than AAAM by Standard and Poor's, Aaa by Moody's or AAA/V1+ by Fitch. Furthermore, authorized Local Government Investment Pools must comply with the disclosure and reporting requirements set forth in Section 2256.016, Authorized Investments: Investment Pools.

Any investment that requires a minimum rating under this Policy does not qualify as an authorized investment during the period the investment does not have the minimum rating. The City shall take all prudent measures that are consistent with this Investment Policy to liquidate an investment that does not have the minimum rating.

The City recognizes that bond proceeds may, from time to time, be subject to the provisions of the Tax Reform Act of 1986, Federal Arbitrage Regulations, as amended. Due to the legal complexities of arbitrage law and the necessary immunization of yield levels to correspond to anticipated cash flow schedules, the reinvestment of such debt issuance may, upon the advice of Bond Counsel or financial advisors, deviate from the maturity limitation provisions of this Policy with approval of the City Council.

II. INVESTMENT DIVERSIFICATION AND LIQUIDITY

It is the intent of the City to diversify the investments within the portfolio to avoid incurring unreasonable risks inherent in over investing in specific instruments, individual financial institutions or maturities. Nevertheless, the asset allocation in the portfolio should be flexible depending upon the outlook for the economy, the securities markets, and the City's anticipated cash flow needs

To the extent possible, investments shall be matched with anticipated cash flow requirements and known future liabilities. The City will not invest operating funds in securities maturing more than three years from the date of purchase. The weighted average final maturity of the City's pooled operating funds portfolio shall at no time exceed one year with the calculation to include all portfolio securities, bank and savings account deposits and pool and money fund holdings. Bond proceeds will be invested in accordance with requirements of this policy, bond ordinances and the expected expenditure schedule of the proceeds.

III. SELECTION OF BROKERS/DEALERS

The City Council shall at least annually review, revise, and adopt a list of qualified broker/dealers that are authorized to engage in investment transactions with the City. Adoption of this Investment Policy shall also be considered as approval to conduct business with any broker/dealer recognized as a Primary Dealer by the Federal Reserve Bank of New York, or with a financial firm that has a Primary Dealer within its holding company structure. A list of Primary Dealers is presented in Exhibit 1. The City shall do business only with broker/dealers that have been individually evaluated

and have submitted certified audited financial reports to the City's Investment Officers on an annual basis. The City may authorize regional broker/dealer firms if it can be demonstrated that such firms are experienced in dealing with local governments in the state of Texas. Regional firms shall be evaluated and presented to City Council for approval. A list of authorized regional broker/dealer firms is presented in Exhibit 1. If the City chooses to contract with an Investment Advisor pursuant to Section XII of this Investment Policy, the Investment Advisor shall evaluate and recommend to the City a pool of qualified brokers/dealers.

All dealers must acknowledge in writing that they have received and reviewed this Investment Policy and have implemented reasonable procedures and controls in an effort to preclude investment transactions that are not authorized by this Investment Policy, except to the extent that this authorization is dependent on an analysis of the makeup of the city's entire portfolio or requires an interpretation of subjective investment standards. (Exhibit 2) The City shall not enter into an investment transaction with a dealer prior to receiving the written document described above which has been signed by a qualified representative of the dealer. If the City chooses to contract with an Investment Advisor pursuant to Section XII of this Investment Policy, the Advisor, not the broker/dealer, shall be solely responsible for reading and abiding by the Investment Policy. As such, the Advisor shall sign the written certification statement on an annual basis and will assume full responsibility for deviations from Policy guidelines.

The City may purchase U.S. Treasury Obligations directly from the Treasury Department's Bureau of the Public Debt as long as the securities meet the criteria outlined in Item 1 of the Authorized Securities and Transactions section of this Policy.

IV. SAFEKEEPING, CUSTODY AND BANKING SERVICES

The City Council shall select one or more financial institutions to provide safekeeping, custodial and banking services for the City. A City approved Safekeeping Agreement shall be executed with each custodian bank prior to utilizing that bank's safekeeping services. To be eligible for designation as the City's safekeeping and custodian bank, and to provide banking services, a financial institution shall qualify as a depository of public funds in the State of Texas as defined in Chapter 105 of the Texas Statutes.

