



CITY OF BRENHAM, TEXAS

REQUEST FOR PROPOSAL

BANK DEPOSITORY SERVICES

RFP No. 20-008

June 19, 2020

TABLE OF CONTENTS

I.	Introduction.....	Page 2
II.	Proposal Qualifications and Submission Instructions	Page 2
III.	City Financial Overview.....	Page 5
IV.	General Statement of Banking Services Required.....	Page 6
V.	Financial Institution Qualifications.....	Page 7
VI.	Required Banking Services	Page 8

Attachment A: Schedule of Proposed Fees

Attachment B: City of Brenham Investment Policy

CITY OF BRENHAM, TEXAS

REQUEST FOR PROPOSAL – DEPOSITORY AND BANKING SERVICES

I. INTRODUCTION

The City of Brenham (the “City”) is requesting proposals for a five (5) year bank depository services contract in accordance with the City Charter with service to begin **September 1, 2020** and extend through **August 31, 2025**.

Through this contract the City intends to minimize banking costs, improve operational efficiency, and maximize its investment capabilities. This Request for Proposal (RFP), which represents the City's cash management goals, specifies all required qualifications, the banking services required, the estimated activity volumes on all accounts, the method and terms of compensation, submission instructions and contract award provisions. All qualified institutions, as defined below, are invited to submit a proposal.

Institutions responding to this Request for Proposal (RFP) must be insured through the Federal Deposit Insurance Corporation (FDIC), and must be able to demonstrate a capacity to meet the City’s requirements as stated in the RFP.

II. PROPOSAL QUALIFICATIONS AND SUBMISSION INSTRUCTIONS

By submitting a proposal in response to this RFP, depositories will be deemed to agree to the mandatory contract and service provisions contained herein. This RFP and the proposal submitted will be incorporated into and form the basis of the bank depository services contract.

1. Local Presence

To assure a close working relationship and to facilitate services, depository institutions with full depository service capabilities within the geographic boundaries of the City will be given preference.

2. Proposal Format

In order to equitably evaluate each bank's ability to meet the banking service needs of the City, a standard format for all proposals is required. A response must be given to each item in Sections V and VI of this RFP along with completion of Attachment A. Responses must be in the same order as the questions presented and a response given for each question, stating acceptance of, modifications or additions to, or a statement of the inability to provide said service. Only proposals submitted in the prescribed format and using the provided Attachment A will be considered and evaluated for contract award. Additional explanatory information may be included as part of a proposal.

This RFP and the proposal submitted will be incorporated into and form the basis of the bank depository services contract.

This RFP will be released in electronic form. Hard copies are available upon request and can be picked up, by appointment only, at Brenham City Hall, 200 W. Vulcan St., Suite 203, Brenham, Texas.

6. Selection Criteria

The following criteria will be used by the City as the weighting basis for evaluation of the proposals and the award recommendation.

- 35 % - responsiveness and ability to provide services and reports required,
- 35 % - banking services costs and earnings potential,
- 15 % - experience, references, and continuity of bank and bank officials, and
- 15 % - creditworthiness and stability of the bank.

The City will consider the availability of services and the cost of those services as well as the earnings potential under the contract. All these elements will be combined for evaluation of the proposals.

Award may not be made to the institution submitting the lowest price proposal. The City will choose the institution submitting the best, most responsive overall proposal deemed by the City Council in its sole and final discretion to satisfy the City's needs.

7. City Rights

The City reserves the right to:

- waive any defect, irregularity or informality in the proposal or proposal procedures,
- reject any and all proposals,
- accept any proposal or portion thereof most advantageous to City,
- request additional information or require a meeting with bank representatives for clarification,
- cancel, revise, and/or reissue this request for proposal or any portions thereof,
- negotiate any conditions with proposers,
- retain all other provisions even if any provision of the proposal is deemed invalid,
- modify deadlines, and
- select any proposal deemed to be in its best interest as determined by the City.

8. Proprietary Information

To the extent permitted by law, proposals will be opened in a manner that avoids disclosure of the contents until after award of the contract. Proprietary information contained in the proposal should be designated as such on each page containing the restricted information.

9. Fees and Charges

The City reserves the right to utilize either a fee basis or compensating balance basis (or a combination of each) for payment of banking services under the contract. The City reserves the right to change the payment methodology during the contract period upon no less than thirty (30) days written notice to the bank with the change commencing on the first of a calendar month. This will enable the City to take advantage of changing interest rate environments.

The City is anticipating the use of interest bearing and money market accounts or a ZBA structure with a daily sweep of the master account into a SEC registered money market fund striving to maintain a \$1 NAV or an indexed internal account proposed by bank.

A complete monthly account analysis at a relationship and an account level will be required regardless of the payment basis.

All item and account charges will remain at the proposal price quoted on Attachment A for the duration of the contract period regardless of changes in service volumes during the contract period. Fees not shown on Attachment A will not be considered as part of the proposal and therefore will not be paid. All fee categories required by the bank should be listed on Attachment A. If Attachment A does not contain the required detail line item required for a service, the service type and fee should be added.

Should new services be required during the contract period not contemplated by this RFP, those services will be provided at fees not more than the bank’s then-current published rate and approved by the City’s Chief Financial Officer. It is critical that Attachment A be completed in its entirety.

III. CITY FINANCIAL OVERVIEW

The City's Finance Department handles all banking, treasury, and investment activities as well as accounts payable, receivables, and financial reporting functions. The Assistant City Manager-Chief Financial Officer is responsible for the department and reports to the City Manager. The City consolidates all department deposits and deposits to the bank daily from the central cashier. Currently deposits are made by City staff and all transactions are under the direction/control of the Assistant City Manager-Chief Financial Officer. The Finance Department handles all reconciliations.

The City intends to utilize only automated banking services eliminating paper transactions wherever possible.

The City currently uses three (3) bank accounts to serve its various funds. The average ledger balance on the relationship for the past six months was \$ 9,607,952 as shown on Attachment A. The description and average balances on these accounts are outlined below based on historical rates:

<u>Title</u>	<u>Avg Mo Collected</u>	<u>Current Type Account</u>
Trust & Agency Fund	\$ 8,600,137	ZBA Master
Money Market Account	\$ 1,007,815	Money market (rate <i>matches Texpool</i>)
Accounts Payable	\$ 00	ZBA Subsidiary

Under the proposed contract, the basic structure with three (3) accounts will probably remain the same with an option to ZBA both the Trust & Agency and Accounts Payable accounts as subsidiaries to the ZBA Master money market account. The bank will be asked to recommend its most efficient structure to obtain the best investment rates and best operating efficiency but the City intends to utilize the ZBA structure with a sweep to a money market mutual fund or internal money market account.

The Trust and Agency account receives deposits or transfers on a daily basis. Wires and securities transactions and ACH will be tied to this account. Approximately \$2.1 million in payables is processed monthly with payable runs usually each Wednesday.

Deposits are prepared by one central cashier receiving the money from throughout the City and taking it to the bank branch by a City staff person for an average of five (5) individual deposits per day. The City is using and will require remote deposit services. The Finance Department handles all reconciliation on the accounts and requires only electronic statements.

Any or all City funds may be maintained and invested by the City outside this contract. The City will be under no obligation to maintain funds in the bank except under a compensating balance relationship. The City may use the depository's safekeeping services but will not use the depository institution for brokerage services in order to assure complete separation on delivery versus payment settlement.

The Assistant City Manager-Chief Financial Officer will monitor the bank's performance against provisions of the agreement, including the bank's proposal submitted in the response to this RFP. The ACM-CFO will also be responsible for administering the agreement with respect to day-to-day activities, including deposits and withdrawals, ACH transactions, maintenance of account balances, daily reporting, etc.

A list of City personnel authorized to deal directly with the bank will be provided following the award of a contract. The bank shall provide the City with a similar list of authorized personnel.

IV. GENERAL STATEMENT OF BANKING SERVICES REQUIRED

The banking services described in this RFP are directed toward five major goals:

- timely and accurate information flow with an emphasis on electronic transactions,
- 100% utilization of idle funds and continuous investment of City funds,
- safety of City funds and securities,
- efficient utilization of available banking services, and
- minimization of banking costs for the City.

Collateral

The City requires a depository that is fiscally strong and able to provide the required services on an uninterrupted basis. City funds are public funds and fall under certain provisions of the Public Funds Collateral Act (Texas Government Code Chapter 2257) which are further restricted by City Policy as indicated below. Acceptance of the collateral conditions will be required in the proposal.

Investment Policy Certification

As a provider of financial services, the depository will be required to agree to review the City's Investment Policy (Attachment B) and certify that reasonable procedures have been established to assure that the conditions set in the Policy are met.

V. FINANCIAL INSTITUTION QUALIFICATIONS

To be considered the proposal must include a response to each question in this Section V.

1. Creditworthiness

In order to fulfill the City's fiduciary responsibility and to protect public funds, each bank submitting applications shall provide the following:

- a. Provide a link to the most recent published audited annual financial statement. The bank will be required to submit an audited statement to the City each year of the contract period, as soon as it is available. Confirm agreement to this requirement.
- b. Provide the bank's current Community Reinvestment Act (CRA) rating by its rating agency.
- c. Provide the bank's current senior and subordinate credit ratings from two nationally recognized credit rating agencies. If not available, provide the rating from an independent rating agency.
- d. The bank will be required to notify the City within thirty (30) days of any change in any of these ratings during the contract period. Confirm agreement to this requirement.

2. Customer Service

Customer service will be a primary focus of the City; therefore, please respond to the following:

- a. How does the bank anticipate satisfying the City's need for superior customer service?
- b. How many service individuals does the bank have in the local bank?
- c. Is there a formal process for escalation of issues that are unresolved? How will service and overall contract performance be monitored?
- d. Are there any new services planned which may impact the City? When are these planned to be available?
- e. Is the bank offering any transition or retention incentives? Describe fully and quantify completely.
- f. The City requires the right to use a third-party auditor to review the City's accounts, collateral, transactions, and bank records at any reasonable time. Confirm agreement with this condition.
- g. Does the bank have a formal process or plan for reviewing and analyzing services with the City on a regular basis? Describe.

3. References.

List references from three (3) comparable Texas public entity clients. For each reference, include the length of time under contract, a client contact, title, and email address.

4. Depository Agreement and Service Agreements

Provide a copy of all depository and individual service agreements which will be required to be executed under the contract for services rendered (including depository and collateral agreements). Any changes required on the agreements will be discussed and agreed upon before award of the contract is made by the City.

5. Implementation timeline.

The contract period will commence September 1, 2020. The City recognizes in the case of a contract transition that not all services and funds will be transferred by this date but expects that all services should be available by that date and that all services and funds should be transferred by December 1, 2020.

- a. Provide a proposed timeline for implementation of the contract. Include each activity required defined by its responsible party and assigned responsibilities. Denote any limitations or potential delay points.

Default in promised delivery of services, without acceptable reasons, or failure to meet the terms or conditions of the depository contract without remedy, shall result in an event of default giving the City the right to terminate the contract, but the exercising of such right to terminate the contract does not limit any other remedies the City may have for damages or other relief under law.

The contract will terminate August 31, 2025. The contract shall provide that it will be automatically extended for an additional ninety (90) days if the City is at the time of termination actively involved in a bank depository services proposal process, but for whatever reason the City has not finalized the selection process by the termination date.

VI. REQUIRED BANKING SERVICES

To be considered, the proposal must include a response to each of the questions in this Section VI and all associated fees must be detailed on Attachment A. Add any level of detail as necessary for complete disclosure.

1. Consolidated Account Structure with Sweep Mechanism

The City is responsible for ensuring that all public funds earn at the best available, then-current interest rates at all times. The City currently pays for services on a compensating balance basis but wants the ability to move to a fee basis utilizing a ZBA structure with a sweep to an external money market fund.

An SEC registered government, or enhanced government, money market fund which strives to maintain a \$1 NAV rated AAA by at least one (1) nationally recognized rating service should be available to be used for a sweep. If the bank has a valid alternative to a SEC money market fund which is in compliance with the City's Investment Policy, it may be presented. **Off-shore accounts and repurchase agreements are not acceptable as sweep investment vehicles.**

- a. Is the bank able to provide a ZBA structure with a daily sweep to an internal account or a money market fund? Describe.
- b. If the bank is proposing an alternative to a sweep, such as an internal sweep or hybrid account, detail and describe fully.
- c. How will sweep activity be reported? Is there a specific sweep interest report? If so, provide a copy.
- d. Can interest be applied at the master and subsidiary level?

- e. If an SEC registered money market fund is to be utilized for the sweep proposal, provide the full name and identifying cusip of the fund along with a link to the prospectus.
- f. In the external sweep structure, are funds swept at end of day or next day?
- g. Will the bank assess a balance-based fee? At what level?
- h. If the bank is proposing a compensating balance basis payment methodology, what is the target balance required at the bank specifically.
- i. If interest bearing and money market accounts earn at an indexed rate, define that rate, and identify the index to which it is matched.
- j. Interest earned on interest bearing accounts shall not be charged as an expense on the account analysis. Confirm acceptance of this condition.
- k. Indicate in the following table the bank's rate average for the past twelve (12) months and currently.

Type Account	12 Mo. Average	Current Rate
ECR	%	%
Interest bearing accounts	%	%
Money market accounts	%	%
Sweep	%	%

2. Automated Treasury Services

The City requires web-based, single portal, automated cash management information. The City requires timely access to process transactions and daily balance reporting to balance internal information and transaction detail. All reports should be downloadable. No paper reports will be required.