Demand or time deposits of the City shall be secured in accordance with Texas Government Code Chapter 2257. Specifically, City deposits may be secured by the following:

- A letter of credit (LOC) issued by the Federal Home Loan Bank (FHLB);
- An obligation that in the opinion of the Attorney General of the United States is a general obligation of the United States and backed by its full faith and credit;
- A general or special obligation issued by a public agency that is payable from taxes, revenues, or a combination of taxes and revenues;
- Any security in which a public entity may invest under Chapter 2256 of the Texas Government Code.
- A fixed or floating rate collateralized mortgage obligation (CMO) that has an expected weighted average life of 10 years or less and does not constitute a high-risk mortgage security; or

- A surety bond

Securities pledged to secure deposits of the City shall be deposited with an eligible third-party custodian described in Texas Government Code Chapter 2257. The total market value of eligible securities pledged to secure deposits of the City shall not be less than 102% of the amount of the City's deposits increased by accrued interest and reduced by applicable federal depository insurance.

V. COMPETITIVE BIDDING

Each investment transaction shall be competitively transacted with broker/dealers who have been authorized by the City. It is the intent of the City that at least three broker/dealers shall be contacted for each transaction and their bid and offering prices shall be recorded.

If the City is offered a security for which there is no other readily available competitive offering, the Investment Officer will document quotations for comparable or alternative securities.

VI. DELIVERY OF SECURITIES

The purchase and sale of securities and repurchase agreement transactions shall be settled on a delivery-versus-payment basis. It is the intent of the City that ownership of all securities be perfected in the name of the City. Sufficient evidence to title shall be consistent with modern investment, banking and commercial practices.

All investment securities, except Certificates of Deposit, Money Market Funds, and Local Government Investment Pools, purchased by the City will be delivered by either book entry or physical delivery and will be held in third-party safekeeping by a City approved custodian bank, its correspondent New York bank or its Depository Trust Company (DTC) participant account.

All Fed wireable book entry securities owned by the City shall be evidenced by a safekeeping receipt or a customer confirmation issued to the City by the custodian bank stating that the securities are held in the Federal Reserve system in a customer account for the custodian bank which will name the City as "customer."

All DTC eligible securities shall be held in the custodian bank's Depository Trust Company (DTC) participant account and the custodian bank shall issue a safekeeping receipt evidencing that the securities are held for the city as "customer."

All non-book entry (physical delivery) securities shall be held by the custodian bank or the custodian bank's correspondent bank and the custodian bank shall issue a safekeeping receipt to the City evidencing that the securities are held by the custodian bank or the custodian bank's correspondent bank for the City as "customer."

VII. MONITORING

Market prices shall be obtained from investment brokers, the Wall Street Journal, or other financial information services. These prices shall be obtained on a monthly basis and used for reporting purposes to calculate current market values on each security held. The price source will be maintained for audit purposes.

VIII. INVESTMENT STRATEGY STATEMENT

In order to minimize risk of loss due to interest rate fluctuations, investment maturities will not exceed the anticipated cash flow requirements of the funds. Investment guidelines by fund-type are as follows:

A. Combined Funds

Suitability - Any investment eligible in the Investment Policy is suitable for the Operating Funds.

Safety of Principal - All investments shall be of high quality securities with no perceived default risk.

Marketability - Securities with active and efficient secondary markets are necessary in the event of an unanticipated cash requirement.

Liquidity - The Combined Funds requires the greatest short-term liquidity of any of the fund types. Short-term investment pools, money market mutual funds, and repurchase agreements shall be utilized to the extent necessary to provide adequate liquidity.

Diversification - It is the intent of the City to diversify the investments within the portfolio to avoid incurring unreasonable risks inherent in over investing in specific instruments, individual financial institutions or maturities.