- a. Fully describe the bank’s web-based on-line service capabilities. List the system functions/capabilities.
- b. Provide a web link of the system and any necessary passwords for evaluation of the system by the City.
- c. What services are available on a mobile app, if available?
- d. State the access and update times for previous day and intra-day balance information.
- e. Which entity controls the security and access functions for the online services?
- f. Are all items imaged? Define types and note the online retention periods for each.
- g. Are event messages or alerts available? How are alerts sent? Are alerts emailed or must the individual be online to receive notification?
- h. What events automatically generate an alert? Are alerts customizable?
- i. Are all reports and statements downloadable?

3. Standard Deposit Services

Standard commercial deposit services are required for all accounts. Remote deposit is currently used in the Utility Customer Service area. Coins are not rolled and may be in partially filled bags. On average the City’s cashier staff makes one (1) daily deposit to the branch consisting of an average of five (5) zipped bags. Deposits are batched and currency strapped.

The City currently accepts credit cards in the Utility Customer Service, Municipal Court, Aquatics, Finance, Library, Animal Shelter, and Tourism Departments. The merchant services provider for most locations is Elavon and merchant services are not part of this RFP.

The City expects all deposited checks to clear based on the bank's current published FRB availability schedule, but, any expedited availability options should be noted in the proposal. All cleared deposits received by the bank's established deadline must be processed for same day ledger or collected credit, as applicable. The bank shall guarantee immediate credit on all incoming wire transfers, ACH transactions, on-us items, and U.S. government security maturities and coupon payments. Failure to credit City accounts in a timely fashion will require interest payment reimbursement to the City at the then-current daily Fed Funds rate.

- a. Does the bank image all checks, deposit slips, and deposit items? Front and back? When and how are those images made available? How long are they available online?
- b. What is the bank's daily cut-off time to assure same day ledger, and - pending availability - collected credit? Does this vary by location (branch teller, vault)?
- c. Must a vault deposit be used? If so, describe the location and hours.
- d. Describe how and when are credit/debit advices sent to the City?
- e. What type deposit bags are used/required? Are these available from the bank? Will the bank provide these?
- f. Include a list of all the bank's deposit local locations.

Remote Deposit

The City is currently using remote deposit. The scanner is owned by the current bank and is a Cannon Image Formula CR-135i model.

- a. What are the bank's current capabilities in remote check deposit?
- b. What is the cut-off time for deposits by remote deposit?
- c. What scanner/equipment is required? Is this equipment available through or from the bank? Describe.
- d. How is the deposit information reported at the scanner and on the bank website? Provide a scanner report.

RCK Services (NSF Checks Received by City)

NSF checks are to be automatically re-deposited for collection unless re-presentment of checks (RCK) is utilized. Complete information must be provided on all NSF returned items including name and reason for return.

The City wants to explore the option of the second presentment to be made by ACH to targeted dates for maximum collection potential.

- a. Describe the bank's current NSF process. Are checks automatically re-deposited? When?
- b. How and when is the City notified of return items?

- c. Is the bank capable of processing the second presentment as an ACH with a targeted presentment date (RCK)? Describe. How long has the bank been providing this service?
- d. Under RCK or standard processing, how can the NSF and settlement later matched/reconciled most easily? Does the bank system cross reference the two transactions? How?
- e. Is the NSF information, image, or occurrence available on-line? When and how? How long is it available online?

4. Standard Disbursing Services

Standard disbursing services for all accounts are required to include the payment of all City payroll checks without charge upon presentation for non-account holders. The City's current account structure is described above in the Financial Overview Section.

Positive pay services will be required for all check writing accounts. It is currently not using any reconciliation services.

The City currently uses procurement card from Chase and will continue to do so. This will not be part of the contract

- a. Will all employee payroll checks be cashed without fee on presentment by non-account holders?
- b. Are check images available on-line? When and how long are images available?
- c. Describe any consolidated payables or e-payables program available.

5. Positive Pay and Reconciliation

To safeguard against fraudulent checks, positive pay is required on all check writing accounts and *payee match* is preferable. The positive pay process must be web based. Check register information will be transmitted by the City in batch/file form and online input for individual checks must be available

The City requires positive pay services with complete indemnification for fraudulent checks. The City intends that positive pay will be used in combination with partial reconciliation services. Currently the City does not use any reconciliation services but will consider use of partial reconciliation services on the primary account in concert with positive pay under this contract.

- a. Can the bank provide positive pay on all disbursement accounts?
- b. Can the bank provide payee positive pay (payee match)?
- c. Describe the data transmission/transfer requirements and alternatives for computer generated checks.
- d. Online entry for individual checks is required. Describe the online input process and requirements for individual, manually written checks.
- e. How can check records or the entire file be changed or deleted by the City, if necessary?
- f. Can the positive pay file process be used for creating stop pays?
- g. How is the City to be notified of a positive pay exception?
- h. At what time is exception information reported to the City?

- i. At what time is the response deadline for City exception elections?
- j. Are all checks, including those received by the tellers and vault, verified against the positive pay file before processing? How often is teller information updated?
- k. Describe your partial reconciliation processes.
- l. How much flexibility is there for the bank's systems to interface with the City's in-house system? The City uses the Tyler Technologies' *Incode* General Ledger system. Does the bank have other public entities using this system?

6. Funds Transfer and Wire Services

The City only occasionally uses wires but will require internal transfers. Incoming wire transfers must receive immediate same day collected credit. Wire initiation must be available online. The City requires that wires be released the same business day if information is provided by the established deadline. The City will require compensation for delays caused by bank errors at that day's Fed Funds rate.

- a. Is wire initiation available online? Describe the process of online wire initiation.
- b. Is wire status monitoring available online?
- c. What back-up process is made available for the on-line process?
- d. How and when will the bank notify the City of incoming wires? Online? E-mail alerts?
- e. Describe security provisions for wire initiation. What security levels are available on initiation and release. Is dual control required?
- f. Is future dating available for both repetitive and non-repetitive wires and transfers? How far in advance?
- g. Are inter-account transfers able to be completed online? Is there a fee for inter-account transfers?
- h. What is the bank's policy on ledger balances used for outgoing wires?

7. ACH Services

ACH is currently used for biweekly payroll and various payments to State agencies and miscellaneous vendors. ACH credits are also received for deposits of tax collections and some business utility payments. The City requires a pre-notification on all new addresses.

- a. Describe the batch transmission requirements for ACH transactions.
- b. Is the City able to initiate individual ACH transactions online? How? Describe.
- c. Are two-day, one-day and same-day ACH transactions available?
- d. Is ACH positive pay available? Describe fully.
- e. What filters and blocks are available for ACH transactions? Define and describe.
- f. Are all ACH addenda shown in their entirety on-line and on reports?
- g. Is the account debited on an outgoing ACH file when the transaction is initiated or on settlement?
- h. What is the bank's policy on pre-notes? Is the pre-note charged as a standard ACH transaction?

8. Safekeeping Services

The bank will be required to provide a book-entry safekeeping services for securities owned by the City. All City investments will be made by the City, or its investment adviser, and instructions for clearing and safekeeping will be transmitted on a trade ticket to the bank by email or fax. The bank and its brokerage subsidiaries will not be used for brokerage services.