Yield - The investment portfolio shall be designed to attain a market value rate of return throughout budgetary and economic cycles, taking into account prevailing market conditions, risk constraints for eligible securities, and cash flow requirements. The portfolio's performance shall be compared to the yield on the U.S. Treasury security which most closely matches the portfolio's weighted average maturity.

B. Bond Proceeds/Capital Funds

Suitability - Any investment eligible in the Investment Policy is suitable for bond proceeds.

Safety of Principal - All investments shall be of high quality securities with no perceived default risk.

Marketability - Securities with active and efficient secondary markets are necessary in the event of an unanticipated cash requirement.

Liquidity - The City's funds used for construction and capital improvement programs have reasonably predictable draw down schedules. Therefore investment maturities shall generally follow the anticipated cash flow requirements. Investment pools, money market funds, and repurchase agreements shall be used to provide readily available funds to meet anticipated cash flow needs. A flexible repurchase agreement may be utilized if disbursements are allowed in the amount necessary to satisfy an expenditure request.

Diversification - It is the intent of the City to diversify the investments within the portfolio to avoid incurring unreasonable risks inherent in over investing in specific instruments, individual financial institutions or maturities.

Yield - Achieving the best possible yield, consistent with risk and arbitrage limitations is the desired objective for bond proceeds.

IX. AUTHORITY TO INVEST

In accordance with state law, the Director of Finance, 1 Program Manager, 2 Financial Supervisors and 2 Senior Financial Analysts as designated by the Director of Finance are hereby named as the Investment Officers with the responsibility to invest all funds including operating, bond and other reserve funds.

- A. Training: Each Investment Officer of the City shall attend at least one training session containing at least 10 hours of instruction from an authorized, independent source relating to the officer's responsibilities described herein within 12 months after assuming duties; and on a continuing basis shall attend an investment training session not less than once in a two-year period that begins on the first day of the fiscal year and consists of the two consecutive fiscal years after that date and receive not less than eight(8) hours of instruction relating to investment responsibilities from an independent source. Training must include education in investment controls, security risks, strategy risks, market risks, diversification of investment portfolio and compliance with the Texas Public Funds Investment Act. Authorized independent sources of investment training include the Texas Municipal League, the University of North Texas Center for Public Management, the Texas State University Center for Public Service, the Government Finance Officers Association, the Government Finance Officers Association of Texas, the Texas Association of Counties, the Texas Association of School Business Officials, and the Government Treasurers Organization of Texas.
- B. Establishment of Internal Controls: The Investment Officers shall develop written administrative procedures and internal controls, consistent with this Policy, for the operation of the City's investment program. Such procedures shall be designed to prevent losses of public funds arising from fraud, employee error, misrepresentation by third parties, or imprudent actions by employees of the City.

X. PRUDENCE

The standard of prudence to be used by investment officers shall be Section 2256.006 of the Texas Statutes which states: “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 officers acting in accordance with written procedures and exercising due diligence shall be relieved of personal responsibility for an individual security's risk or market price changes, provided deviations from expectations are reported in a timely fashion and appropriate action is taken to control adverse developments.

The City’s overall investment program shall be designed and managed with a degree of professionalism that is worthy of the public trust. The City recognizes that no investment is totally riskless and that the investment activities of the City are a matter of public record. Accordingly, the City recognizes that occasional measured losses are inevitable in a diversified portfolio and shall be considered within the context of the overall portfolio’s return, provided that adequate diversification has been implemented and that the sale of a security is in the best long-term interest of the City.

XI. ETHICS

The designated Investment Officers shall act as custodians of the public trust avoiding any transaction which might involve a conflict of interest, the appearance of a conflict of interest, or any activity which might otherwise discourage public confidence. Investment Officers shall refrain from personal business activity that could conflict with proper execution of the investment program, or which could impair their ability to make impartial investment decisions. Additionally, all Investment Officers shall file a statement with the Texas Ethics Commission and with the City of Waco disclosing any personal business relationship with an entity, as defined by state law, seeking to sell investments to the City or any relationship within the second degree by affinity or consanguinity to an individual seeking to sell investments to the City. For purposes of disclosure to the City, an investment officer has a personal business relationship with a business organization if:

- (1) The investment officer owns voting stock or shares of the business organization or owns any part of the fair market value of the business organization;
- (2) Funds have been received by the investment officer from the business organization for the previous year; or
- (3) The investment officer has acquired investments from the business organization during the previous year for the personal account of the investment officer.

XII. INVESTMENT ADVISORS

The City Council may, at its discretion, contract with an investment management firm properly

registered under the Investment Advisors Act of 1940 (15 U.S.C. Section 80b-1 et seq.) and with the State Securities Board to provide for investment and management of its public funds or other funds under its control. The advisory 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 City Council by resolution.

An appointed investment advisor shall act solely within the guidelines of this Investment Policy to assist the City's investment officers with the management of its funds and other responsibilities including, but not limited to competitive bidding, trade execution, portfolio reporting and security documentation. At no time shall an investment advisor take possession of securities or funds of the City.

Investment advisors shall adhere to the spirit, philosophy and specific terms of this Policy and shall avoid recommending or suggesting transactions that conflict with this Policy or the standard of prudence established by this Policy. Investment advisors, contracted by the City, shall agree that their investment advice and services shall at all times be provided with the judgment and care, under circumstances then prevailing, as persons paid for their special prudence, discretion and intelligence, in such matters exercised in the management of their client's affairs, not for speculation by the client or production of fee income by the advisor but for investment by the client with emphasis on the probable safety and liquidity of capital while considering the probable income to be derived.

All investment advisors appointed by the City must acknowledge in writing that they have received and reviewed this Investment Policy and have implemented reasonable procedures and controls in an effort to preclude investment transactions that are not authorized by this Investment Policy, except to the extent that this authorization is dependent on an analysis of the makeup of the city's entire portfolio or requires an interpretation of subjective investment standards. The City shall not enter into an investment transaction recommended by an investment advisor prior to receiving the written document described in this paragraph.

Appointment of an investment advisor shall otherwise be according to the City's normal purchasing procedures for procurement of professional services. Any approved investment advisor may be terminated with the approval of the City Council if, in their opinion, the advisor has not performed adequately.

XIII. AUDITING

At least annually, the independent auditor shall audit the investments of the City for compliance with the provisions of these guidelines and state law. Reports prepared by the investment officers under section XIV shall be formally reviewed and the results of that review shall be reported to the City Council.

XIV. REPORTING

Not less than quarterly, the Investment Officers shall jointly prepare, sign and submit to the City

Council a written report of investment transactions for the preceding reporting period. The report shall be prepared in accordance with provisions of Section 2256.023 of the Public Funds Investment Act and shall (1) describe the investment position of the City, (2) summarize investment activity by pooled fund group, (3) provide book value, market value, maturity and fund group information for separately invested assets, and (4) include a statement of compliance with the City's investment policy and the Public Funds Investment Act.

It is the intent of the City to comply fully with the provisions of Subchapter B, Chapter 552, Government Code of the Texas Statutes otherwise known as the Right of Access to Investment Information. With respect to section 52.0225 (b) (7) and (16), the City reports each funds' rate of return as an annualized figure on a monthly basis. Investment accounting and reporting is consistent with GASB standards for amortized cost and fair value methodology.

XV. REVIEW BY CITY COUNCIL

The City Council shall adopt a written instrument by resolution stating that it has reviewed the City's Investment Policy and investment strategies and this shall be done not less than annually. The written instrument so adopted shall record any changes made to either the Investment Policy or investment strategies.