Custody must be in the bank and not a trust or brokerage subsidiary of the bank. All securities must be cleared on a **delivery versus payment** (DVP) basis and ownership documented by clearing confirmations and/or safe-keeping receipts provided within one (1) business day of the transaction. Funds for investments will be drawn from a designated City DDA account. All coupon payments and maturities must receive same day collected credit on the City designated account without requiring any additional City action.

If the bank is not a member of the Federal Reserve and utilizes a correspondent bank for safekeeping of City securities, the transactions will be handled through the depository bank's systems and shall not require additional interaction by the City with the correspondent bank. No delay in transactions, wires, or flow of funds will be acceptable under a correspondent relationship.

The City anticipates an average of between 7-10 securities in FRB and/or DTC safekeeping at any one time all from third party transactions. All fees for clearing and safekeeping must be stipulated on Attachment A.

- a. Is the bank offering its own safekeeping services?
- b. Is trade input able to be input online? Can trades be monitored online?
- c. Is the bank a member of the Federal Reserve and DTC? If not, name the correspondent bank to be used for clearing and safekeeping.
- d. Describe any safekeeping arrangement proposed with a correspondent bank including processing requirements by the City. No delays or additional transactions are acceptable.
- e. What is the deadline for settlement instructions? Is there any charge incurred for late instructions?
- f. Will safekeeping fees be charged on the analysis or hard charged? Specify all the fees on Attachment A.

The City may choose to purchase time deposits from the bank but all time deposits will be competitively bid at the time of purchase.

9. Collateral Requirements

Authorized collateral, as defined below, must be pledged against the total time and demand deposits net of FDIC insurance with a 102% margin on the collateral maintained daily by the bank. All City requirements, including those beyond the Public Funds Collateral Act, must be met by the bank. Pledged securities are preferred and will be given preference.

The proposal must state agreement to the following terms and conditions.

- All collateral pledged to the City must be held in an independent, third party bank outside the bank's holding company.
 - A collateral/depository agreement shall be executed designating the custodian and regarding pledged securities in full compliance with FIRREA requiring a bank resolution.
 - All time and demand deposits above FDIC coverage shall be collateralized at a minimum of 102% of principal plus accrued interest daily.
 - The bank shall be contractually liable for the continuous monitoring and maintaining of collateral at the City's required margin levels.
 - Pledged collateral shall be evidenced by original safekeeping receipts/report sent directly to the City by the custodian within one (1) business day of receipt.
 - The City shall receive a monthly report of collateral pledged including description, par, market value and cusip from the custodian.
 - Substitution rights shall be granted if the bank obtains the City's prior approval and if substituting securities are received before previously pledged securities are removed from safekeeping. Authorized collateral includes only:
 - Obligations of the US Treasury
 - Obligations of US Government agencies and instrumentalities including mortgage backed securities which pass the bank test.
 - Bonds of any state or its subdivisions if rated A or better by at least one (1) nationally recognized rating agency.
 - FHLB Letters of Credit
- a. State the bank's acceptance of the collateral conditions above stating any specific exceptions.
 - b. Does the bank propose any collateral charges, if so under what conditions are they charged and how is the charge applied?
 - c. What institution will serve as the custodian for pledged collateral?
 - d. Does the custodian provide online inquiry for the City?
 - e. Does the custodian provide daily mark-to-market pricing? If not, which entity provides the pricing and when? How often does the bank monitor collateral levels?
 - f. What entity will provide the monthly collateral report?
 - g. Provide the bank's collateral agreement for review.

10. Account Analysis

Monthly account analysis reports must be provided for each account and on a relationship basis. Within five (5) business days of receipt of the monthly account analysis (and subsequent approval of the fees by City) the bank may direct debit the designated account for fees due if compensation is being calculated on a fee basis.

A complete account analysis will be required monthly regardless of the payment basis.

- a. Provide a sample account analysis including calculation bases. (The monthly analysis must be at the relationship and account level.)
- b. When is the analysis available online each month?
- c. How long is the analysis retained online?

11. Monthly Statements

The bank must provide monthly account statements on all accounts with complete supporting documentation. All accounts must be on a calendar monthly cycle and statements received on a timely basis. Timeliness of statements is critical and non-performance will be grounds for termination of contract.

- a. Provide a sample monthly statement.
- b. When are monthly statements available online each month?
- c. How long are statements retained online?

12. Account Executive

To ensure smooth contract implementation and continuation of services, a specific account executive and a back-up must be assigned to the City account to coordinate services and expedite the solution of any problem encountered. The account executive should be available to meet with City staff on banking matters as needed and at a minimum semi-annually.

- a. Provide the name, title and location of the proposed account executive.
- b. Provide the name, title and location of the backup representative.
- c. How often do the representatives intend to meet with the City?

13. Overdrafts

Every effort will be made to eliminate intra-day and inter-day overdrafts. However, because this situation may arise, state the bank's policy regarding account and total account overdraft policy and detail rates and fees, if any, to be charged on a per event or per account basis.

- a. Are all accounts aggregated for overdraft calculation purposes?
- b. State the fee charged per overdraft occurrence.
- c. State the rate basis for intra-day and inter-day overdrafts.

14. Stop Payments

The City occasionally has stop pays but requires the continuation of online service.

- a. How are stop pays initiated, singly or in a range?
- b. What are the options available for stop pays periods?
- c. What are the options for extended stop pay periods? How is a stop pay renewed/extended?
- d. What is the deadline for same day action on stop pays?
- e. What information on current and expiring stop pays is available on-line?

15. Alternative Services

If the banks have additional services (such as e-payables and e-receivables) which may be of enhanced value or interest to the City they should be fully described in this section. Any service presented should have all associated costs detailed on Attachment A.

ATTACHMENT A

Service	Unit Basis	Avg. Mo Vol.	Proposed Bank Fee	Extended Fee	Bank Explanatory Notes, if applicable
Average Ledger Balance					
Accounts payable		1			
Trust & Agency		8,600,137			
Money Market		1,007,815			
Balance Based Fee					
Account Services					
Master Account Maintenance Fee	Per account				
Subsidiary Account Maintenance	Per account				
ZBA Accounts Maintenance Fee Sweep	Per account				
ZBA Master Account	Per account	1			
ZBA Subsidiary Accounts	Per account				
ZBA Account Transfers	Per item	21			
Deposit Processing - Teller OTC	Per deposit				
Debits Posted	Per item				
Accounts payable	Per item	546			number of items per statement
Trust & Agency	Per item	66			number of items per statement
Money Market	Per item	0			number of items per statement
Credits Posted	Per item				
Accounts payable	Per item	21			number of items per statement
Trust & Agency	Per item	390			number of items per statement
Money Market	Per item	1			number of items per statement
Branch Credits Posted	Per item				
Additional DDA Statements Rendered	Per item				
Check Photocopy Retrieval	Per item				
Interest Expense	Per item				
Audit Confirmation	Per item				
Data Download	Per item				
Automated Services - Balance & Detail					
Account Maintenance Fee with 45 day history	Per account				
Prior Day Balance Reporting	Per account/month				
Prior day Detail	Per item				
Intra-day Reporting	Per account/overall				
Intra-day Detail	Per item				
Transfer Item	Per item	21			
System Account Transfer Fee	Per item				
Detail item fee -Transactions Loaded	Per item				
System Special Report Fee/Statements	Per item				
System Recon Reports/Statements	Per item				
PWS Statements (online statements)	Per item				
Deposits					
Items Deposited	Per deposit	423			
Items deposited	Per item				
On-us Items	Per item				
Transit Clearing	Per item				
Encoding Charge	Per item				
Deposit Immediate Verification Branch	Per item				
Deposit Post Verification Branch	Per item				
Deposit Corrections	Per item				
Night Drop	Per item				
Coin Deposit	Per deposit	\$316			
Rolled Coin Furnished	Per item				
Branch Deposit Adjustment	Per item				
Currency Deposit	Per deposit	\$199,694			
Currency Deposit	Per item				
Strapped currency furnished	Per item				
Special Handling - Base Charge or Item					
Return Check Notice Fax	Per item	6			

ATTACHMENT A

Service	Unit Basis	Avg. Mo Vol.	Proposed Bank Fee	Extended Fee	Bank Explanatory Notes, if applicable
Return Check Notice Internet	Per item				
Return Item - Per item	Per item	6			
Return Item Redeposit		13			
Return Fax Copy					
Image Group One (mailed bank statement)	Per item				
Image Group Two	Per item				
Remote Deposit Processing - Image Cash Letter					
Maintenance	Per scanner location				
Maintenance	Per relationship				
Transmissions	Per item	20			
Input detail	Per item				
On-us clearing	Per item				
Off-us clearing	Per item	1,765			
ACH Processing					
Monthly Maintenance Internet Fee	Per month				
Origination of file - Two Day	Per file				
Debit Received	Per item	41			(included in the total debits posted)
Credit Received	Per item	292			(included in total credits posted)
Debits Originated	Per item	1,744			
Credits Originated	Per item	3			
ACH Received Item	Per item				
ACH Addendum Record In/Out	Per item				
ACH Return Items	Per item	8			
Return Fax Notification	Per item/file				
Deletions or Reversal Charges	Per item				
Transmission	Per file				
Fraud Filter - Stop - Base Fee	Per month				
Fraud Filter - Review - Base Fee	Per month				
Fraud Filter - Review - Per Item	Per item				
Debit Block Maintenance	Per item				
ADA Maintenance	Per item				
ADA Authorized ID	Per item				
ACH Fax NOC	Per item	2			
ARP Exception Items	Per item				
ARP Manual Key Entry	Per item				
Positive Pay					
Monthly Maintenance (Base) Fee*	Per month				
Positive Pay No Recon - Items	Per item	637			
Positive Pay Posted Checks	Per item				
Positive Pay Rejects	Per item				
Per item charge with Partial Recon	Per item				
Per item charge without Recon	Per item				
Exception File	Per item				
Check Exception Return	Per item				
Issue input without Recon	Per item				
Transmission	Per item				
Input File Transmittal Report	Per item				
Data Entry Manual					
Reconciliation					
Monthly Maintenance (Base) Fee*	Per Month				
Monthly Sort & List Maintenance	Per item				
Serial Sort and List	Per item				
Partial Recon Monthly Maintenance	Per item				
ARP Checks Paid Partial	Per item				
Partial Recon with positive pay	Per item				
Transmissions	Per transmission				
Transmission Detail	Per item				
Stop Pays					

ATTACHMENT A

Service	Unit Basis	Avg. Mo Vol.	Proposed Bank Fee	Extended Fee	Bank Explanatory Notes, if applicable
Stop Pay - Maintenance	Per month	2			
Stop Pays - Renewal	Per item				
Stop Pay - Automated	Per item				
Wire Transfers					
Monthly Maintenance*	Per month				
Incoming - domestic	Per item	3			
Outgoing - repetitive - automated	Per item	1			
Outgoing - non-repetitive - automated	Per item				
Wire Book Transfer Internet Initiated	Per item				
Online Wire Notification	Per item				
Book Debit	Per item				
Book Credit	Per item				
Optical Imaging					
CD Image - Detail	Per item				
CD	First CD				
CD ROM Maintenance	Per item				
Image Capture per item	Per item				
Return Dep Item Imaging Report	Per month				
RDI Items/Images Reported	Per item				
RDI Images Retrieved	Per item				
Safekeeping (assume \$20million in 10 cusips)					
Monthly Maintenance Custody	Per month				
Clearing Fees	Per item				
FRB	Per item				
DTC	Per item				
Securities Received/ Del - DVP	Per item				
Safekeeping Fees	Per item				
FRB	Per item				
DTC	Per item				
Custody per \$1 million BE	Per \$10M				
Custody Fixed Income	Per item				
Income Collection to DDA	Per item				
Income Collection - Coupons	Per item				
Income Collection - Maturities	Per item				

Attachment B

RESOLUTION NO. R-19-026

A RESOLUTION REAUTHORIZING AN INVESTMENT POLICY FOR THE CITY OF BRENHAM

WHEREAS, in the 1987 session the Texas Legislature adopted the Public Funds Investment Act, “the Act”, which established guidelines for local government investments; and

WHEREAS, the Act requires that a local government adopt a written investment policy; and

WHEREAS, the Act requires the governing body of a local government to reauthorize the written investment policy annually; and

WHEREAS, the policy dated October 3, 2019 complies with the provision of the Act; and

NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF BRENHAM, TEXAS THAT:

Section 1: The City of Brenham Investment Policy attached hereto as “Exhibit A” is hereby reauthorized as the investment policy of the City of Brenham effective October 3, 2019.

Section 2: This Resolution shall take effect immediately upon its passage.

APPROVED on this 3rd day of October, 2019.



Andrew Ebel

Andrew Ebel
Mayor Pro Tem

ATTEST:

Jana Bellinger

Jana Bellinger, TRMC
City Secretary



**“Exhibit A”
INVESTMENT POLICY**

I. POLICY

It is the policy of the City of Brenham that all available funds shall be invested in conformance with these legal and administrative guidelines with consideration for anticipated cash flow requirements and consideration of the safety and risk of investments. The City shall seek to optimize interest earnings to the extent possible based on these risk parameters.

Effective cash management is recognized as essential to good fiscal management. Investment interest is a source of revenue to City of Brenham funds. The City of Brenham’s investment portfolio shall be designed and managed in a manner designed to obtain the highest reasonable earnings from this revenue source, to be responsive to public trust, and to be in compliance with legal requirements and limitations.

Investments shall be made with the primary objectives of:

- **Safety** and preservation of principal
- Maintenance of sufficient **liquidity** to meet operating needs
- Diversification to avoid concentrated risk
- **Public trust** from prudent investment activities
- Optimization of **interest earnings** on the portfolio

The Investment Policy addresses the methods, procedures and practices that must be exercised to ensure effective and judicious fiscal management of the City of Brenham’s funds. This Policy serves to satisfy the statutory requirements of the Public Funds Investment Act, the “Act”, (Texas Government Code, Chapter 2256) in defining and adopting a formal investment policy and strategy. The policy and strategy shall be reviewed by the Audit / Investment Committee and adopted by resolution of the City Council no less than annually. Any modifications to the Policy will be noted in the written resolution.

INVESTMENT POLICY

II. SCOPE

This Investment Policy shall govern the investment of all financial assets of the City of Brenham. These funds are accounted for in the City of Brenham's Comprehensive Annual Financial Report (CAFR) and include:

- General Fund
- Special Revenue Funds
- Capital Projects Funds
- Enterprise Funds
- Trust and Agency Funds, to the extent not required by law or existing contract to be kept segregated and managed separately
- Debt Service Funds, including reserves and sinking funds, to the extent not required by law or existing contract to be kept segregated and managed separately
- Brenham Community Development Corporation Funds
- Internal Service Funds
- Self-Insurance Funds
- Any new fund created by the City of Brenham, unless specifically exempted from this Policy by the City Council or by law.

The City of Brenham may consolidate cash balances from all funds for investment purposes and efficiencies. Investment income will be allocated to the various funds based on their respective participation and in accordance with generally accepted accounting principles. The consolidated portfolio will address the varying needs, goals, and objectives of each fund.

This Investment Policy shall apply to all transactions involving the financial assets and related activity for all the foregoing funds. However, this Policy does not apply to the assets administered for the benefit of the City of Brenham by outside agencies or under deferred compensation programs.

III. INVESTMENT OBJECTIVES

The City of Brenham shall manage and invest its cash with five primary objectives, listed in order of priority: **safety, liquidity, diversification, public trust, and yield**. The safety of the principal invested always remains the primary objective. All investments shall be designed and managed in a manner responsive to the public trust and consistent with state and local law.

The City of Brenham shall maintain a comprehensive cash management program, which includes timely collection of account receivables, vendor payments in accordance with invoice terms, and prudent investment of funds. Cash management is defined as the process of managing monies in order to ensure cash availability and reasonable market earnings on the City's assets.

INVESTMENT POLICY

SAFETY

Safety of principal is the foremost objective of the investment program. Investments of the City of Brenham shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. Competitive bidding and perfected ownership of investments will be in place at all times. The objective will be to mitigate credit and interest rate risk. Each investment transaction shall be conducted in a manner to control the risk of capital loss by investing in high credit quality securities.

- Credit Risk – The Entity will minimize credit risk, the risk of loss due to the failure of the issuer or backer of the investment, by:
 - Limiting investments to the highest credit quality investments
 - Pre-qualifying the financial institutions and broker/dealers with which the City of Brenham transacts business
 - Perfecting City ownership by delivery versus payment settlement, and
 - Diversifying the investment portfolio so that potential credit or market risk is minimized.
- Market Risk – the City will minimize the risk from interest rate volatility by:
 - Structuring the investment portfolio to meet cash requirements for ongoing operations, thereby avoiding the need to liquidate investments prior to maturity.
 - Investing operating funds in laddered securities and maintaining a liquidity portion to cover unanticipated expenses.

LIQUIDITY

The City of Brenham investment portfolio shall be structured in a ladder of maturities to match expected liabilities along with a liquidity portion to meet unanticipated liabilities. Securities will have active secondary markets.

PUBLIC TRUST

All participants in the City of Brenham's investment process shall seek to act responsibly as custodians of the public trust. Investment officers shall avoid any transaction that might impair public confidence in the City of Brenham's ability to govern effectively.

DIVERSIFICATION

The portfolio will be diversified by market sector and maturity based on the cash flow and risk tolerances of the City.

YIELD

The City of Brenham investment portfolio shall be designed with the objective of attaining a reasonable market yield throughout budgetary and economic cycles, taking into account the City's investment risk constraints and the cash flow characteristics of the portfolio. Yield is secondary to the safety and liquidity objectives described above.

INVESTMENT POLICY

Based upon the cash flow of the City the maximum dollar-weighted average maturity of the consolidated portfolio shall be six months. The benchmark used to determine whether reasonable yields are being achieved shall be the six month U.S. Treasury Bill.

IV. INVESTMENT STRATEGY

The City of Brenham maintains a consolidated portfolio which is designed to address the unique characteristics of the fund groups represented in the portfolio.

Operating Funds: The primary objective for operating funds is to assure anticipated cash flows are matched with adequate investment liquidity. The secondary objective is to create a portfolio structure which will experience minimal volatility during economic cycles. This may be accomplished by purchasing high credit quality, short to medium term securities in a laddered structure. The maximum dollar weighted average maturity of six months reflects the expenditure cash flow of operating funds and will be calculated using the stated final maturity dates of each security.

Capital Project Funds: Funds for capital projects or special purposes should be invested based on anticipated cash flows and allow for flexibility and unanticipated project outlays. At no time will the stated final maturity dates of investments exceed the estimated project completion date on capital project funds.

Debt Service Funds: Debt service funds shall be invested with the primary objective of funding debt service obligations on the required payment date. Priority will be given to funding the next debt service due before any extensions are made in the funds.

Debt Service Reserve Funds: Debt Service Reserves should be invested to generate a dependable revenue stream from securities with a low degree of volatility. Securities should be short to medium term maturities and of high credit quality.

The City primarily utilizes a passive “buy and hold” portfolio strategy. Maturity dates are primarily matched with cash flow requirements and investments are purchased with the intent to be held until maturity. However, investments may be liquidated prior to maturity for the following reasons:

- An investment with declining credit may be liquidated early to minimize loss of principal.
- Cash flow needs require that the investment be liquidated.
- Market conditions present an opportunity to benefit from the trade.

INVESTMENT POLICY

V. RESPONSIBILITY AND CONTROL

CITY COUNCIL RESPONSIBILITIES

The City Council, in accordance with the Act, shall:

- Designate Investment Officers by resolution
- Receive and review quarterly investment reports
- Annually review and approve the City's broker/financial institution certification list – *As noted in Section VIII, the governing body has designated this responsibility to the Audit & Investment Committee*
- Review and adopt the investment policy and strategy at least annually
- Provide for investment training for investment officers

INVESTMENT OFFICERS

The Chief Financial Officer and the City Manager are hereby designated as "Investment Officers" pursuant to the Act. Investment Officers are delegated authority to invest the funds on behalf of the City and such authorization shall remain in effect until rescinded by the City Council or until the Officer resigns or is terminated. The Investment Officers are authorized to execute investment transactions on behalf of the City. No person may engage in an investment transaction or the management of City of Brenham funds except as provided under the terms of this Investment Policy as approved by the City Council.

Investment Officers shall:

- Obtain training as defined by the Act and this Policy
- Prepare, sign, and submit quarterly investment reports to Council
- Maintain compliance files on all counter-parties (brokers) and provide the list for Council approval at least annually
- Provide for competitive bidding
- Disclose personal business relationships in accordance with policy
- Maintain full and complete records of the City's portfolio and transactions.

QUALITY AND CAPABILITY OF INVESTMENT MANAGEMENT

The Investment Officers shall obtain training in investments. The seminars should be offered by professional organizations, associations, and other independent sources approved by Council. The training is to insure the quality and capability of investment management in compliance with the Act.

In accordance with the Act, the designated Investment Officers shall attend 10 hours of investment training session within 12 months of their designation and every successive two fiscal years shall attend eight hours of training. A newly appointed Investment Officer must attend a training session of at least 10 hours of instruction within twelve months of the date the officer took office or assumed the officer's duties. For purposes of this policy, an "independent source" from which investment training shall be obtained shall include a professional organization, an institution of higher education or any other sponsor other than a business organization with whom the City of Brenham may engage in an investment transaction.

INVESTMENT POLICY

INTERNAL CONTROLS

The Chief Financial Officer is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the City are protected from loss, theft, or misuse. The internal control structure shall be designed to provide reasonable assurance that these objectives are met. The concept of reasonable assurance recognizes that (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 Chief Financial Officer shall establish a process for a compliance audit on policies and procedures. The internal controls shall address the following points at a minimum.

- Control of collusion.
- Separation of transactions authority from accounting and record keeping.
- Custodial safekeeping.
- Clear delegation of authority to subordinate staff members.
- Written confirmation for all transactions for investments and wire transfers.
- Review of wire transfer agreements with the depository bank or third party custodian.
- Review of compliance with the Act and this Policy.

The Chief Financial Officer shall monitor, on no less than a monthly basis, the credit rating on all authorized investments in the portfolio based upon independent information from a nationally recognized rating agency. If any security falls below the minimum rating required by Policy, the Investment Officer shall notify the City Manager of the loss of rating, conditions affecting the rating and possible loss of principal with liquidation options available, within three days after notification of the loss of the required rating.

PRUDENCE

The standard of prudence to be applied to all transactions shall be the "prudent person rule". This rule states that "Investments shall be made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived."

In determining whether an Investment Officer has exercised prudence with respect to an investment decision, the determination shall be made taking into consideration:

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

INVESTMENT POLICY

INDEMNIFICATION

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

ETHICS AND CONFLICTS OF INTEREST

All participants in the investment process shall seek to act responsibly as custodians of the public trust. Investment officers shall avoid any transaction that might impair public confidence in the City's ability to govern effectively. Officers and employees involved in the investment process shall refrain from personal business activity that would conflict with the proper execution and management of the investment program, or that would impair their ability to make impartial decisions.

Council members, employees and Investment Officers shall disclose to the Texas Ethics Commission and the City Manager, and the City Manager discloses to the City Council if:

- a) The officer has a personal business relationship with a business organization offering to engage in an investment transaction with the City; or
- b) The officer is related within the second degree by affinity of consanguinity, as determined under Chapter 573 of the Texas Government Code, to an individual seeking to transact investment business with the City; or
- c) The officer has any material interests in financial institutions with which they conduct business; or
- d) The officer has 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 which business is conducted on behalf of the City of Brenham.

VI. SUITABLE AND AUTHORIZED INVESTMENTS

City funds may be invested only in the instruments described below, all of which are authorized and further defined by the Act. The City will not be required to liquidate an investment that becomes unauthorized subsequent to its purchase.

I. AUTHORIZED INVESTMENTS

1. Obligations of the United States of America, its agencies and instrumentalities with stated maturities not to exceed three (3) excluding mortgage backed securities.
2. Obligations of the this State or any State or agency thereof including political subdivisions having been rated as investment quality by two nationally recognized investment rating firm, and having received a rating of not less that "AA" or its equivalent with maturities not to exceed three (3) years.

INVESTMENT POLICY

3. Fully insured or collateralized Certificates of Deposit issued by a bank doing business in Texas insured by the Federal Deposit Insurance Corporation or its successor or secured by obligations in a manner provided for by this Policy and state law with maturities not to exceed 12 months.
4. Constant dollar, local government investment pools, which 1) are created under and conform to the requirements of the Act, 2) are rated no lower than AAA or an equivalent rating by at least one nationally recognized rating service, 3) seek to maintain a \$1.00 net asset value, and 4) are authorized by resolution or ordinance by the City Council.
5. Fully insured or collateralized interest bearing or money market account in any bank in Texas.
6. AAA rated money market funds which strive to maintain a \$1 net asset value and comply with SEC Rule 2a-7.

II. UN-AUTHORIZED INVESTMENTS

The Act and this Policy prohibits investment in the following investment instruments:

- Obligations whose payment represents the coupon payments of the outstanding principal balance of the underlying mortgage-backed security collateral and pay no principal (Interest Only mortgage backed securities);
- Obligations whose payment represents the principal stream of cash flow from underlying mortgage-backed security collateral and bear no interest (Principal only mortgage backed securities);
- Collateralized mortgage obligations that have a stated final maturity date of greater than 10 years;
- Collateralized mortgage obligations the interest rate of which is determined by an index that adjusts opposite to the changes in a market index; and

The practice of “leveraging” whereby funds are borrowed for the sole purpose of investing is prohibited.

VII. INVESTMENT PARAMETERS

MAXIMUM MATURITIES

The longer the maturity of investments, the greater their price volatility; therefore, it is the City’s policy to concentrate its investment portfolio in shorter-term securities in order to limit principal risk caused by changes in interest rates.

The City shall attempt to match its investments with anticipated cash flow requirements. The City will not directly invest in securities maturing more than three (3) years from the date of purchase; however, the above described obligations, certificates, or agreements may be collateralized using longer dated investments.

INVESTMENT POLICY

The consolidated portfolio will have a maximum dollar-weighted average maturity of six months. This dollar-weighted average will be calculated using the stated final maturity dates of each security.

DIVERSIFICATION

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

- Limiting investments to avoid over concentration in investments from a specific issuer or business,
- Limiting investment in investments that have higher credit risks
- Investing in investments with varying maturities, and
- Continuously investing a portion of the portfolio in readily available funds such as local government investment pools (LGIPs), or money market funds to ensure that appropriate liquidity is maintained in order to meet ongoing obligations.

VIII. SELECTION OF BANKS AND DEALERS

DEPOSITORY

As required by the City of Brenham Charter, every five (5) years a banking services depository shall be selected through a competitive process, which shall include a formal request for proposal (RFP) and be consistent with state law. The selection of a depository will be determined by competitive bid and evaluation of bids will be based on the following selection criteria:

- The ability to qualify as a depository for public funds in accordance with state law.
- The ability to provide required services.
- The ability to meet all requirements in the banking RFP.
- The lowest net banking service cost, consistent with the ability to provide an appropriate level of service.
- The credit worthiness and financial stability of the bank.

All banks will execute a written depository agreement in accordance with FIRREA¹ designating authorized collateral.

AUTHORIZED BROKERS/DEALERS

The City Audit/Investment Committee shall, at least annually, review, revise, and adopt a list of qualified broker/dealers and financial institutions (banks and pools) authorized to engage in securities transactions with the City. Those firms that request to become qualified bidders for securities transactions will be required to provide information for the City's questionnaire that provides information regarding creditworthiness, contact information, and experience; and 2) the City's certification stating the firm has

¹The Financial Institutions Resource and Recover Enforcement Act governs the actions of the FDIC in cases of bank default.

INVESTMENT POLICY

received, read and understood the City of Brenham's Investment Policy and have in place controls to prohibit selling the City any security not authorized by that Policy.

The City shall have a minimum of three broker/dealers to assure competitive bidding. Authorized firms may include primary dealers or regional dealers and qualified depositories. All investment providers, including financial institutions, banks, and local government investment pools, must sign the City's certification.

COMPETITIVE BIDS

All transactions will be made on a competitive basis. The Chief Financial Officer shall develop and maintain procedures for ensuring a competition in the investment of the City funds.

DELIVERY VS. PAYMENT

Securities shall be purchased only using the **delivery vs. payment** method with the exception of investment pools and mutual funds. Funds will be released after notification that the purchased security has been received by the custodian.

IX. SAFEKEEPING OF SECURITIES AND COLLATERAL

SAFEKEEPING AND CUSTODIAN AGREEMENTS

The City of Brenham shall contract with a depository for the safekeeping of securities owned by the City of Brenham as part of its investment portfolio or approve the custodial agreement for collateral to secure demand or time deposits. Securities owned by the City of Brenham shall be held in the City's name as evidenced by safekeeping receipts of the institution holding the securities.

Collateral for deposits will be held by an independent third party custodian outside of the pledging bank and evidenced by original safekeeping receipts of the pledging institution with which the collateral is deposited. Original safekeeping receipts and monthly collateral reports shall be delivered to the City.

COLLATERAL POLICY

Consistent with the requirements of the Public Funds Collateral Act, it is the policy of the City to require collateralization of City funds in time and demand deposit with any depository bank. In order to anticipate market changes and provide a level of security for all funds, the collateralization level will be 102% of market value of principal and accrued interest on the deposits or investments less an amount insured by the FDIC. At its discretion, the City of Brenham may require a higher level of collateralization for certain investment securities.

Securities pledged as collateral shall be held by an independent third party outside the holding company of the pledging bank with whom the City has a current custodial agreement. The Chief Financial Officer is responsible for entering into or approving collateralization agreements with custodians. The agreements

INVESTMENT POLICY

are to specify the acceptable investment securities for collateral, including provisions relating to possession of the collateral, the substitution or release of investment securities, ownership of securities, and the method of valuation of securities. A clearly marked evidence of ownership (safekeeping receipt) must be supplied to and retained by the City. Collateral shall be priced weekly at a minimum and to assure that the market value of the pledged securities is adequate.

Any substitution of collateral shall require prior City approval. The substituted security's market value will be equal to or greater than the required security value. Written notification of the substitution must be provided to the bank or safekeeping agent prior to any security release.

COLLATERAL DEFINED

The Entity shall accept only the following types of collateral:

- Obligations of the United States or its agencies and instrumentalities including mortgage backed securities
- Direct obligations of the state of Texas or its agencies and instrumentalities rated as to investment quality by a nationally recognized rating firm not less than A or its equivalent
- Obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized rating firm not less than A or its equivalent

SUBJECT TO AUDIT

All collateral shall be subject to inspection and audit by the Chief Financial Officer or the City of Brenham's independent auditors.

X. PERFORMANCE

PERFORMANCE STANDARDS

The City of Brenham's investment portfolio will be managed in accordance with the parameters specified within this Policy. The portfolio shall be designed with the objective of obtaining a reasonable yield throughout budgetary and economic cycles, commensurate with the investment risk constraints and the cash flow requirements of the City.

PERFORMANCE BENCHMARK

It is the policy of the City of Brenham to purchase investments with maturity dates coinciding with cash flow needs. Through this strategy, the City shall seek to optimize interest earnings utilizing allowable investments available on the market at that time. Market value will be calculated on a monthly basis on all securities owned and compared to current book value. The City of Brenham's portfolio shall be designed with the objective of regularly meeting or exceeding the period average yield on the six month

INVESTMENT POLICY

U.S. Treasury Bill which is comparable to the City's maximum weighted average maturity in days based on its cash flow analysis.

XI. REPORTING

METHODS

The Investment Officer shall prepare an internal investment report on a monthly basis and on a quarterly basis for Council that summarizes investment strategies employed in the most recent quarter and describes the portfolio in terms of investment securities, maturities including the yield for the quarter.

The quarterly investment report shall be in compliance with the Act and include a summary statement of investment activity prepared in compliance with generally accepted accounting principles. This summary will be prepared in a manner that will allow the City Audit/Investment Committee to ascertain whether investment activities during the reporting period have conformed to the Investment Policy. The report will be provided to the City Council for review. The report will include the following:

- A listing of individual securities held at the end of the reporting period.
- Unrealized gains or losses as calculated on the beginning and ending book and market value of securities for the period.
- Additions and changes to the market value during the period.
- Average weighted yield of portfolio as compared to the City's benchmark.
- Listing of investments by maturity date.
- Fully accrued interest and earnings for the reporting period
- The percentage of the total portfolio that each type of investment represents.
- Any additional reporting information as required by the Act.
- Statement of compliance of the City of Brenham's Investment Policy and the Act.

Month-end market prices on each security are to be obtained from nationally recognized security databases (e.g., The Wall Street Journal, Bloomberg, etc.).

An independent auditor will perform an annual formal review of the quarterly reports with the results reported to the governing body.

MONITORING MARKET VALUE

Market value of all securities in the portfolio will be determined on a monthly basis. These values will be obtained from a reputable and independent source reported in the quarterly report.

INVESTMENT POLICY

XII. INVESTMENT POLICY ADOPTION

The City of Brenham's Investment Policy shall be adopted no less than annually by resolution of the City Council. The City of Brenham's Investment Policy shall be subject to revisions consistent with changing laws, regulations, and needs of the City but any such changes must be adopted by the Council before use. The resolution adopting the policy and strategies must include any changes or modifications to the Policy.

AUTHORITY/DATE ISSUED:

City Council Resolution # R-07-026	November 15, 2007
City Council Resolution # R-08-037	October 16, 2008
City Council Resolution # R-09-024	October 15, 2009
City Council Resolution # R-10-025	November 4, 2010
City Council Resolution # R-11-020	November 3, 2011
City Council Resolution # R-12-021	November 29, 2012
City Council Resolution # R-13-017	November 7, 2013
City Council Resolution # R-14-022	October 9, 2014
City Council Resolution # R-15-024	October 1, 2015
City Council Resolution # R-16-014	April 7, 2016
City Council Resolution # R-16-027	October 13, 2016
City Council Resolution # R-17-018	October 12, 2017
City Council Resolution # R-18-015	October 4, 2018
City Council Resolution # R-19-026	October 3, 2019