EXHIBIT 1

SCHEDULE OF APPROVED BROKER/DEALERS FOR THE CITY OF WACO

Primary Government Securities Dealers:

Bank of Nova Scotia, New York Agency
BMO Capital Markets Corp.
BNP Paribas Securities Corp.
Barclays Capital Inc.
Cantor Fitzgerald & Co.
Citigroup Global Markets, Inc.
Credit Suisse Securities (USA) LLC
Daiwa Securities America Inc.
Deutsche Bank Securities Inc.
Goldman, Sachs & Co.
HSBC Securities (USA) Inc.
J. P. Morgan Securities, LLC
Jefferies LLC
Merrill Lynch, Pierce, Fenner & Smith Incorporated
Mizuho Securities USA Inc.
Morgan Stanley & Co. LLC
Nomura Securities International, Inc.
RBC Capital Markets LLC
RBS Securities, Inc.
SG Americas Securities, LLC
TD Securities (USA) LLC
UBS Securities LLC
* Wells Fargo Securities, LLC - *Because Wells Fargo is the City's current depository bank, they are not approved to sell investments to the City.*

List of Primary Dealers, effective April 18, 2016, obtained from <http://www.newyorkfed.org> .

Other Broker/Dealer Firms:

Coastal Securities, L.P.
Intl FC Stone
Mesirow Financial
FTN Financial
Piper Jaffray & Co.
~~Robert W. Baird & Co.~~
~~BOSC, Inc.~~ BOK Financial
Raymond James
Vining Sparks
~~Key Bank~~ KeyBanc Capital Markets
Loop Capital Markets

D.A. Davidson

**City of Waco, Texas
Securities Dealer's Certification**

In accordance with the Public Funds Investment Act of the State of Texas, I acknowledge that I have received and reviewed the investment policy of the City of Waco, Texas and have implemented reasonable procedures and controls in an effort to preclude investment transactions between this firm and the City of Waco that are not authorized by the City of Waco's investment policy, except to the extent that this authorization is dependent on an analysis of the makeup of the City's entire portfolio or requires an interpretation of subjective investment standards.

Securities Firm

Signature of Qualified Representative

Date

Attachment: Waco Investment Policy 6-20-2017 Redline (5199 : City's Investment Policy)



(Revised 06/2017-Finance)

CITY OF WACO

Meeting Date: 06/13/2017	Originating Department: Budget & Audit Committee	Presentation By: Janice Andrews	Reference #:
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Item:

Discussion of the City's Financial Management Policy Statement for General Fund Reserves

Background:

The City's current policy states that "The City shall strive to maintain the General Fund unassigned fund balance at 18 percent of current year budgeted revenues." Unassigned fund balance at September 30, 2016 was 18.97% of the 2017 budgeted general fund revenues.

Fiscal Impact:**Project Schedule:**



(Revised 06/2017-Finance)

CITY OF WACO

Meeting Date: 06/13/2017	Originating Department: Budget & Audit Committee	Presentation By: Esmeralda Hudson	Reference #:
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Item:

Discussion of Investment Management RFP

Background:

Following discussion at the January 24, 2017 Budget & Audit Committee meeting, Resolution 2017-256 was adopted on February 7, 2017, pre-approving the competitive sealed proposal method to procure investment management services. Pursuant to this authorization, RFP 2017-022 was issued on March 31, 2017 and was advertised in the Waco Tribune Herald, on the City of Waco website, DemandStar, and Electronic State Business Daily (the website that is utilized by HUB vendors statewide). Three proposals were received and opened on May 3, 2017. Those proposals are being evaluated.

Staff will update the committee concerning the planned recommendation to City Council.

Fiscal Impact:**Project Schedule:**

It is anticipated that a resolution awarding a contract will be proposed to City Council on June 20, 2017. The resulting contract will be for an initial term of two years, beginning July 1, 2017, and will have options for three one-year renewals with approval of the City Council.



(Revised 06/2017-City Secretary's Office)

CITY OF WACO

Meeting Date: 06/13/2017	Originating Department: Budget & Audit Committee	Presentation By: Melett Harrison	Reference #:
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Item:
Discussion of Funding Recommendations of Federal Funds from the Department of Housing and Urban Development (HUD) for the 2017-2018 Annual Action Plan

Background:

Fiscal Impact:

Project Schedule: