



Post Office Box 9010 Addison, Texas
75001-9010
5300 Belt Line Road
(972) 450-7000 Fax: (972) 450-7043

AGENDA

REGULAR MEETING OF THE CITY COUNCIL

AND / OR

WORK SESSION OF THE CITY COUNCIL

6:00 PM

SEPTEMBER 28, 2010

TOWN HALL

ADDISON TOWN HALL, 5300 BELT LINE, DALLAS, TX 75254
STARTING TIMES: WORK SESSION 6:00PM, REGULAR
MEETING 7:30PM

WORK SESSION

Item
#WS1 - Discussion regarding the Police Department entering into an Assessment Services Agreement with Fusion Q Corporation. The purpose of the agreement is to create a law enforcement based incubator to test and evaluate new law enforcement related technologies. The products and services will be provided at no cost to the Town.

REGULAR MEETING

Pledge of Allegiance

Item #R1- Consideration of Old Business

Introduction of Employees

Discussion of Events/Meetings

Item #R2- Consent Agenda.

#2a- Approval of Minutes for:

09/14/2010 Regular City Council Meeting and Work Session

#2b- Approval to execute the proposed Second Amendment to the Lease Agreement extending the term of the current lease with Concourse Plaza II, Ltd., to September 30, 2014 (or February 28, 2014 should we choose to terminate the lease early) for lease of the Airport Management offices.

Item #R3 Presentation, discussion and consideration of approval of appointment of members to the Board of Zoning Adjustment.

Attachment(s):

1. Cover memo
 2. List of BZA members
 3. Zoning Ordinance Article XXIV
-

Item #R4 Presentation, discussion and consideration of approval of an ordinance amending the Town's investment policy set forth in Chapter 2, Article IV, Division 3 of the Town's Code of Ordinances.

Attachment(s):

1. FY 2011 Investment Policy
2. Ordinance to Amend Investment Policy

Recommendation:

Staff recommends approval.

Item #R5 Presentation, discussion and consideration of approval of a
- resolution adopting the Town of Addison Investment Strategy for Fiscal Year 2010-2011.

Attachment(s):

1. FY 2011 Investment Strategy Statement
2. Resolution to Adopt Investment Strategy

Recommendation:

Staff recommends approval.

Item #ES1 - Closed (executive) session of the Addison City Council, pursuant to Section 551.071 of the Texas Government Code, to conduct a private consultation with its attorney(s) to seek the advice of its attorney(s) about pending litigation, to wit: In Re. GREAT ESCAPE AVIATION, INC., DEBTOR.; Case No. 10-35871-hdh11, Chapter 11; pending in the United States Bankruptcy Court for the Northern District Court of Texas-Dallas Division.

Item #R6 Consideration of any action regarding certain pending litigation, to wit: In Re. GREAT ESCAPE AVIATION, INC., DEBTOR.; Case No. 10-35871-hdh11, Chapter 11; pending in the United States Bankruptcy Court for the Northern District Court of Texas-Dallas Division.

Adjourn Meeting

Posted:

Lea Dunn, 9/23/2010, 5PM

**THE TOWN OF ADDISON IS ACCESSIBLE TO PERSONS
WITH DISABILITIES. PLEASE CALL (972) 450-2819 AT LEAST
48 HOURS IN ADVANCE IF YOU NEED ASSISTANCE.**

Council Agenda Item: #WS1

AGENDA CAPTION:

Discussion regarding the Police Department entering into an Assessment Services Agreement with Fusion Q Corporation. The purpose of the agreement is to create a law enforcement based incubator to test and evaluate new law enforcement related technologies. The products and services will be provided at no cost to the Town.

FINANCIAL IMPACT:

N/A

BACKGROUND:

N/A

RECOMMENDATION:

COUNCIL GOALS:

N/A

ATTACHMENTS:

Description:

Type:

No Attachments Available

Council Agenda Item: #R 2a

AGENDA CAPTION:

Approval of Minutes for:

09/14/2010 Regular City Council Meeting and Work Session

FINANCIAL IMPACT:

N/A

BACKGROUND:

N/A

RECOMMENDATION:

Staff recommends approval.

COUNCIL GOALS:

N/A

ATTACHMENTS:

Description:

[09-14-2010 Minutes for Regular Meeting and Work Session](#)

Type:

Exhibit

**OFFICIAL ACTIONS OF THE ADDISON CITY COUNCIL
WORK SESSION**

September 14, 2010

5:30 PM - Town Hall

Addison Town Hall, 5300 Belt Line Road, Addison, TX 75001

Upstairs Conference Room

Council Members Present:

Chow, Clemens, Daseke, Lay, Mellow, Noble, Resnik

Absent:

None

Work Session

Item #WS1 - Discussion regarding the upcoming Town meeting.

There was no action taken.

Item #WS2 - Discussion regarding Council meeting procedures.

There was no action taken.

Attest:

Mayor-Joe Chow

City Secretary-Lea Dunn

**OFFICIAL ACTIONS OF THE ADDISON CITY COUNCIL
REGULAR MEETING**

September 14, 2010

Addison Town Hall, 5300 Belt Line Road, Addison, TX 75001

Work Session convened at 5:30PM, Regular Meeting at 7:30PM, Executive Session at 9:46PM. Executive Session adjourned at 9:58PM. Posted: Lea Dunn, 9/9/2010, 5PM

Council Members Present:

Chow, Clemens, Daseke, Lay, Mellow, Noble, Resnik

Absent:

None

REGULAR MEETING

Item #R1 - Consideration of Old Business

The following employees were introduced:

Mark Clark with the Public Works Department, Katie Roller with the Financial Services Department and Alison Ream with the Office of the City Manager.

Consideration of New Business:

Barbara Kovacevich updated Council regarding the upcoming Oktoberfest Event.

There was no action taken.

Item #R2 - Consent Agenda

#2a - Approval of Minutes for: 7/31/2010 Special Meeting and Work Session 8/9/2010 Special Meeting and Work Session 8/24/2010 Regular Meeting and Work Session

The Mayor pulled the 8/24/2010 Minutes and requested the correction of the spelling of Chatham Court in two places.

The Minutes for 7/31/2010 and 8/9/2010 were approved with no changes.

A motion to Approve was made by Mayor Joe Chow.

The motion was seconded by Councilmember Blake Clemens.

The motion result was: Passed

Voting Aye: Chow, Clemens, Daseke, Lay, Mellow, Noble, Resnik
Voting Nay: None

#2b - Approval to increase the cost of the joint election agreement with Dallas County to conduct a special election to be held on November 2, 2010 to an anticipated amount not to exceed \$25,000.00.

A motion to Approve was made by Mayor Joe Chow.
The motion was seconded by Councilmember Blake Clemens.
The motion result was: Passed
Voting Aye: Chow, Clemens, Daseke, Lay, Mellow, Noble, Resnik
Voting Nay: None

#2c - Approval of an agreement with the Texas Department of Transportation for a Selective Traffic Enforcement Program (STEP) grant in the amount of \$33,015.92, with a focus on speeding, safety belt compliance and intersection traffic control enforcement.

This Item was pulled for clarification. Officer Rose responded.

Resolution R10-023 was approved.

A motion to Approve was made by Mayor Joe Chow.
The motion was seconded by Councilmember Blake Clemens.
The motion result was: Passed
Voting Aye: Chow, Clemens, Daseke, Lay, Mellow, Noble, Resnik
Voting Nay: None

#2d - Approval of an Agreement for Professional Services with Halff Associates, Inc., for an amount not to exceed \$90,440 for Construction Inspection of certain public infrastructure (including two (2) vehicular bridges, one (1) pedestrian bridge and other public infrastructure improvements) within that area of the Town generally known as Vitruvian Park (Vitruvian Park Public Infrastructure Phase 1D).

A motion to Approve was made by Mayor Joe Chow.
The motion was seconded by Councilmember Blake Clemens.
The motion result was: Passed
Voting Aye: Chow, Clemens, Daseke, Lay, Mellow, Noble, Resnik
Voting Nay: None

#2e - Approval of a supplemental agreement to the Agreement for Professional Services

with Halff Associates, Inc., for an amount not to exceed \$25,000.00 for additional services related to the design of certain public infrastructure (including two (2) vehicular bridges, one (1) pedestrian bridge and other public infrastructure improvements) within that area of the Town generally known as Vitruvian Park (Vitruvian Park Public Infrastructure Phase 1D).

A motion to Approve was made by Mayor Joe Chow.

The motion was seconded by Councilmember Blake Clemens.

The motion result was: Passed

Voting Aye: Chow, Clemens, Daseke, Lay, Mellow, Noble, Resnik

Voting Nay: None

Item #R3 - Presentation of a check to the U.S.O. from the Town of Addison for the Silver for Service Promotion in celebration of the 25th Anniversary of Town of Addison Kaboom Town!

Barbara Kovacevich made the presentation of the check to the U.S.O. from the Town of Addison.

There was no action taken.

Item #R4 - PUBLIC HEARING. Case 1601-SUP/ONCOR Electric Delivery Company. Presentation, discussion and consideration of approval of a Special Use Permit for installation of a public utility, either privately or publicly owned, located on .4388 acres of land just east of Inwood Road and south of Landmark Blvd. on application from ONCOR Electric Delivery Company, represented by Mr. Mark Housewright of Masterplan.

COMMISSION FINDINGS: The Addison Planning and Zoning Commission, meeting in regular session on June 24, 2010, voted to recommend approval of a Special Use Permit for an installation of a public utility, either privately or publicly owned, located on .4388 acres of land just east of Inwood Road and south of Landmark Blvd., on application from ONCOR Electric Delivery Company, represented by ONCOR Electric Delivery Company, represented by Mr. Mark Housewright of Masterplan, subject to no conditions.

Voting Aye: Arfsten, DeFrancisco, Doherty, Hewitt, Oliver, Wheeler, Wood

Voting Nay: none

Absent: none

The Mayor opened the meeting as a Public Hearing.

No one spoke.

The Mayor closed the meeting as a Public Hearing.

Mark Housewright with Masterplan made the presentation and introduced Randy Newsome with ONCOR.

Ordinance 010-027 was approved.

A motion to Approve was made by Councilmember Kimberly Lay.

The motion was seconded by Councilmember Don Daseke.

The motion result was: Passed

Voting Aye: Chow, Clemens, Daseke, Lay, Mellow, Noble, Resnik

Voting Nay: None

Item #R5 - PUBLIC HEARING. Case 1605-SUP/Valhalla Security Consulting, LLC.

Presentation, discussion and consideration of approval an ordinance approving a Special Use Permit for a form of commercial amusement (an indoor weapons training and shooting facility), located in a Commercial-1 district (C-1), at 4949 Belt Line Road, on application from Valhalla Security Consulting, LLC, represented by Mr. Bill Dahlstrom of Jackson-Walker, LLP.

COMMISSION FINDINGS: The Addison Planning and Zoning Commission, meeting in regular session on August 26, 2010, voted to recommend approval of a Special Use Permit for a form of commercial amusement (an indoor weapons training and shooting facility), located in a Commercial-1 district, subject to the following condition: -Any dead or missing landscaping shall be replaced, and the irrigation system shall be restored to operable condition prior to the issuance of a Certificate of Occupancy.

Voting Aye: Arfsten, Doherty, Hewitt, Oliver, Wheeler

Voting Nay: none

Absent: DeFrancisco, Wood

The Mayor opened the meeting as a Public Hearing.

No one spoke.

The Mayor closed the meeting as a Public Hearing.

Ordinance 010-028 was approved.

A motion to Approve was made by Councilmember Roger Mellow.

The motion was seconded by Councilmember Kimberly Lay.

The motion result was: Passed

Voting Aye: Chow, Clemens, Daseke, Lay, Mellow, Noble, Resnik

Voting Nay: None

Item #R6 - Presentation and discussion of final funding levels for various social service and cultural non-profit groups to be included in the FY 2010-11 Budget.

Ron Whitehead made the presentation regarding the final funding levels of the Non-Profits.

There was no action taken.

Item #R7 - PUBLIC HEARING regarding the Town of Addison's Annual Budget for the Fiscal Year ending September 30, 2011.

The Mayor opened the meeting as a Public Hearing.

The following resident spoke:

Bob Jacoby 4016 Rive

The Mayor closed the meeting as a Public Hearing.

There was no action taken.

Item #R8 - PUBLIC HEARING on a proposal to increase total tax revenues from properties on the tax roll in the preceding tax year by 3.7 percent (percentage by which proposed tax rate exceeds lower of rollback tax rate or effective tax calculated under Chapter 26, Tax Code).

The Mayor opened the meeting as a Public Hearing.

No one spoke.

The Mayor closed the meeting as a Public Hearing.

The tax rate will be officially adopted at the September 21, 2010 Special Meeting.

There was no action taken.

Item #R9 - Presentation, discussion and consideration of approval of an ordinance of the Town of Addison, Texas amending the Town's annual budget for the fiscal year ending September 30, 2010.

Ordinance 010-029 was approved.

A motion to Approve was made by Councilmember Kimberly Lay.

The motion was seconded by Councilmember Blake Clemens.

The motion result was: Passed

Voting Aye: Chow, Clemens, Daseke, Lay, Mellow, Noble, Resnik

Voting Nay: None

Item #R10 - Presentation, discussion and consideration of approval of an ordinance of the city council of the Town of Addison, Texas approving a negotiated resolution between the Atmos Cities Steering Committee and Atmos Energy Corp., Mid-Tex Division regarding Atmos Energy's third rate review mechanism (RRM) filing in all cities exercising original jurisdiction; declaring existing rates to be unreasonable; requiring the company to reimburse cities' reasonable ratemaking expenses; adopting tariffs that reflect rate adjustments consistent with the negotiated settlement and finding the rates to be set by the attached tariffs to be just and reasonable; approving Atmos Energy's proof of revenues; extending the RRM process for two cycles and adopting a new RRM tariff; ratifying the settlement agreement, including cost recovery for a steel service line replacement program; and providing for other matters in connection therewith.

Ordinance 010-030 was approved.

A motion to Approve was made by Councilmember Kimberly Lay.

The motion was seconded by Councilmember Blake Clemens.

The motion result was: Passed

Voting Aye: Chow, Clemens, Daseke, Lay, Mellow, Noble, Resnik

Voting Nay: None

Item #R11 - Presentation, discussion and consideration of approval of Atmos Energy gas franchise audit and authorization for the city manager to elect for Atmos Energy to remit to the Town franchise fees based on the audit report, to continue to remit to the Town franchise fees calculated on franchise fees recovered from customers and authorize Atmos Energy to recover these fees from customers located within the Town of Addison.

A motion to Approve was made by Councilmember Don Daseke.

The motion was seconded by Councilmember Bianca Noble.

The motion result was: Passed

Voting Aye: Chow, Clemens, Daseke, Lay, Mellow, Noble, Resnik

Voting Nay: None

Item #R12 - Presentation, discussion and consideration of approval of a contract with Cornerstone Adminisystems for the billing and collection of fees for emergency medical services, subject to approval by the City Attorney.

A motion to Approve was made by Councilmember Kimberly Lay.

The motion was seconded by Councilmember Blake Clemens.

The motion result was: Passed

Voting Aye: Chow, Clemens, Daseke, Lay, Mellow, Noble, Resnik

Voting Nay: None

Item #R13 - Presentation, discussion and consideration of approval of a contract for depository services, a Temporary Management Services Agreement, and a Security Agreement with The Frost National Bank, subject to final approval by the City Manager and City Attorney.

The word "Temporary" in the caption should be changed to "Treasury."

A motion to Approve was made by Councilmember Kimberly Lay.

The motion was seconded by Councilmember Neil Resnik.

The motion result was: Passed

Voting Aye: Chow, Clemens, Daseke, Lay, Mellow, Noble, Resnik

Voting Nay: None

Item #R14 - Presentation, discussion and consideration of approval of a contract with First Data Merchant Services for credit card processing services.

A motion to Approve was made by Councilmember Blake Clemens.
The motion was seconded by Councilmember Kimberly Lay.
The motion result was: Passed
Voting Aye: Chow, Clemens, Daseke, Lay, Mellow, Noble, Resnik

Item #ES1 - Closed (Executive) session of the Addison City Council pursuant to Section 551.071, Texas Government Code, to conduct a private consultation with its attorney to seek the advice of its attorney about pending litigation, to wit: Town of Addison, Texas v. Crimson Tide Management, Inc., Case No. 09-09882-B, Dallas County, Texas, and/or a settlement offer in connection therewith.

Item #R15 - Discussion and consideration of any action in connection with certain pending litigation, to wit: Town of Addison, Texas v. Crimson Tide Management, Inc., Case No. 09-09882-B, Dallas County, Texas.

A motion was made to execute a settlement agreement in the amount discussed.

A motion to Approve was made by Councilmember Kimberly Lay.
The motion was seconded by Councilmember Blake Clemens.
The motion result was: Passed
Voting Aye: Chow, Clemens, Daseke, Lay, Mellow, Noble, Resnik
Voting Nay: None

Voting Nay: None

Mayor-Joe Chow

Attest:

City Secretary-Lea Dunn

Council Agenda Item: #R 2b

AGENDA CAPTION:

Approval to execute the proposed Second Amendment to the Lease Agreement extending the term of the current lease with Concourse Plaza II, Ltd., to September 30, 2014 (or February 28, 2014 should we choose to terminate the lease early) for lease of the Airport Management offices.

FINANCIAL IMPACT:

N/A

BACKGROUND:

In September 2003, the Town of Addison approved and executed a five-year lease agreement with Concourse Plaza II, Ltd. for 4,240 square feet of office space at 16051 Addison Road, Suite 220 (Addison Airport Office Center) to be used as airport management's business office. In August 2008, the Town then approved and executed an amendment extending the lease term to coincide with the expiration of Airport Management's Airport Operating Agreement, or September 30, 2010. The Town has since determined it will continue its third-party management of the Airport and, therefore, requires the continued use of dedicated office space for that purpose.

While considering office space alternatives, the Town anticipates it will be taking possession of the Addison Jetport located at 4505 Claire Chennault in August 2013 and that this facility, or a portion thereof, might ideally suit the long-term needs for the airport management and administration functions. Although it is premature to say for certain, it was important to negotiate an interim lease term that would allow for this possibility.

In June, Airport Management sent a Request for Proposal (a copy is attached as Exhibit 3) to three airport ground tenants who we thought might have appropriate office space for the Town to consider. Those ground tenants are: 4500 Westgrove Drive (Key Development)

4570 Westgrove Drive (Westgrove Air Plaza)

16051 Addison Road (Concourse Plaza a.k.a. Addison Airport Office Center)

Key Development declined to submit a proposal because they did not have sufficient office space available to meet Airport Management's stated requirements.

ConcoursePlazaproposed extending the existing lease agreement 48 months or until September 30, 2014. Details of each proposal are attached.

Staff and Airport Management recommend the Town execute the Second Amendment to Lease Agreement extending the term of our current lease with Concourse Plaza II, Ltd. to September 30, 2014 (or February 28, 2014 should we choose to terminate the lease early). The city attorney has reviewed the Second Amendment and finds it acceptable for the Town's use.

RECOMMENDATION:

Staff recommends approval.

COUNCIL GOALS:

Conduct the Business of the Town in a Fiscally Responsible Manner, Develop and utilize the Addison Airport as an engine to drive economic growth in the community

ATTACHMENTS:

Description:

[Backup Material](#)

Type:

Backup Material



Memorandum

To: Mark Acevedo, Director
General Services - Town of Addison

From: Bill Dyer, Real Estate Manager

cc: Joel Jenkinson, Airport Director

Date: September 12, 2010

Re: Requested Action by the Town of Addison Regarding
Airport Management's Office Lease at Addison Airport Office Center

Summary of Requested Action and Recommendation by Airport Manager

Airport Management's office lease with Concourse Plaza II, Ltd. is due to expire September 30, 2010. We are requesting the Town to consider and give its consent for the City Manager to execute the proposed Second Amendment to Lease Agreement on behalf of the Town, a copy of which is attached hereto as Exhibit "3."

Background Information

In September 2003, the Town of Addison approved and executed a five-year lease agreement with Concourse Plaza II, Ltd. for 4,240 square feet of office space at 16051 Addison Road, Suite 220 (Addison Airport Office Center) to be used as airport management's business office. In August 2008, the Town then approved and executed an amendment extending the lease term to coincide with the expiration of Airport Management's Airport Operating Agreement, or September 30, 2010. The Town has since determined it will continue its third-party management of the Airport and, therefore, requires the continued use of dedicated office space for that purpose.

While considering office space alternatives, the Town anticipates it will be taking possession of the Addison Jetport located at 4505 Claire Chennault in August 2013 and that this facility, or a portion thereof, might ideally suit the long-term needs for the airport management and administration functions. Although it is premature to say for certain, it was important to negotiate an interim lease term that would allow for this possibility.

Currently, Airport Management occupies 4,528 net rentable square feet for \$6,183.33 per month or \$17.50 per net rentable square foot per annum. It should be noted that the building owner retained the services of Boynton-Williams & Associates, an architect firm, to re-measure the building in 2008 who determined then that the actual leased premises consists of 4,528 square feet, instead of 4,240 square feet as given in the original lease (see Exhibit 4). Although the increased area results in a higher cost to the Town, arguably the Town has had the benefit of the discrepancy for the past six years.

In June, Airport Management sent a Request for Proposal (a copy is attached as Exhibit 3) to three airport ground tenants who we thought might have appropriate office space for the Town to consider. Those ground tenants are:

- 4500 Westgrove Drive (Key Development)
- 4570 Westgrove Drive (Westgrove Air Plaza)
- 16051 Addison Road (Concourse Plaza a.k.a. Addison Airport Office Center)

Key Development declined to submit a proposal because they did not have sufficient office space available to meet Airport Management's stated requirements.

Concourse Plaza proposed extending the existing lease agreement 48 months or until September 30, 2014, with a step-up rate structure as follows:

TERM	PER SQ. FT.	PER MONTH
Year 1	\$15.00	\$5,660.00
Year 2	\$15.50	\$5,848.66
Year 3	\$15.75	\$5,943.00
Year 4	\$16.00	\$6,037.33

In addition to the above rates, the Town is obligated to pay all operating costs in excess of the 2010 base year operating costs. The landlord also proposes to, at landlord's expense, re-paint all textured and painted walls and re-carpet all existing carpeted areas with 26-oz., 10-year wear dated building standard carpeting within the first 90 days of the amendment effective date. Concourse Plaza also provided for an early termination option giving the Town the option to terminate the lease February 28, 2014 (7 months early) provided the Town gives landlord written notice by November 30, 2013 and an early termination fee equivalent to one month's rental at the time of giving notice.

Alternatively, Westgrove Air Plaza proposed an available office suite consisting of approximately 3,813 square feet of net rentable space. They also proposed a 48-month lease term with the rental starting at \$0 for the first 4 months then \$15.00 per square foot for months 5-48 or \$4,766.25 per month plus pass-through operating costs over the 2011 base year costs. Amenities are considered similar to what Addison Airport Office Center offers (e.g. limited covered parking, base utilities and janitorial services). Landlord will provide turnkey tenant improvements based upon their current building standards.

Conclusion and Recommendation of Airport Manager

The two proposals received were very competitively priced. Westgrove Air Plaza's four months of free rent followed by a flat rate of \$15.00 per net rentable square foot over the remaining term equated to an effective lease rate of \$13.75/square foot. Whereas, Concourse Plaza's effective rate is approximately \$15.50 per square foot over its term. The two rates become comparable should the Town elect to exercise its early termination option offered by Concourse Plaza.

Consideration is also given to the cost of relocation. It is estimated the cost for Airport Management to relocate its operations from Concourse Plaza to Westgrove Plaza would be an additional \$20,000-\$30,000 (\$4-\$6/SF). And, if the Town should decide to relocate its airport management operations to the Jetport in the next 36 to 48 months, the Town would be looking to incur these costs all over again.

It was also determined the Westgrove Plaza office space was not the most ideal fit due to its irregular configuration and that it is about 20% less in useable area than Airport Management's existing offices at Concourse Plaza. Concourse Office Plaza has more covered parking for employees and guests and the building is in closer proximity to airport management's maintenance building located on Jimmy Doolittle. Even at its higher rate, the propose rate for the Concourse Plaza suite is \$2.00/SF less than the current contract rate. This will result in a cost reduction of just over \$9,000 in the first year of the extended term.

For these and other considerations, we recommend the Town execute the Second Amendment to Lease Agreement extending the term of our current lease with Concourse Plaza II, Ltd. to September 30, 2014 (or February 28, 2014 should we choose to terminate the lease early). The city attorney has reviewed the Second Amendment and finds it acceptable for the Town's use.

Attachments

- Exhibit 1 - Original Lease Agreement and First Amendment (available upon request)
- Exhibit 2 – Aerial View with Building Locations Depicted
- Exhibit 3 – Copy of Request For Proposal & Proposal Summary
- Exhibit 4 – Second Amendment to Lease Agreement
- Exhibit 5 – Certification of Leased Premises Rentable Square Footage

Exhibit 1

Original Lease Agreement and First Amendment

Available upon request to of Airport Management

Exhibit 2



Aerial View with Building Locations Depicted

Exhibit 3

Request for Proposal and Proposal Summary

June 1, 2010

Jeff Harkinson
Harkinson Investments
4455 LBJ Freeway, Suite 812
Dallas, TX 75244

Re: Request for Proposal - Office Space for Addison Airport Management

Dear Jeff:

As you know, Addison Airport Management's current office lease expires September 30, 2010. We are researching the practicality of renewing our lease for our current space in addition to the feasibility of relocating. We are inquiring about other available space in this building and current rental rates and fees. The attached includes the basic requirements we are seeking.

In order to be considered, submittals must be received by June 30, 2010. We look forward to receiving your information.

Sincerely,

William M. Dyer
Real Estate Manager

REQUEST FOR PROPOSAL
ADDISON AIRPORT ADMINISTRATION & MANAGEMENT OFFICE
TOWN OF ADDISON, TEXAS (AS TENANT)

Purpose

The purpose of this Request for Proposal is to identify and secure office space for the Addison Airport Administration and Management office and staff, with occupancy to commence **October 1, 2010**.

Lease Requirements

- Primary lease term October 1, 2010 through February 28, 2014

Internal Requirements

Square footage needed is approximately 4,000 square feet broken down as follows:

- 6 individual offices
- 1 front reception area with work station and seating for at least 4 guests
- 1 file room to hold six to eight lateral file cabinets and four two-drawer fireproof file cabinets
- 1 coffee bar/break area
- 1 conference room (conference table seats 12)
- 1 large open area for classroom instruction (up to 25 seat capacity)
- 1 workroom for mail and fax machines, copier, office supplies, etc.
- Ventilated closet for small office computer/network, telephone equipment and other hardware needs
- Closet for custodial supplies
- Access to data-telecom service providers
- ADA compliant

External Requirements

- Office must be on or adjoining Addison Airport
- Parking for 10 employees
- Parking for visitors (six or less on most occasions, 20 or more quarterly)
- Front-door entry for guests
- Back-door entry for employees and deliveries
- First-floor office space preferred
- Lobby/directional signage
- ADA compliant

Items to Address in Response

- Brief history of the building
- Description of ownership and management of the building
- Contemplated major and/or minor renovations/improvements anticipated for the building within the primary lease term
- Amenities, both within building and surrounding areas
- Parking facilities (covered? Reserved?)
- Life and safety features of the building
- General lease terms (services provided in base rent, detailed explanation of CAM costs, if any, actual utility and other operating expense history for the past three years)
- Tenant allowances, improvements and finish-out provided with move-in, to be included in base rent
- Estimated tenant move-in costs above and beyond base rent
- Insurance requirements for tenants
- Potential opportunities for expansion, if desired
- Copies of Landlord's rules and regulations and other governing documents affecting tenant's use and enjoyment of the leased premises
- Cost of office space reduction, if required

Please include with your response

- Proposed floor plan for review
- Marketing materials of the building
- Other information you feel would be beneficial in our decision-making process

Submittal Date

In order to be considered, submittals must be received no later than 5:00 pm Wednesday, June 30, 2010. Submittals should be addressed to:

Melissa Newman, Leasing Manager
Addison Airport
16051 Addison Road, Suite 220
Addison, Texas 75001

Questions may be referred to Melissa at (972) 392-4858, or faxed to (972) 788-9334 or e-mailed to Melissa.newman@addisonairport.net

Addison Airport Office Lease Proposal Summary

September 10, 2010

	CONCOURSE PLAZA 16051 Addison Road, Suite 220	WESTGROVE AIR PLAZA 4570 Westgrove Drive, Suite 160
Premises:	4,528 rentable square feet of office space	3,813 rentable square feet of office space
Commencement Date:	October 1, 2010	October 1, 2010
Expiration Date:	September 30, 2014 (or February 28, 2014 if lease is early terminated)	September 30, 2014
Primary Term	48 months	48 months
Base Year Stop:	Calendar year 2010	Calendar year 2011
Rent Per Square Foot: (full service)	\$15.00 (Oct 2010 - Sept. 2011) \$15.50 (Oct 2011 - Sept. 2012) \$15.75 (Oct 2012 - Sept. 2013) \$16.00 (Oct 2013 - Feb. 2014)	\$ 0.00 (Oct 2010 - Jan 2011) \$15.00 (Feb 2011 - Sept 2014) (Note: current rental rates are quoted at \$16.00 psf)
Annual Rent:	\$67,920.00 (Oct 2010 - Sept 2011) \$70,184.00 (Oct 2011 - Sept 2012) \$71,316.00 (Oct 2012 - Sept 2013) \$72,447.96 (Oct 2013 - Sept 2014)	\$ 0.00 (Oct 2010 - Jan 2011) \$57,195 (Feb 2011 - Jan 2012) \$57,195 (Feb 2012 - Jan 2013) \$57,195 (Feb 2013 - Jan 2014) \$38,130 (Feb 2014 - Sept 2014)
Monthly Rent:	\$5,660.00 (Oct 2010 - Sept. 2011) \$5,848.67 (Oct 2011 - Sept 2012) \$5,943.00 (Oct 2012 - Sept 2013) \$6,037.33 (Oct 2013 - Sept 2014)	\$ 0.00 (Oct 2010 - Jan 2011) \$4,766.25 (Feb 2011 - Sept 2014)
Total Rent Paid during Primary Term:	\$251,681.33(41 months plus early termination fee) \$281,868.00 (48 months)	\$209,715 (48 months)
Difference 48:48	\$72,153.00 more	but 20% less useable area (788 SF). Difference is \$32K less if same area considered
Out-of-pocket Expenses	Labor to move furniture and equipment for paint and carpet upgrades est. \$5,000	Approximately \$20,000 - \$30,000
Security Deposit:	\$0.00	\$4,766.25

	<p align="center">CONCOURSE PLAZA 16051 Addison Road, Suite 220</p>	<p align="center">WESTGROVE AIR PLAZA 4570 Westgrove Drive, Suite 160</p>
<p>Tenant Improvements:</p>	<p>Landlord, at Landlord's sole cost and expense, will repaint all textured and painted walls, recarpet currently carpeted areas. Tenant will be solely responsible for moving furniture and equipment to accommodate this work.</p>	<p>Landlord will "turnkey" at an agreed upon plan and scope of work.</p>
<p>Parking:</p>	<p>Up to 3 non-reserved spaces per 1,000 sf of office space leased; 1 covered reserved space per 1,000 sf of office space leased; 4 reserved spaces for visitors are available at the front entry of the building. Generally plenty of covered and semi-covered parking for employees and guests</p>	<p>3.5 spaces per 1,000 sf of office space leased; 2 reserved covered spaces at no cost to Tenant</p>
<p>ADA Compliant:</p>	<p>Yes</p>	<p>Should we decide to relocate Landlord will bring the building up to ADA compliance; there are no major renovation plans for the building at this time.</p>
<p>Public Safety:</p>	<p>Building is located immediately adjacent to the police station and ½ a block from the fire station; Card-key access system for after-hours entry. Building is equipped with a sprinkler system.</p>	<p>24-hour card key access. Building has a fire detection system including smoke detectors, strobes, fire hoses, fire extinguishers and fire alarm pull stations on each floor. Fire control panel is monitored 24/7 by a licensed fire control contractor. The building is controlled by an automatic lock-up system that is monitored 24/7 by a licensed security system contractor. Access to the building after-hours is available through the card readers at each lobby entrance. Other entrances to the building are locked 24/7 and access is available through a keypad on each door.</p>
<p>Other</p>	<p>Location is mid-airport and in close proximity to the Airport Maintenance facility on Jimmy Doolittle.</p>	<p>Airside access is at far end of Taxiway Uniform at the north end of the airport. Also not as convenient to the Airport Maintenance facility.</p>

Exhibit 4

Proposed Second Amendment to Lease Agreement

SECOND AMENDMENT TO LEASE AGREEMENT

THIS AMENDMENT TO LEASE AGREEMENT, dated as of the ___ day of _____, 2010, by and between **CONCOURSE PLAZA II, Ltd.**, as Landlord (the “**Landlord**”), and **TOWN OF ADDISON, TX**, as Tenant (the “**Tenant**”);

W I T N E S S E T H

Recitals

- A. Reference is made to Lease Agreement dated September 1, 2003, as amended by Amendment to Lease Amendment dated August 25, 2008 (collectively the “Lease”), executed by and between Landlord and Tenant, covering 4,240 s.f. of net rentable space (hereto revised to 4,528 sf) in Landlord’s project located at 16051 Addison Road, Suite 220, Addison, Dallas County, Texas 75001, known as “**Addison Airport Office Center**” (formerly known as “Concourse Plaza”).
- B. Landlord and Tenant desire to amend the Lease as hereinafter set forth.

NOW, THEREFORE, in consideration of the premises and the consideration as set forth herein, the parties hereby agree as follows:

1. Net Rentable Space.

Effective October 1, 2010, the square feet of net rentable space in Suite 220 shall be revised from 4,240 s.f. to 4,528 s.f. of net rentable space, as re-measured by Boynton Williams and Associates on July 10, 2008.

2. Extension of Lease Term.

The current term of the Lease expires on September 30, 2010. The parties agree that the term of the Lease is hereby renewed and extended for a period of 48 months, so that the term of the Lease shall expire on September 30, 2014.

3. Early Termination.

Tenant shall have the one-time option to terminate the Lease as of February 28, 2014 provided Tenant notifies Landlord in writing on or before November 30, 2013 and remits to Landlord with the notice of termination an Early Lease Termination fee equal to one monthly installment of the prevailing Basic Rental as herein adjusted at the time of giving such notice.

4. Rental Adjustment.

Effective October 1, 2010, the “Basic Rental” shall be revised to the sum of \$5,660 per month through September 30, 2011, then

- (i) \$5,848.67 per month for the period beginning October 1, 2011 through September 30, 2012, and then
- (ii) \$5,943 per month for the period beginning October 1, 2012 through September 30, 2013, and then
- (iii) \$6,037.33 per month for the period beginning October 1, 2013 through September 30, 2014 (unless otherwise terminated early as provided for in paragraph 3 above, which shall then be through February 28, 2014).

Notwithstanding the foregoing, the other rental provisions of the Lease, including the provisions regarding additional rent on account of pass-through of operating expenses shall remain unchanged. Landlord and Tenant agree such pass-through expenses are currently being assessed by Landlord at \$464.45 each month pursuant to Landlord's notice of adjustment dated June 21, 2010. The Total Basic Cost stop defined in paragraph 4(a) shall be revised to equal Calendar Year 2010 effective with the next Base Rental Adjustment.

5. Effective Date.

This Amendment shall be effective upon the full execution hereof by both parties.

6. Condition of Premises.

Tenant has accepted the space in its "as is" condition, and any changes or modifications to the space shall be at the Tenant's sole cost and expense with prior written approval from Landlord. Notwithstanding the foregoing to the contrary within the first sixty (60) days after the effective date of this Second Amendment to Lease Agreement Landlord, at Landlord's expense, shall commence to repaint all of the textured and painted walls in the Premises and re-carpet all of the existing carpeted areas in the Premises with new, 26 oz.; 10-year wear dated building standard carpeting (the "Extension Improvements"). Landlord will use its commercially reasonable diligence to complete the Extension Improvements within thirty (30) days thereafter. Tenant shall cooperate with Landlord in moving its furniture and equipment to permit completion of the Extension Improvements and Landlord agrees to coordinate the Extension Improvements in a commercially reasonable manner to mitigate any disruption of Tenant's daily operations.

7. Binding Agreement.

Except as specifically modified by this Second Amendment, all other terms and conditions of the Lease are hereby ratified and confirmed. In the event of a conflict between the terms of the Lease and this Second Amendment, the terms of this Second Amendment shall prevail.

This Second Amendment is executed as of the day and year first above written.

LANDLORD: CONCOURSE PLAZA II, LTD.

By: _____

Name: William J. Harkinson, President

Title: Harkinson Investment Corp., General Partner

TENANT: TOWN OF ADDISON, TEXAS

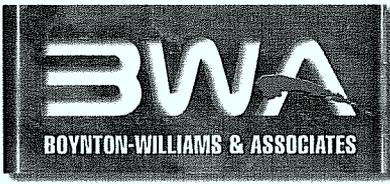
By: _____

Name: _____

Title: _____

Exhibit 5

Certification of Lease Premises Rentable Square Footage



ARCHITECTURE

PLANNING

INTERIORS

NORMAN

DALLAS

TULSA



4455 L.B.J. FREEWAY

SUITE 820

DALLAS, TX 75244

972-661-5461

FAX 972-661-5449

BWAARCHITECTS.COM

A Professional Corporation
Member: American Institute of Architects

August 18, 2010

Mr. Bill Dyer
Real Estate Manager
Addison Airport
16051 Addison Airport Road, Suite 220
Addison, Texas 75001

Re: Verification of Rentable Square Footage for Suite 220
Addison Airport Office Center – Addison, Texas
BWA Project #D08057

Mr. Dyer:

In May 2008, Harkinson Investment Corporation retained the services of Boynton Williams & Associates (BWA) to field verify and provide AutoCAD drawings of all three (3) floor plans for the Addison Airport Office Center located at 16051 Addison Road in Addison, Texas. BWA walked the facility and measured the building, including all of the interior tenant spaces existing at that time. BWA then provided Harkinson Investment Corporation with overall floor plans for all three (3) floors, as well as floor plans for each tenant space that indicated the rentable square footage (RSF).

Based on our findings, the rentable square footage (RSF) for Suite 220 is 4,528 RSF.

If you need any further information, or wish to discuss this matter in further detail, please do not hesitate to call.

Sincerely,

Jeff Ball – AIA
Associate Architect
Boynton Williams & Associates

cc: Jeff Harkinson – Harkinson Investment Corporation.

Council Agenda Item: #R3

AGENDA CAPTION:

Presentation, discussion and consideration of approval of appointment of members to the Board of Zoning Adjustment.

FINANCIAL IMPACT:

NA

BACKGROUND:

There is currently one member and two alternates on the Board of Zoning Adjustment with expired terms. The staff recommends appointing seven members to the Board of Zoning Adjustment to allow for a pool of members that can be called on to serve in case there is a hearing.

RECOMMENDATION:

COUNCIL GOALS:

N/A

ATTACHMENTS:

Description:

- [Cover memo](#)
- [List of BZA members](#)
- [Zoning Ordinance Article XXIV](#)

Type:

Cover Memo
Backup Material
Backup Material

Memorandum

September 20, 2010

TO: Ron Whitehead, City Manager
FROM: Carmen Moran, Director of Development Services
SUBJECT: Board of Zoning Adjustment

The Zoning Ordinance states, in Article XXIV, Board of Adjustment, Section 1:

There is hereby created a board of adjustment consisting of five members and four alternate members, each to be appointed by a majority of the city council for a term of two years and removable for cause by the appointing authority. Vacancies shall be filled by the appointment of the original appointing authority of a suitable person to serve a term of two years. Members may not be appointed to serve more than three consecutive terms.

The Board of Zoning Adjustment is a difficult Board to keep staffed for a variety of reasons. Meetings for the Board are not regularly scheduled, and the Board typically meets less than one time per year. It is not unusual for a board-member's term to expire without him/her having ever attended a meeting. In addition, with nine members, each Council member had purview over one appointment, but two Council members had purview over two appointments.

It is also difficult to keep up with which members are full members and which are alternates. In reality, there is no distinction between members and alternates. I provide training to all, and when I need to hold a hearing, I send out several dates to both members and alternates and take the first five people that can make the same date.

The Board membership has dwindled recently due to a couple of members moving and one resigning. There are currently three members and two alternates. Of those: Lori Ward, Virgil Burkhardt, and Roy Stockard, have expired terms.

The staff has had much better luck getting a board together over the past few years, and feels that seven members is now an adequate number for the Board. The staff also feels that it does not need to distinguish between members and alternates, as all people chosen for the BZA receive the same training. The staff recommends that the Council members each appoint one member and leave two positions unfilled.

If the Council chooses to follow the recommendation for seven members, then four people need to be appointed. Under a plan where each Council member has one appointment, Council members Noble, Mellow, Lay, and Resnick each would have one appointment to make.

BOARD OF ZONING ADJUSTMENT

MEMBERS

Derek Blount

15635 Mildred Place #4508
Addison, TX 75001-6886
(W) 214-722-4822
(C) 972-822-1311
Term Expires: 4-28-2011 1st Term
Appointed by: DASEKE

Burk Burkhalter

3824 Waterford Drive
Addison, TX 75001-7954
(H) 972-243-7110
Term Expires: 06-09-2011 1st Term
Appointed by: CLEMENS

Charles "Chick" Martin

14810 Lochinvar Drive
Dallas, TX 75254-7528
(H) 972-239-6044
Term Expires: 05-28-2011 3rd Term
Appointed by: CHOW

Lori Ward

14801 Lake Forest Drive
Dallas, TX 75254-7615
(W) 214-840-7188
Term Expires: 6-10-2010 1st Term
Appointed by: NOBLE

EXPIRED

ALTERNATES

Virgil Burkhardt

4007 Winter Park Lane
Addison, TX 75001-4904
(H) 972-490-8517
Term Expires: 05-25-2010 3rd Term
Appointed by: MELLOW

EXPIRED

Roy Stockard

14853 Oaks North Place
Dallas, TX 75254-7634
(H) 972-490-9704
Term Expires: 05-27-2010 1st Term
Appointed by: MELLOW

EXPIRED

STAFF LIAISON

Carmen Moran

Town of Addison
P.O. Box 9010
Addison, TX 75001
972-450-2886

ARTICLE XXIV. BOARD OF ADJUSTMENT*

*Cross references: Administration, ch. 2.

Section 1. Created.

There is hereby created a board of adjustment consisting of five members and four alternate members, each to be appointed by a majority of the city council for a term of two years and removable for cause by the appointing authority. Vacancies shall be filled by the appointment of the original appointing authority of a suitable person to serve a term of two years. Members may not be appointed to serve more than three consecutive terms.

The board is hereby vested with power and authority, in appropriate cases and subject to appropriate conditions and safeguards, to make such exceptions to the terms of this appendix in harmony with its general purpose and intent and in accordance with general or special rules therein contained for the purpose of rendering full justice and equity to the general public. The board may adopt rules to govern its proceedings; provided, however, that such rules are not inconsistent with this appendix. Meetings of the board shall be held at the call of the chairman, who may administer oath and compel the attendance of witnesses. All meetings of the board shall be opened to the public. The board shall keep minutes of its proceedings showing the vote of each member upon each question, or, if absent or failing to vote, indicate such fact, and shall keep records of its examinations and other official actions, all of which shall be immediately filed in the office of the board and shall be of public record.

(Ord. No. 000-006, § 2, 2-8-00)

Section 2. Appeals.

Appeals to the board of adjustment can be taken by any persons aggrieved or by any officer, department, board or department of municipality affected by any decision of the administrative office. Such appeals shall be taken within 15 days' time after the decision has been rendered by the administrative office, by filing with the officer from whom the appeal is taken and with the board of adjustment, a notice of appeal specifying the grounds thereof. The officer from whom the appeal is taken shall forthwith transmit to the board all papers constituting the record upon which the action appealed from was taken. An action appealed from shall stay all proceedings upon the action appealed, unless the officer from whom the appeal is taken certifies to the board of adjustment, after the notice of appeal shall have been filed with him, that by reason of facts, stated in the certificate, a stay would, in his opinion, cause imminent peril to life or property. In such case, proceedings shall not be stayed, otherwise than by a restraining order which may be granted by the board of adjustment or by a court of record or application on notice to the officer from whom the appeal is taken and on due cause shown.

The board of adjustment shall fix a reasonable time for the hearing of an appeal, give the public notice thereof, as well as due notice to the parties in interest and decide the same within a reasonable time. Upon the hearing, any party may appear in person or by attorney or by agent.

Section 3. Powers.

The board of adjustment shall have the following powers:

To hear and decide appeals where it is alleged there is error in any order, requirement, decision, or determination made by an administrative official in the enforcement of this appendix. To hear and decide special exceptions to the terms of the appendix upon which the board is required to pass under this appendix. To authorize upon appeal in special cases, such variances from the terms of the appendix as will not be contrary to the public interest, where, owing to special conditions, the literal enforcement of the provisions of the appendix will result in unnecessary hardship, and so that the spirit of this appendix shall be observed and substantial justice done.

Section 4. Appeals.

In exercising its powers, the board may, in conformity with the provisions of V.T.C.A., Local Government Code ch. 211, revise or reform, wholly or partly, or may modify the order, requirement, decision or determination as ought to be made and shall have all the powers of the officer from whom the appeal is taken.

Section 5. Variance.

The concurring vote of 75 percent of the board shall be necessary to revise any order, requirements, decision or determination of any such administration official, or to decide in favor of the application on any matter upon which it is required to pass under this appendix or to affect any variance in said ordinance.

Section 6. Record of petition.

Any person or persons, jointly or severally, aggrieved by any decision of the board of adjustment or any taxpayer or any officer, department, or board of the municipality may present to a court of record a petition, duly verified, setting forth that such decision is illegal, in whole or in part, specifying the grounds of the illegality. Such petition shall be presented to the court within tendays after the filing of the decision in the office of the board and not thereafter.

Council Agenda Item: #R4

AGENDA CAPTION:

Presentation, discussion and consideration of approval of an ordinance amending the Town's investment policy set forth in Chapter 2, Article IV, Division 3 of the Town's Code of Ordinances.

FINANCIAL IMPACT:

There is no financial impact associated with the approval of the investment policy. We have budgeted \$453,020 in interest earnings for the upcoming fiscal year.

BACKGROUND:

The Public Funds Investment Act (PFIA) requires the Council to annually review and approve an investment policy for the Town. The Town's investment advisor, First Southwest Asset Management (FSAM), has assisted staff with the development and review of the proposed investment policy for FY 2011.

For 2011, staff is recommending that the following changes be made to the policy.

- Revise the Town's policy to indicate that mortgage-backed securities are allowable as collateral with the exception of principal-only and interest-only mortgage-backed securities. This change is made to make the Town's policy clearer.
- Revise the Town's policy to include safekeeping requirements for securities delivered as part of a repurchase agreement. This change is made to provide clearer expectations for the safekeeping of specific securities.

RECOMMENDATION:

Staff recommends approval.

COUNCIL GOALS:

Conduct the Business of the Town in a Fiscally Responsible Manner

ATTACHMENTS:

Description:

[FY 2011 Investment Policy](#)

[Ordinance to Amend Investment Policy](#)

Type:

Exhibit

Exhibit

TOWN OF ADDISON

INVESTMENT POLICY

For

FY 2010-11

Revised and Adopted:
September 28, 2010

**TOWN OF ADDISON, TEXAS
INVESTMENT POLICY**

I.

SCOPE

The Public Funds Investment Act, Chapter 2256, Texas Government Code, prescribes that each Town is to adopt rules governing its investment practices and to define the authority of the investment officer. The following Investment Policy addresses the methods, procedures, and practices which must be exercised to ensure effective and judicious fiscal management of the Town's funds. This Policy shall not apply to the selection, retention or other issues concerning the depositories of the Town's funds in demand and time deposits as provided under Chapter 105 of the Local Government Code.

This Policy shall apply to the investment and management of all funds of the Town under its control, other than those expressly excluded herein or by applicable law or valid agreement. This Policy shall not supersede the restrictions on investment and use applicable to any specific fund and, in the event of any conflict between this Policy and the requirements of any fund subject hereto, the specific requirement applicable to such fund shall be followed as well as all other provisions of this Policy other than those in conflict. The Employees Deferred Compensation Agency Fund is excluded from coverage under this Policy.

This Policy also requires the formal adoption of an "Investment Strategy Statement" that specifically addresses each of the Town's fund groups. Each Investment Strategy Statement will describe its objectives concerning:

- a) suitability of investment type,
- b) preservation and safety of principal,
- c) liquidity,
- d) marketability of each investment,
- e) diversification of the portfolio, and
- f) yield.

In order to make effective use of the Town's resources, all monies shall be pooled into one investment bank account, except for those monies required to be accounted for in other bank accounts as stipulated by applicable laws, bond covenants or contracts. The income derived from this pooled investment account shall be distributed in accordance with the Town's internal procedures.

II.

OBJECTIVES

The Town's principal investment objectives in order of priority are:

1. Conformance with all Federal regulations, State of Texas statutes and other legal requirements including the Town Charter and Town Ordinances, including this Policy.
2. Preservation of capital and the protection of investment principal.
3. Maintenance of sufficient liquidity to meet anticipated disbursement and cash flows.
4. Diversification to avoid incurring unreasonable risks regarding securities owned.
5. Attainment of a market rate of return equal to or higher than the performance measure established from time to time by the Chief Financial Officer of the Town which is commensurate with the acceptable risk and liquidity objectives of this Policy.

III.

DELEGATION OF AUTHORITY

The City Manager appoints the Chief Financial Officer (CFO) and their designee as the “Investment Officers” of the Town. Direct management responsibility for the investment program is delegated by the City Council to the Chief Financial Officer (hereinafter referred to as the “CFO”). The Investment Officers’ authority will at all times be limited by all applicable laws and regulations in effect from time to time and this Policy. The Investment Officers shall exercise the judgment and care, under prevailing circumstances, that a prudent person would exercise in the management of the person’s own affairs. Unless authorized by law, a person may not deposit, withdraw, transfer, or manage in any other manner the funds of the investing entity.

With written approval from the City Manager, the CFO may delegate any phase of the investment management program to any of the Investment Officers. Such approval shall state specifically the functions such person is authorized to perform or that the person is authorized to perform all activities of the CFO under this Policy. The CFO shall obtain and maintain, at the Town’s expense, fidelity bonds for himself and each of his designees in amounts determined adequate by the CFO (which shall not be less than five percent of the amounts subject to this Policy) for each fiscal year as shown by the approved budget. No person may engage in an investment transaction except as provided under the terms of this Policy and the internal procedures established by the CFO. A current list of persons authorized to transact investment business and wire funds on behalf of the Town shall be maintained by the CFO.

The CFO shall develop and maintain written administrative procedures for the operation of the investment program consistent with this Policy. The controls shall be designed to prevent, identify and control losses of public funds arising from deviation from this Policy, fraud, employee error, and misrepresentation by third parties, or imprudent actions by employees and officers of the Town.

In the discretion of the City Council and in any event upon the termination or reassignment of any Investment Officer authorized to conduct transactions for the Town pursuant to this Policy, the authority of such person shall be revoked and such revocation of authority shall be immediately communicated by the CFO orally and in writing to each and every depository, broker/dealer, investment advisor, custodian and other agency or entity with whom the Town has any existing or continuing relationship in the management of its investments.

The CFO and all Investment Officers shall attend at least one training session relating to the treasurer’s or officer’s responsibilities within 12 months after taking office or assuming duties; and attend a training session not less than once every two years and receive not less than 10 hours of training. Such training from an independent source shall be approved or endorsed by the Government Finance Officers Association, Government Finance Officers Association of Texas, Government Treasurers Organization of Texas, Texas Municipal League, or the North Central Texas Council of Governments to include education in investment controls, security risks, strategy risks, market risks, and compliance with the Public Funds Investment Act.

IV.

INVESTMENT ADVISORS

The Town may, in the discretion of the CFO, and the approval of the City Council, appoint one or more Investment Advisors to assist the Town’s financial staff in the management of the Town’s funds. The Investment Advisor must be registered with the Securities and Exchange Commission under the Investment Advisors Act of 1940 and also be registered with the Texas State Securities Board as an Investment Advisor. To be eligible for consideration, an Investment Advisor shall demonstrate to the CFO knowledge of, and experience in, the management of public funds. The CFO will satisfy himself as to the Advisor’s qualifications by all appropriate means, including reference checks with the Advisor’s other clients, the State Securities Board and the Securities and Exchange Commission. An appointed Investment Advisor shall act solely in an advisor and administrative capacity, within the guidelines of this Investment Policy and without any discretionary authority to transact business on behalf of the Town.

Each Investment Advisor, appointed by the Town, shall agree that its investment advice shall at all times be given with the judgment and care, under circumstances then prevailing, which persons paid for their special prudence, discretion and intelligence, in such matters exercise in the management of their client’s affairs, not for speculation by the

client or production of fee income by the advisor or broker but for investment by the client with emphasis on the probable safety of the capital while considering the probable income to be derived.

Appointment of an Investment Advisor shall otherwise be according to the Town's normal purchasing procedures for selecting professional services. Any approved investment advisor may be terminated with the approval of the City Manager, if in the opinion of the CFO, the advisor has not performed adequately. The term of any Investment Advisor contract may not exceed two years. Any renewal or extension of the Investment Advisor contract must be made by the City Council by resolution.

V.

STANDARD OF CARE

As provided for in the Public Funds Investment Act, the standard of care for the Town's investments shall be that such "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."

The overall investment program shall be designed and managed with a degree of professionalism that is worthy of the public trust. The CFO and the Investment Officers shall recognize that the investment activities of the Town are a matter of public record.

The CFO and the Investment Officers, acting in accordance with written procedures and exercising the proper standard of care, shall be relieved of personal responsibility for an individual security's credit risk or market price changes, provided that this Policy and the CFO's procedures were followed. In determining whether the CFO or an Investment Officer has exercised the proper standard of care, all investments over which the individual had responsibility will be considered rather than a single investment.

VI.

AUTHORIZED SECURITIES INVESTMENTS

Subject to any limitations otherwise imposed by applicable law, regulations, bond indentures or other agreements, (including but not limited to Chapter 2256 Texas Government Code, the Public Funds Investment Act), the following securities and deposits are the only ones permitted as investments for the Town's funds:

- a. Direct obligations of the United States government with a maturity not to exceed five (5) years from the date of purchase; U.S. Treasury Bills, U.S. Treasury Notes, U.S. Treasury Bonds, and U.S. Treasury Strips (book entry U.S. Treasury securities whose coupon has been removed).
- b. Debt obligations with a maturity not to exceed five (5) years from the date of purchase issued by, guaranteed by, or for which the credit of any of the following Federal Agencies and Instrumentalities is pledged for payment: Federal National Mortgage Association (FNMA), Federal Home Loan Bank (FHLB), Federal Farm Credit Bank (FFCB), and Federal Home Loan Mortgage Corporation (FHLMC). Mortgage-backed securities may be held as collateral although principal-only and interest-only mortgage-backed securities as well as all types of collateralized mortgage obligations (CMO) and real estate mortgage investment conduits (REMICs) are expressly prohibited.
- c. Bonds or other interest bearing obligations of which the principal and interest are guaranteed by the full faith and credit of the United States government with a stated maturity not to exceed five (5) years from the date of purchase.
- d. Time Certificates of Deposit with a maturity not to exceed three (3) years from the date of purchase, insured by the Federal Deposit Insurance Corporation (FDIC) or its successor, in depository institutions that have a main office or a branch office in the state of Texas which have been approved by the Town in accordance with Section XI of this Investment Policy.

In addition, separate CDs issued by depositories wherever located, bundled together into a single investment with the full amount of principle and interest of each CD federally insured may be purchased through a selected depository institution with its main office or branch office in Texas. This depository shall act as the custodian for the various certificates on behalf of the Town.

e. Prime commercial paper with an original maturity of one hundred eighty (180) days or less which at the time of purchase, is rated at least:

A-1 by Standard & Poor's,
P-1 by Moodys or
F1 by Fitch

(1) At the time of purchase, the commercial paper must be rated by at least two (2) of the above stated ratings agencies at the above stated minimum credit rating.

(2) If more than two (2) of the above stated agencies rates an issuer, all the rating agencies must rate the issuer in accordance with the above stated minimum credit criteria.

(3) If the commercial paper issuer has senior debt* outstanding, the senior debt must be rated by each service that publishes a rating of the issue at least:

A-1 by Moodys,
A+ by Standard and Poor's and
A+ by Fitch

*Senior Debt is defined as the most senior secured or unsecured debt of an issuer with an original maturity exceeding one year.

If the commercial paper issuer is given a "plus (+) rating", the maximum maturity of 270 days or less will be allowed.

f. Eligible Bankers Acceptances with original maturities not exceeding 180 days, issued on domestic banks operating under the banking laws of the United States, whose senior long term debt is rated, at the time of purchase, A-1 or higher by Moodys, A+ by Standard and Poores, or A+ by Fitch.

g. Repurchase agreements with a defined termination date of 90 days or less on U.S. Treasury and Federal Agency securities listed in items "a" and "c" above, collateralized initially at a minimum market value of 102% of the dollar value of the transaction, with the accrued interest accumulated on the collateral included in the calculation.

If the market value of the collateral falls below 101 percent the dollar value of the transaction, the collateral will be required to be brought up to the 102 percent initial maintenance level. A Repurchase Agreement is defined as a simultaneous agreement to buy, hold for 90 days or less, and then sell back an obligation described in item (g) above, the principal and interest of which are guaranteed by the United States.

Repurchase Agreements shall be entered into only with dealers who: 1) are recognized as primary reporting dealers with the Market Reports Division of the Federal Reserve Board of New York; and 2) have an executed, Town approved Master Repurchase Agreement. Collateral (purchased securities) shall be held by the Town's custodian bank as safekeeping agent and the market value of the collateral securities shall be marked-to-the market daily based on the bid price for the previous day as reported in the Wall Street Journal.

For the purpose of item "g" of this section, the term "collateral" shall mean "purchased securities" under the terms of the Town approved Master Repurchase Agreement. Collateral bearing no coupon will have a maturity not to exceed five (5) years. All other eligible collateral shall have a maturity limit of 10 years.

The term repurchase agreements include reverse repurchase agreements. The term of a reverse repurchase agreement shall not exceed 90 days and any investments acquired with the proceeds from the reverse repurchase agreement shall not exceed the term of that agreement.

h. Money Market Funds meeting each of the following criteria:

- (1) Registered with and regulated by the Securities and Exchange Commission;
- (2) Has provided the Town with a prospectus and other information required by the Securities Exchange Act of 1934 or the Investment Company Act of 1940.
- (3) No commission fee shall be charged on purchases or sales of shares;
- (4) Have an objective of maintaining a constant daily net asset value of \$1.00 per share;
- (5) Limit assets of the fund to those securities listed in paragraphs “a”, “b”, “c” and “g” above; and
- (6) Have a maximum stated maturity of 13 months and dollar weighted average portfolio maturity of not more than ninety (90) days. A list of Town approved Money Market Funds shall be kept by the CFO.

i. State investment pools organized under the Interlocal Cooperation Act that meet the requirements of Chapter 2256 Texas Government Code and have been specifically approved by the CFO and authorized by the City Council.

j. Local investment pools organized under the Interlocal Cooperation Act that meet the requirements of Chapter 2256 Texas Government Code and have been specifically approved by the CFO and authorized by the City Council.

k. Direct obligations of the State of Texas or its agencies rated as to investment quality by a nationally recognized investment rating firm not less than A or its equivalent with a maturity not to exceed two (2) years from the date of purchase.

l. Other obligations, the principal of and interest on which are unconditionally guaranteed or insured by the State of Texas or the United States with a maturity not to exceed two (2) years from the date of purchase.

VII.

OTHER INVESTMENT GUIDELINES

The Town seeks active management of its portfolio assets. In the effort of meeting the objectives of this Policy, the Town may from time to time sell securities that it owns in order to better position its portfolio assets. Sales of securities prior to maturity shall be documented and approved by the CFO before such a transaction is consummated. Sales of securities, yielding net proceeds less than 98 percent of the book value of the securities, must be approved in advance and in writing by both the City Manager and the CFO.

Each investment transaction must be based upon competitive quotations received from at least three (3) broker/dealers who have been approved by the Town in accordance with Texas law.

The purchase and sale of all securities shall be on a delivery-versus-payment or payment-versus-delivery basis (i.e. for securities purchases, monies will not be released by the Town’s safekeeping bank until securities are received at the Federal Reserve Bank for further credit to the Town’s safekeeping bank. In the case of securities sales, monies will be received by the Town’s safekeeping bank via the Federal Reserve Bank, as the securities are simultaneously released to the purchaser). In this manner, the Town will always have possession of either its securities or its monies.

An investment that requires a minimum credit rating does not qualify as an AUTHORIZED SECURITIES INVESTMENT during the period the investment does not have the minimum credit rating even if the investment had the

appropriate rating at the time of purchase. The Investment Officers shall take all prudent measures that are consistent with this Policy to liquidate an investment that does not have the minimum rating.

VIII.

PORTFOLIO MATURITIES

Maturities shall be selected which provide for both stability of income and reasonable liquidity.

At all times, the Town shall maintain 10 percent of its total investment portfolio in instruments maturing in 90 days or less. The weighted average maturity of all securities and certificates of deposit in the Town's total investment portfolio at any given time (not including cash or demand deposits) shall not exceed 18 months.

In the case of callable securities, the first "call" date may be used as the "maturity" date for investment purposes in this section if in the opinion of the CFO there is little doubt that the security will be called prior to maturity. At all times the stated final maturity shall be used in portfolio average life calculations and reported as outlined in this Policy.

Investment of bond proceeds shall be invested in the investment types listed in Section VI. "a", "b", "c", "h", "i", and "j" for a period of time not to exceed five (5) years. Additionally, bond proceeds may be invested in a repurchase agreement that exceeds 90 days if reductions are allowed from the agreement without penalty for legitimate bond proceeds expenditures and the final maturity is within the "temporary period" as defined by the Internal Revenue Service (this arrangement is commonly referred to as a "flexible repurchase agreement").

IX.

INVESTMENT LIMITS

It is the policy of the Town to avoid concentration of assets in a specific maturity, a specific issue, or a specific class of securities, with the exception of U.S. Treasury issues listed in Section VI "a." The asset allocation in the portfolio should, however, be flexible depending upon the outlook for the economy and the securities markets.

The Town will not exceed the following maximum limits as a percentage of the total portfolio for each of the categories listed below:

- 20 percent in Money Market Funds as outlined in Section VI "h"
- 30 percent in Certificates of Deposit
- 30 percent in Commercial Paper
- 30 percent in Bankers Acceptances
- 40 percent in Local Government Investment Pools as authorized in Section VI "h" and "j"
- 70 percent in State Government Investment Pools as authorized in Section VI "i"
- 70 percent in Instrumentality securities described in Section VI "b"

In addition to the limitations set forth above the Town's investment in any single money market fund shall never exceed 10 percent of the total assets of the money market fund.

The CFO and investment officers shall evaluate how each security purchased fits into the Town's overall investment strategy.

The amount of investments in U.S. Treasury and Agency Securities and Repurchase Agreements backed by those securities as defined in section VI(a), VI(c) and VI(g), shall at no time be less than 30 percent of the total portfolio. There shall be no maximum limits on these investments.

Bond proceeds shall be exempt from the maximum limitation stated above for State Government Pools, but only for the period of time required to develop a comprehensive draw-down schedule for the project for which the proceeds are intended, the maximum being 60 days, at which time the funds representing bond proceeds must be prudently diversified.

X.

SELECTION OF BROKER/DEALERS

The Town shall maintain a list of approved security broker/dealers maintaining minimum capital of \$10,000,000 and being in business for at least five years. These may include "primary" dealers or regional dealers that qualify under Securities and Exchange Commission (SEC) Rule 15C3-1 (uniform net capital rule). Securities may only be purchased from those authorized institutions and firms identified in the above list.

Broker/dealers and other financial institutions will be selected by the CFO on the basis of expected financial stability, experience in selling fixed income securities to other local governments as well as perceived ability to service the Town's account. Each broker/dealer authorized to conduct business with the Town, shall be required to submit a Broker/Dealer questionnaire as well as updated financial statements. In addition, all firms shall provide a detailed resume of the firm's primary sales representative, appropriate references and wiring instructions. The CFO shall maintain a file on each firm containing the most recent information.

The CFO shall review the quality of service and financial stability of each broker/dealer and financial institution approved under this Section at least annually. Any approved broker/dealer or financial institution may be removed from the list of approved broker/dealers with the approval of the CFO, if in the opinion of the CFO, the firm has not performed adequately or its financial condition is considered inadequate. The City Council shall, at least annually, review, revise, and adopt the list of qualified broker/dealers and financial institutions which are authorized to engage in investment transactions with the Town.

All business organizations eligible to transact investment business with the Town shall be presented a written copy of this Policy. The qualified representative of the business organization seeking to transact investment business with the Town shall execute a written instrument substantially to the effect that the qualified representative has:

- 1) received and thoroughly reviewed this Policy, and
- 2) acknowledged that the business organization has implemented reasonable procedures and controls in an effort to preclude imprudent investment activities with the Town.

The Town shall not enter into an investment transaction with a business organization prior to receiving the written instrument described above. In addition, each Investment Advisor appointed by the Town shall execute the written instrument described above.

If the Council has contracted with a Registered Investment Advisor for the management of its funds, the advisor shall be responsible for performing due diligence on and maintaining a list of broker/dealers with which it shall transact business on behalf of the Town. The advisor shall determine selection criteria. The advisor shall annually present a list of its authorized broker/dealers to the Town for review and likewise shall execute the aforementioned written instrument stating that the advisor has reviewed the Town's investment policy and has implemented reasonable procedures and controls in an effort to preclude imprudent investment activities with the Town. The advisor shall obtain and document competitive bids and offers on all transactions and present these to the Town as part of its standard trade documentation.

XI.

SELECTION OF DEPOSITORIES

Certificates of Deposit (CD) may be placed with banking institutions doing business in the state of Texas which offer competitive and documented interest rates, both at or above interest rates available on government securities to similar maturity dates. All deposits exceeding the current FDIC deposit insurance amount shall be fully collateralized in order to be eligible as Town investments.

In addition to maintaining proper collateral, bank financial positions shall be considered to best assure prudent investment. Relevant criteria shall include capital ratios, liquidity, profitability and asset growth. Information sources for financial data may include www.bankrate.com and the FDIC website at www.fdic.gov. Because the financial condition of banks may change rapidly, primary focus shall be on maintaining adequate levels of collateral to support deposit amounts. If the Town utilizes the services of an investment advisor, the advisor shall assist in the evaluation of both the financial institution and assigned collateral.

XII.

SAFEKEEPING AND CUSTODY

Investment securities purchased for the Town will be delivered by either book entry or physical delivery and shall be held in third-party safekeeping by a Federal Reserve Member financial institution designated as the Town's safekeeping and custodian bank. The Town may designate more than one (1) custodian bank. In no event will the Town's custodial or safekeeping institution also be a counterparty (broker or dealer) to the purchase or sale of those securities. The Town shall execute a written Safekeeping Agreement with each bank prior to utilizing the custodian's safekeeping services. Only a state or national bank located within the State of Texas, may be utilized as a custodian of securities pledged to secure certificates of deposit. The safekeeping agreement must provide that the safekeeping bank will immediately record the receipt of purchased or pledged securities in its books and promptly issue and deliver a signed safekeeping receipt showing the receipt and the identification of the security, as well as the Town's perfected interest.

The CFO shall maintain a list of designated custodian banks and a copy of the Safekeeping Agreement executed with each custodian bank.

The Town must approve release of securities, in writing, prior to their removal from the custodial account. A telephonic facsimile of a written authorization shall be sufficient if the custodian orally confirms receipt of the transmission and an exact copy of the document is retained in the Town's files.

All securities shall be confirmed in the name of the Town and delivered to an approved custodial bank or carried at a Federal Reserve Bank in the name of the Town. The Custodian shall not otherwise deposit purchased or pledged securities. All book entry securities, owned by the Town, shall be evidenced by a safekeeping receipt issued to the Town and signed by the appropriate officer at the custodian bank stating that the securities are held in the Federal Reserve system in a CUSTOMER ACCOUNT naming the Town as the "customer". In addition, the custodian bank will, when requested, furnish a copy of the delivery advice received by the custodian bank from the Federal Reserve Bank.

All certificated securities (those transferred by physical delivery) shall: 1) be held by an approved custodian bank or any correspondent bank in New York City approved by the CFO; and 2) the correspondent bank or the Town's safekeeping bank shall issue a safekeeping receipt to the Town evidencing that the securities are held by the correspondent bank for the Town.

The original safekeeping receipt for each transaction including purchased securities under a repurchase agreement and collateral securing deposits will be forwarded to the CFO or his designee and held in a secured file by the Town.

Securities delivered as part of a repurchase agreement may be held with an independent third-party safekeeping agent, provided that they are fully registered in the Town's name, segregated in account designated in the name of the Town and governed by a fully executed custodial agreement.

XIII.

RECORDKEEPING AND REPORTING

A record shall be maintained of all bids and offerings for securities transactions in order to ensure that the Town receives competitive pricing. All transactions shall be documented by the person authorizing the transaction in a form that shows that person's name, the party instructed to execute the transaction, the date, a description of the transaction and a brief statement of the reason(s) for the transaction.

Each depository institution of the Town's funds and purchased securities shall maintain separate, accurate and complete records relating to all deposits of the Town's funds, the securities pledged to secure such deposits and all transactions relating to the pledged securities. Each approved custodian shall maintain separate, accurate and complete records relating to all securities received on behalf of the Town, whether pledged, purchased or subject to repurchase agreement, as well as all transactions related to such securities. In addition, each depository shall file all reports required by the Texas State Depository Board. Each depository and custodian shall agree to make all the records described in this paragraph available to the CFO's designee and the Town's auditors at any reasonable time.

At least once each quarter, the CFO or investment officers shall verify that all securities owned by the Town or pledged to the Town are held in safekeeping in the Town's custodial bank with proper documentation. At least annually the Town's investment program, including the records of custodians and depositories, shall be audited by independent certified public accountants selected by the City Council. This annual audit shall include a compliance audit of the management controls on investments and adherence to the Town's Investment Policy and strategies.

All broker/dealers, custodians, depositories, and investment advisors shall maintain complete records of all transactions that they conducted on behalf of the Town and shall make those records available for inspection by the CFO or other representatives designated by the City Council or City Manager.

All sales of securities for less than the book value of the security shall be approved by the CFO and reported to the City Council at the next regular meeting. Sales of securities for less than 98 percent of the book value of the securities must be approved by both the City Manager and the CFO.

All contracted Investment Advisors shall report at least monthly on the straight-line book value, the market value of investment holdings, and total investment return and such other information required by the CFO. Unrealized profits or losses in the Town's investment portfolio will be disclosed but will not be used in the calculation of income earned for the month. Contracted Investment Advisors shall postmark their monthly reports to the CFO no later than 15 business days following the close of the reporting month.

An investment report shall be prepared by the CFO within 45 days of the quarter end that:

- a) describes in detail the investment position of the Town,
- b) states the reporting period beginning book and market values, additions or changes to the book and market values during the period and ending book and market values for the period of each pooled fund group,
- c) states the reporting period beginning book and market value and ending book and market value for each investment security by asset type and fund type,
- d) states the maturity date of each investment security,
- e) states the fund for which each investment security was purchased,
- f) states fully accrued interest for the reporting period,
- g) states the compliance of the investment portfolio with the Town's Investment Policy, Investment Strategy Statement and the Public Funds Investment Act,

- h) summarizes quarterly transactions, including a detailed list of the gains and losses recognized, and
- i) explains the total investment return during the previous quarter and compares the portfolio's performance to other benchmarks of performance.

This report will be presented to the City Council and signed by all of the Town's Investment Officers. .

Market valuations of investments shall be provided by the Investment Advisor on a monthly basis. The Investment Advisor shall use independent market pricing sources including, but not limited to, Interactive Data Corporation (IDC) and Bloomberg, to monitor the market price of investments acquired with the Town's funds.

Within 45 days after the end of the Town's fiscal year the CFO shall prepare, sign and deliver to the City Manager and the City Council an annual report on the Town's investment program and investment activity which has also been signed by each officer and employee of the Town authorized to conduct any of the Town's investment activity. The annual report shall include full year and separate monthly comparisons of investment return. Such annual report shall include an analysis of the compliance with this Policy as well as changes in applicable laws and regulations during the previous year and may include any other items of significance related to the investment program.

If the Town places funds in any investment other than registered investment pools or accounts offered by its depository bank, the above reports shall be formally reviewed at least annually by an independent auditor, and the result of the review shall be reported to the City Council.

XIV.

ETHICS AND CONFLICTS OF INTEREST

Officers and employees of the Town involved in the investment process shall refrain from personal business activity that involves any of the Town's approved custodians, depositories, broker/dealers, or investment advisors and shall refrain from investing in any security issue held by the Town. Employees and officers shall not utilize investment advice concerning specific securities or classes of securities obtained in the transaction of the Town's business for personal investment decisions, shall in all respects subordinate their personal investment transactions to those of the Town particularly with regard to the timing of purchases and sales and shall keep confidential all investment advice obtained on behalf of the Town, and all transactions contemplated and completed by the Town, except when disclosure is required by law.

All Investment Officers of the Town shall file with the Texas Ethics Commission and the City Council a statement disclosing any personal business relationship with business organization seeking to sell investments to the Town or any relationship within the second degree by affinity or consanguinity to an individual seeking to sell investments to the Town.

XV.

COLLATERAL REQUIREMENTS

Any deposits exceeding FDIC insurance limits shall be fully collateralized by securities listed in items "a" and "b" below, and the collateral shall be held by a third party custodian bank approved by the Town.

- a. Direct obligations of the United States government; U.S. Treasury Bills, U.S. Treasury Notes, U.S. Treasury Bonds, and U.S. Treasury Strips (book entry U.S. Treasury securities whose coupon has been removed).
- b. Debt obligations issued by, guaranteed by, or for which the credit of any of the following Federal Agencies and Instrumentalities is pledged for payment: Government National Mortgage Association (GNMA), Federal National Mortgage Association (FNMA), Federal Home Loan Bank (FHLB), Federal Farm Credit Bank (FFCB), and Federal Home Loan Mortgage Corporation (FHLMC). Mortgage-backed securities are eligible as collateral, but principal-only and interest-only mortgage-backed securities and collateralized mortgage obligations (CMOs) and real estate mortgage investment conduits (REMICs) are expressly prohibited.

Consistent with the requirements of State law, the Town requires all bank and savings bank deposits to be federally insured or collateralized with eligible securities. Financial institutions serving as Town depositories will be required to sign a Security Agreement with the Town and the Town's custodian. The agreement shall define the Town's rights to the collateral in case of default, bankruptcy, or closing and shall establish a perfected security interest in compliance with Federal and State regulations, including:

- a. the Agreement must be in writing;
- b. the Agreement has to be executed by the Depository and the Town contemporaneously with the acquisition of the asset;
- c. the Agreement must be approved by the Board of Directors or the loan committee of the Depository and a copy of the meeting minutes must be delivered to the Town;
- d. the Agreement must be part of the Depository's "official record" continuously since its execution.

XVI.

POLICY REVISIONS

The Investment Policy and Investment Strategy Statements will be reviewed at least annually by the CFO and the City Council and may be amended as conditions warrant by the City Council.

TOWN OF ADDISON, TEXAS

ORDINANCE NO. _____

AN ORDINANCE OF THE TOWN OF ADDISON, TEXAS AMENDING CHAPTER 2 (ADMINISTRATION), ARTICLE IV (FINANCE), DIVISION 3 (INVESTMENT POLICY) AS SET FORTH HEREIN; PROVIDING A SAVINGS CLAUSE; PROVIDING A SEVERABILITY CLAUSE; PROVIDING AN EFFECTIVE DATE.

WHEREAS, in accordance with State law the City Council of the Town of Addison, Texas (the “City”) has heretofore adopted an investment policy regarding the investment of its funds and funds under its control; and

WHEREAS, the said investment policy is set forth in Division 3, Article IV, Chapter 2 of the City’s Code of Ordinances; and

WHEREAS, the City Council has reviewed the said investment policy and desires to amend the same as set forth herein.

NOW, THEREFORE, BE IT ORDAINED BY THE CITY COUNCIL OF THE TOWN OF ADDISON, TEXAS:

Section 1. Incorporation of Premises. The above and foregoing premises are true and correct and are incorporated herein and made a part hereof for all purposes.

Section 2. Amendment. Chapter 2 (Administration) of the Code of Ordinances (the “Code”) of the Town of Addison, Texas (the “City”) is hereby amended in the following particulars, and all other chapters, articles, sections, subsections, paragraphs, phrases, and words are not amended but are ratified and confirmed:

A. Division 3 (Investment Policy) of Article IV (Finance) of Chapter 2 of the Code is amended as follows (additions are underlined; deletions are ~~struck through~~):

Sec. 2-201. Revisions.

This division and investment strategy statements will be reviewed at least annually by the chief financial officer and the city council and may be amended as conditions warrant by the city council.

Sec. 2-202. Scope.

(a) The Public Funds Investment Act (V.T.C.A., Government Code ch. 2256) prescribes that each town is to adopt rules governing its investment practices and to define the authority of the investment officer. The following provisions of this division address the methods, procedures, and practices which must be exercised to ensure effective and judicious fiscal management of the town's funds. This division shall not

apply to the selection, retention or other issues concerning the depositories of the town's funds in demand and time deposits as provided under V.T.C.A., Local Government Code ch. 105.

(b) This division shall apply to the investment and management of all funds of the town under its control, other than those expressly excluded herein or by applicable law or valid agreement. This division shall not supersede the restrictions on investment and use applicable to any specific fund and, in the event of any conflict between this division and the requirements of any fund subject to this division, the specific requirement applicable to such fund shall be followed as well as all other provisions of this division other than those in conflict. The employees deferred compensation agency fund is excluded from coverage under this policy.

(c) This division also requires the formal adoption of an "investment strategy statement" that specifically addresses each of the town's fund groups. Each investment strategy statement will describe its objectives concerning:

- (1) Suitability of investment type;
- (2) Preservation and safety of principal;
- (3) Liquidity;
- (4) Marketability of each investment;
- (5) Diversification of the portfolio; and
- (6) Yield.

(d) In order to make effective use of the town's resources, all monies shall be pooled into one investment bank account, except for those monies required to be accounted for in other bank accounts as stipulated by applicable laws, bond covenants or contracts. The income derived from this pooled investment account shall be distributed in accordance with the town's internal procedures.

Sec. 2-203. Objectives.

The town's principal investment objectives in order of priority are:

- (1) Conformance with all federal regulations, state statutes and other legal requirements including the town Charter and town ordinances, including this division.
- (2) Preservation of capital and the protection of investment principal.
- (3) Maintenance of sufficient liquidity to meet anticipated disbursements and cash flows.

(4) Diversification to avoid incurring unreasonable risks regarding securities owned.

(5) Attainment of a market rate of return equal to or higher than the performance measure established from time to time by the chief financial officer of the town which is commensurate with the acceptable risk and liquidity objectives of this policy.

Sec. 2-204. Delegation of authority.

(a) The city manager appoints the chief financial officer and the chief financial officers' designee as the "investment officers" of the town. Direct management responsibility for the investment program is delegated by the city council to the chief financial officer (hereinafter referred to as the "CFO"). The investment officers' authority will at all times be limited by all applicable laws and regulations in effect from time to time and this policy. The investment officers shall exercise the judgment and care, under prevailing circumstances, that a prudent person would exercise in the management of the person's own affairs. Unless authorized by law, a person may not deposit, withdraw, transfer, or manage in any other manner the funds of the investing entity.

(b) With written approval from the city manager, the CFO may delegate any phase of the investment management program to any of the investment officers. Such approval shall state specifically the functions such person is authorized to perform or that the person is authorized to perform all activities of the CFO under this division. The CFO shall obtain and maintain, at the town's expense, fidelity bonds for the CFO and each of the CFO's designees in amounts determined adequate by the CFO (which shall not be less than five percent of the amounts subject to this policy) for each fiscal year as shown by the approved budget. No person may engage in an investment transaction except as provided under the terms of this division and the internal procedures established by the CFO. A current list of persons authorized to transact investment business and wire funds on behalf of the town shall be maintained by the CFO.

(c) The CFO shall develop and maintain written administrative procedures for the operation of the investment program consistent with this policy. The controls shall be designed to prevent, identify and control losses of public funds arising from deviation from this policy, fraud, employee error, misrepresentation by third parties, or imprudent actions by employees and officers of the town.

(d) In the discretion of the city council and in any event upon the termination or reassignment of any investment officer authorized to conduct transactions for the town pursuant to this division, the authority of such person shall be revoked and such revocation of authority shall be immediately communicated by the CFO orally and in writing to each and every depository, broker/dealer, investment advisor, custodian and other agency or entity with whom the town has any existing or continuing relationship in the management of its investments.

(e) The CFO and all investment officers shall attend at least one training session relating to the treasurer's or officer's responsibilities within twelve (12) months after taking office or assuming duties; and attend a training session not less than once every two years and receive not less than ten (10) hours of training. Such training from an independent source shall be approved or endorsed by either Government Finance Officers Association, Government Finance Officers Association of Texas, Government Treasurers Organization of Texas, Texas Municipal League, or the North Central Texas Council of Governments to include education in investment controls, security risks, strategy risks, market risks, and compliance with the Public Funds Investment Act (V.T.C.A., Government Code ch. 2256).

Sec. 2-205. Investment advisors.

(a) The town may, in the discretion of the CFO, and with the approval of the town council, appoint one or more investment advisors to assist the town's financial staff in the management of the town's funds. The investment advisor must be registered with the Securities and Exchange Commission under the Investment Advisors Act of 1940 and also be registered with the Texas state securities board as an investment advisor. To be eligible for consideration, an investment advisor shall demonstrate to the CFO knowledge of, and experience in, the management of public funds. The CFO will satisfy himself as to the advisor's qualifications by all appropriate means, including reference checks with the advisor's other clients, the state securities board and the Securities and Exchange Commission. An appointed investment advisor shall act solely in an advisory and administrative capacity, within the guidelines of this division, and without any discretionary authority to transact business on behalf of the town.

(b) Each investment advisor appointed by the town shall agree that its investment advice shall at all times be given with the judgment and care, under circumstances then prevailing, which persons paid for their special prudence, discretion and intelligence, in such matters exercise in the management of their client's affairs, not for speculation by the client or production of fee income by the advisor or broker, but for investment by the client with emphasis on the probable safety of the capital while considering the probable income to be derived.

(c) Appointment of an investment advisor shall otherwise be according to the town's normal purchasing procedures for selecting professional services. Any approved investment advisor may be terminated with the approval of the city manager if in the opinion of the CFO the advisor has not performed adequately. The term of any investment advisor contract may not exceed two years. Any renewal or extension of an investment advisor contract must be made by the city council by resolution.

Sec. 2-206. Standard of care.

(a) As provided for in the V.T.C.A., Government Code § 2256.006(a), the standard of care for the town's investments shall be that such "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."

(b) The overall investment program shall be designed and managed with a degree of professionalism that is worthy of the public trust. The CFO and the investment officers shall recognize that the investment activities of the town are a matter of public record.

(c) The CFO and the investment officers, acting in accordance with written procedures and exercising the proper standard of care, shall be relieved of personal responsibility for an individual security's credit risk or market price changes, provided that this division and the CFO's procedures were followed. In determining whether the CFO or an investment officer has exercised the proper standard of care, all investments over which the individual had responsibility will be considered rather than a single investment.

Sec. 2-207. Authorized securities investments.

Subject to any limitations otherwise imposed by applicable law, regulations, bond indentures or other agreements, (including, but not limited to, V.T.C.A., Government Code ch. 2256), the following securities and deposits are the only ones permitted as investments for the town's funds:

(1) Direct obligations of the United States government with a maturity not to exceed five (5) years from the date of purchase; U.S. Treasury Bills, U.S. Treasury Notes, U.S. Treasury Bonds, and U.S. Treasury Strips (book entry U.S. Treasury securities whose coupon has been removed).

(2) Debt obligations with a maturity not to exceed five (5) years from the date of purchase issued by, guaranteed by, or for which the credit of any of the following federal agencies and instrumentalities is pledged for payment: Federal National Mortgage Association (FNMA), Federal Home Loan Bank (FHLB), Federal Farm Credit Bank (FFCB), and Federal Home Loan Mortgage Corporation (FHLMC). Mortgage-backed securities may be held as collateral although principal-only and interest-only mortgage-backed securities as well as all types of collateralized mortgage obligations (CMO) and real estate mortgage investment conduits (REMICs) are expressly prohibited.

(3) Bonds or other interest bearing obligations of which the principal and interest are guaranteed by the full faith and credit of the United States government with a stated maturity not to exceed five years from the date of purchase.

(4) Time certificates of deposit with a maturity not to exceed three (3) years from the date of purchase, insured by the Federal Deposit Insurance Corporation (FDIC) or its successor, in depository institutions that have a main office or a branch office in the State of Texas which have been approved by the town in accordance with section XI of this investment policy.

In addition, separate CDs issued by depositories wherever located, bundled together into a single investment with the full amount of principle and interest of each CD federally insured may be purchased through a selected depository institution with its main office or branch office in Texas. This depository shall act as the custodian for the various certificates on behalf of the town.

(5) Prime commercial paper with an original maturity of one hundred eighty (180) days or less which at the time of purchase, is rated at least: A-1 by Standard & Poors, P-1 by Moodys, or F1 by Fitch.

a. At the time of purchase, the commercial paper must be rated by at least two (2) of the above stated ratings agencies at the above stated minimum credit rating.

b. If more than two (2) of the above stated agencies rates and issuer, all the rating agencies must rate the issuer in accordance with the above stated minimum credit criteria.

c. If the commercial paper issuer has senior debt* outstanding, the senior debt must be rated by each service that publishes a rating of the issue at least: A-1 by Moodys, A+ by Standard & Poors, and A+ by Fitch.

* Senior Debt is defined as the most senior secured or unsecured debt of an issuer with an original maturity exceeding one year.

If the commercial paper issuer is given a "plus (+) rating", the maximum maturity of two hundred seventy (270) days or less will be allowed.

(6) Eligible bankers acceptances with original maturities not exceeding one hundred eighty (180) days, issued on domestic banks operating under the banking laws of the United States, whose senior long term debt is rated, at the time of purchase, A-1 or higher by Moodys, A+ by Standard and Poors, or A+ by Fitch.

(7) Repurchase agreements with a defined termination date of ninety (90) days or less on U.S. Treasury and federal agency securities listed in subsections (1) and (3) of this section, collateralized initially at a minimum market value of one hundred two percent (102%) of the dollar value of the transaction, with the accrued interest accumulated on the collateral included in the calculation. If the market value of the collateral falls below one hundred one percent (101%) of the dollar value of the transaction, the collateral will be required to be brought up to the one hundred two percent (102%) initial maintenance level. A repurchase agreement is defined as a simultaneous agreement to buy, hold for ninety (90) days or less, and then sell back an obligation described in this subsection (7), the principal and interest of which are guaranteed by the United States. Repurchase agreements shall be entered into only with dealers who:

- a. Are recognized as primary reporting dealers with the Market Reports Division of the Federal Reserve Board of New York; and
- b. Have an executed, town approved master repurchase agreement. Collateral (purchased securities) shall be held by the town's custodian bank as safekeeping agent, and the market value of the collateral securities shall be marked-to-the-market daily based on the bid price for the previous day as reported in the Wall Street Journal.

For the purpose of this subsection (7) the term "collateral" shall mean "purchased securities" under the terms of the town approved master repurchase agreement. Collateral bearing no coupon will have a maturity not to exceed five (5) years. All other eligible collateral shall have a maturity limit of ten (10) years. The term "repurchase agreements" includes reverse repurchase agreements. The term of a reverse repurchase agreement shall not exceed ninety (90) days and any investments acquired with the proceeds from the reverse repurchase agreement shall not exceed the term of that agreement.

(8) Money market funds meeting each of the following criteria:

- a. Registered with and regulated by the Securities and Exchange Commission;
- b. Has provided the town with a prospectus and other information required by the Securities Exchange Act of 1934 or the Investment Company Act of 1940;
- c. No commission fee shall be charged on purchases or sales of shares;
- d. Have an objective of maintaining a constant daily net asset value of \$1.00 per share;
- e. Limit assets of the fund to those securities listed in subsections (1), (2), (3) and (7) of this section; and
- f. Have a maximum stated maturity of thirteen (13) months and dollar-weighted average portfolio maturity of not more than ninety (90) days. A list of town-approved money market funds shall be kept by the CFO.

(9) State investment pools organized under the Interlocal Cooperation Act (V.T.C.A., Government Code ch. 791) that meet the requirements of V.T.C.A., Government Code ch. 2256, and have been specifically approved by the CFO and authorized by the city council.

(10) Local investment pools organized under the Interlocal Cooperation Act (V.T.C.A., Government Code ch. 791) that meet the requirements of V.T.C.A., Government Code ch. 2256, and have been specifically approved by the CFO and authorized by the city council.

(11) Direct obligations of the state or its agencies rated as to investment quality by a nationally recognized investment rating firm not less than A or its equivalent with a maturity not to exceed two (2) years from the date of purchase.

(12) Other obligations, the principal of and interest on which are unconditionally guaranteed or insured by the state or the United States with a maturity not to exceed two (2) years from the date of purchase.

Sec. 2-208. Other investment guidelines.

(a) The town seeks active management of its portfolio assets. In the effort of meeting the objectives of this policy, the town may, from time to time, sell securities that it owns in order to better position its portfolio assets. Sales of securities prior to maturity shall be documented and approved by the CFO before such a transaction is consummated. Sales of securities yielding net proceeds less than ninety-eight percent (98%) of the book value of the securities must be approved in advance and in writing by both the city manager and the CFO.

(b) Each investment transaction must be based upon competitive quotations received from at least three (3) broker/dealers who have been approved by the town in accordance with state law.

(c) The purchase and sale of all securities shall be on a delivery-versus-payment or payment-versus-delivery basis (i.e., for securities purchases, monies will not be released by the town's safekeeping bank until securities are received at the Federal Reserve Bank for further credit to the town's safekeeping bank. In the case of securities sales, monies will be received by the town's safekeeping bank via the Federal Reserve Bank as the securities are simultaneously released to the purchaser). In this manner, the town will always have possession of either its securities or its monies.

(d) An investment that requires a minimum credit rating does not qualify as an authorized securities investment during the period the investment does not have the minimum credit rating even if the investment had the appropriate rating at the time of purchase. The investment officers shall take all prudent measures that are consistent with this division to liquidate an investment that does not have the minimum rating.

Sec. 2-209. Portfolio maturities.

(a) Maturities shall be selected which provide for both stability of income and reasonable liquidity.

(b) At all times the town shall maintain ten percent (10%) of its total investment portfolio in instruments maturing in ninety (90) days or less. The weighted average maturity of all securities and certificates of deposit in the town's total investment portfolio at any given time (not including cash or demand deposits) shall not exceed one and one-half (1 ½) years.

(c) In the case of callable securities, the first "call" date may be used as the "maturity" date for investment purposes in this section if, in the opinion of the CFO, there is little doubt that the security will be called prior to maturity. At all times the stated final maturity shall be used in portfolio average life calculations and reported as outlined in this division.

(d) Investment of bond proceeds shall be invested in the investment types listed in section 2-207(1) through (3) and (8) through (10) of this Chapter 2 for a period of time not to exceed five (5) years. Additionally, bond proceeds may be invested in a repurchase agreement that exceeds ninety (90) days if reductions are allowed from the agreement without penalty for legitimate bond proceed expenditures and the final maturity is within the "temporary period" as defined by the Internal Revenue Service (this arrangement is commonly referred to as a "flexible repurchase agreement").

Sec. 2-210. Investment limits.

(a) It is the policy of the town to avoid concentration of assets in a specific maturity, a specific issue, or a specific class of securities, with the exception of U.S. Treasury issues listed in subsection 2-66(1). The asset allocation in the portfolio should, however, be flexible depending upon the outlook for the economy and the securities markets.

(b) The town will not exceed the following maximum limits as a percentage of the total portfolio for each of the categories listed below:

TABLE INSET:

Categories	Percentage
Money market funds as outlined in subsection 2-207(8)	20
Certificates of deposit	30
Commercial paper	30
Bankers' acceptances	30
Local government investment pools as authorized in subsection 2-207(8) and (10)	40
State government investment pools as authorized in subsection 2-207(9)	70
Instrumentality securities described in subsection 2-207(2)	70

(c) In addition to the limitations set forth aboe, the town's investment in any single money market fund shall never exceed ten percent (10%) of the total assets of the money market fund.

(d) The CFO and investment officers shall evaluate how each security purchased fits into the town's overall investment strategy.

(e) The amount of investments in U.S. Treasury and Agency Securities and Repurchase Agreements backed by those securities, as defined in subsections 2-66(1), (3) and (7), shall at no time be less than thirty percent (30%) of the total portfolio. There shall be no maximum limits on these investments.

(f) Bond proceeds shall be exempt from the maximum limitation stated above for state government investment pools, but only for the period of time required to develop a comprehensive draw-down schedule for the project for which the proceeds are intended, the maximum being sixty (60) days, at which time the funds representing bond proceeds must be prudently diversified

Sec. 2-211. Selection of brokers/dealers.

(a) The town shall maintain a list of approved security broker/dealers maintaining minimum capital of \$10,000,000 and being in business for at least five years. These may include "primary" dealers or regional dealers that qualify under Securities and Exchange Commission (SEC) Rule 15C3-1 (uniform net capital rule). Securities may only be purchased from those authorized institutions and firms identified in the above list.

(b) Broker/dealers and other financial institutions will be selected by the CFO on the basis of their expected financial stability, experience in selling fixed income securities to other local governments as well as perceived ability to service the town's account. Each broker/dealer authorized to conduct business with the town shall be required to submit to the town a broker/dealer questionnaire as well as updated financial statements. In addition, all firms shall provide a detailed resume of the firm's primary sales representative, appropriate references and wiring instructions. The CFO shall maintain a file on each firm containing the most recent information.

(c) The CFO shall review the quality of service and financial stability of each broker/dealer and financial institution approved under this section at least annually. Any approved broker/dealer or financial institution may be removed from the list of approved broker/dealers with the approval of the CFO if, in the opinion of the CFO, the firm has not performed adequately or its financial condition is considered inadequate. The city council shall, at least annually, review, revise and adopt the list of qualified broker/dealers and financial institutions which are authorized to engage in investment transactions with the town.

(d) All business organizations eligible to transact investment business with the town shall be presented a written copy of this policy. The qualified representative of the

business organization seeking to transact investment business with the town shall execute a written instrument substantially to the effect that the qualified representative has:

- (1) Received and thoroughly reviewed this policy, and
 - (2) Acknowledged that the business organization has implemented reasonable procedures and controls in an effort to preclude imprudent investment activities with the town.
- (e) The town shall not enter into an investment transaction with a business organization prior to receiving the written instrument described above. In addition, each investment advisor appointed by the town shall execute the written instrument described above.
- (f) If the council has contracted with a registered investment advisor for the management of its funds, the advisor shall be responsible for performing due diligence on and maintaining a list of broker/dealers with which it shall transact business on behalf of the town. The advisor shall determine selection criteria. The advisor shall annually present a list of its authorized broker/dealers to the town for review and likewise shall execute the aforementioned written instrument stating that the advisor has reviewed the town's investment policy and has implemented reasonable procedures and controls in an effort to preclude imprudent investment activities with the town. The advisor shall obtain and document competitive bids and offers on all transactions and present these to the town as part of its standard trade documentation.

Sec. 2-212. Selection of depositories.

- (a) Certificates of Deposit (CD) may be placed with banking institutions doing business in the state of Texas which offer competitive and documented interest rates, both at or above interest rates available on government securities to similar maturity dates. All deposits exceeding the current FDIC deposit insurance amount shall be fully collateralized in order to be eligible as Town investments.
- (b) In addition to maintaining proper collateral, bank financial positions shall be considered to best assure prudent investment. Relevant criteria shall include capital ratios, liquidity, profitability and asset growth. Information sources for financial data may include www.bankrate.com and the FDIC website at www.fdic.gov. Because the financial condition of banks may change rapidly, primary focus shall be on maintaining adequate levels of collateral to support deposit amounts. If the Town utilizes the services of an investment advisor, the advisor shall assist in the evaluation of both the financial institution and assigned collateral.

Sec. 2-213. Safekeeping and custody.

- (a) Investment securities purchased for the town will be delivered by either book entry or physical delivery and shall be held in third-party safekeeping by a Federal Reserve member financial institution designated as the town's safekeeping and custodian

bank. The town may designate more than one (1) custodian bank. In no event will the town's custodial or safekeeping institution also be a counterparty (broker or dealer) to the purchase or sale of those securities. The town shall execute a written safekeeping agreement with each bank prior to utilizing the custodian's safekeeping services. Only a state or national bank located within the state may be utilized as a custodian of securities pledged to secure certificates of deposit. The safekeeping agreement must provide that the safekeeping bank will immediately record the receipt of purchased or pledged securities in its books and promptly issue and deliver a signed safekeeping receipt showing the receipt and the identification of the security, as well as the town's perfected interest.

(b) The CFO shall maintain a list of designated custodian banks and a copy of the safekeeping agreement executed with each custodian bank.

(c) The town must approve release of securities, in writing, prior to their removal from the custodial account. A telephonic facsimile of a written authorization shall be sufficient if the custodian orally confirms receipt of the transmission and an exact copy of the document is retained in the town's files.

(d) All securities shall be confirmed in the name of the town and delivered to an approved custodial bank or carried at a Federal Reserve Bank in the name of the town. The custodian shall not otherwise deposit purchased or pledged securities. All book entry securities owned by the town shall be evidenced by a safekeeping receipt issued to the town and signed by the appropriate officer at the custodian bank stating that the securities are held in the Federal Reserve system in a customer account naming the town as the "customer." In addition, the custodian bank will, when requested, furnish a copy of the delivery advice received by the custodian bank from the Federal Reserve Bank.

(e) All certificated securities (those transferred by physical delivery) shall:

(1) Be held by an approved custodian bank or any correspondent bank in New York City approved by the CFO; and

(2) The correspondent bank or the town's safekeeping bank shall issue a safekeeping receipt to the town evidencing that the securities are held by the correspondent bank for the town.

(f) The original safekeeping receipt for each transaction including purchased securities under a repurchase agreement and collateral securing deposits will be forwarded to the CFO or his designee and held in a secured file by the town.

(g) Securities delivered as part of a repurchase agreement may be held with an independent third-party safekeeping agent, provided that they are fully registered in the Town's name, segregated in account designated in the name of the Town and governed by a fully executed custodial agreement.

Sec. 2-214. Recordkeeping and reporting.

(a) A record shall be maintained of all bids and offerings for securities transactions in order to ensure that the town receives competitive pricing. All transactions shall be documented by the person authorizing the transaction in a form that shows that person's name, the party instructed to execute the transaction, the date, a description of the transaction and a brief statement of the reason for the transaction.

(b) Each depository institution of the town's funds and purchased securities shall maintain separate, accurate and complete records relating to all deposits of the town's funds, the securities pledged to secure such deposits and all transactions relating to the pledged securities. Each approved custodian shall maintain separate, accurate and complete records relating to all securities received on behalf of the town, whether pledged, purchased or subject to repurchase agreement, as well as all transactions related to such securities. In addition, each depository shall file all reports required by the Texas state depository board. Each depository and custodian shall agree to make all the records described in this subsection available to the CFO's designee and the town's auditors at any reasonable time.

(c) At least once each quarter, the CFO shall verify that all securities owned by the town or pledged to the town are held in safekeeping in the town's custodial bank with proper documentation. At least annually the town's investment program, including the records of custodians and depositories, shall be audited by independent certified public accountants selected by the city council. This annual audit shall include a compliance audit of the management controls on investments and adherence to the town's investment policy and strategies.

(d) All broker/dealers, custodians, depositories and investment advisors shall maintain complete records of all transactions that they conducted on behalf of the town and shall make those records available for inspection by the CFO or other representatives designated by the city council or city manager.

(e) All sales of securities for less than the book value of the security shall be approved by the CFO and reported to the city council at the next regular meeting. Sales of securities for less than ninety eight percent (98%) of the book value of the securities must be approved by both the city manager and the CFO.

(f) All contracted investment advisors shall report at least monthly on the straight-line book value, the market value of investment holdings, and total investment return and such other information required by the CFO. Unrealized profits or losses in the town's investment portfolio will be disclosed but will not be used in the calculation of income earned for the month. Contracted investment advisors shall postmark their monthly reports to the CFO no later than fifteen (15) business days following the close of the reporting month.

(g) An investment report shall be prepared by the CFO within forty-five (45) days of the quarter end that:

- (1) Describes in detail the investment position of the town;
- (2) States the reporting period beginning book and market values, additions or changes to the book and market values during the period and ending book and market values for the period of each pooled fund group;
- (3) States the reporting period beginning book and market value and ending book and market value for each investment security by asset type and fund type;
- (4) States the maturity date of each investment security;
- (5) States the fund for which each investment security was purchased;
- (6) States fully accrued interest for the reporting period;
- (7) States the compliance of the investment portfolio with the town's investment policy, investment strategy statement and the Public Funds Investment Act (V.T.C.A., Government Code ch. 2256);
- (8) Summarizes quarterly transactions, including a detailed list of the gains and losses recognized; and
- (9) Explains the total investment return during the previous quarter and compares the portfolio's performance to other benchmarks of performance.

This report will be presented to the city council and signed by all of the town's investment officers.

(h) Market valuations of investments shall be provided by the investment advisor on a monthly basis. The investment advisor shall use independent market pricing sources including, but not limited to, Interactive Data Corporation (IDC) and Bloomberg, to monitor the market price of investments acquired with the town's funds.

(i) Within forty-five (45) days after the end of the town's fiscal year, the CFO shall prepare, sign and deliver to the city manager and the city council an annual report on the town's investment program and investment activity which has also been signed by each officer and employee of the town authorized to conduct any of the town's investment activity. The annual report shall include full year and separate monthly comparisons of investment return. Such annual report shall include an analysis of the compliance with this article as well as changes in applicable laws and regulations during the previous year and may include any other items of significance related to the investment program.

(j) If the town places funds in any investment other than registered investment pools or accounts offered by its depository bank, the above reports shall be formally reviewed at least annually by an independent auditor, and the result of the review shall be reported to the city council.

Sec. 2-215. Ethics and conflicts of interest.

(a) Officers and employees of the town involved in the investment process shall refrain from personal business activity that involves any of the town's approved custodians, depositories, broker/dealers, or investment advisors and shall refrain from investing in any security issue held by the town. Employees and officers shall not utilize investment advice concerning specific securities or classes of securities obtained in the transaction of the town's business for personal investment decisions, shall, in all respects, subordinate their personal investment transactions to those of the town, particularly with regard to the timing of purchases and sales and shall keep confidential all investment advice obtained on behalf of the town and all transactions contemplated and completed by the town, except when disclosure is required by law.

(b) All investment officers of the town shall file with the Texas state ethics commission and the city council a statement disclosing any personal business relationship with a business organization seeking to sell investments to the town or any relationship within the second degree by affinity or consanguinity to an individual seeking to sell investments to the town.

Sec. 2-216. Collateral requirements.

Any deposits exceeding FDIC insurance limits shall be fully collateralized by securities listed in items "a" and "b" below, and the collateral shall be held by a third party custodian bank approved by the Town.

a. Direct obligations of the United States Government; U.S. Treasury Bills, U.S. Treasury Notes, U.S. Treasury Bonds, and U.S. Treasury Strips (book entry U.S. Treasury securities whose coupon has been removed).

b. Debt obligations issued by, guaranteed by, or for which the credit of any of the following Federal Agencies and Instrumentalities is pledged for payment: Government National Mortgage Association (GNMA), Federal National Mortgage Association (FNMA), Federal Home Loan Bank (FHLB), Federal Farm Credit Bank (FFCB), and Federal Home Loan Mortgage Corporation (FHLMC). Mortgage-backed securities are eligible as collateral, but principal-only and interest-only mortgage-backed securities and collateralized mortgage obligations (CMOs) and real estate mortgage investment conduits (REMICs) are expressly prohibited.

Consistent with the requirements of state law, the town requires all bank and savings bank deposits to be federally insured or collateralized with eligible securities. Financial institutions serving as town depositories will be required to sign a security agreement with the town and the town's custodian. The agreement shall define the town's rights to the collateral in case of default, bankruptcy, or closing and shall establish a perfected security interest in compliance with federal and state regulations, including:

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

Sec. 2-217. Policy revisions.

The investment policy and investment strategy statements will be reviewed at least annually by the CFO and the city council and may be amended as conditions warrant by the city council.

Section 3. Savings. This Ordinance shall be cumulative of all other ordinances of the City affecting the City's investment policy or investment strategy and shall not repeal any of the provisions of those ordinances except in those instances where the provisions of those ordinances are in direct conflict with the provisions of this Ordinance.

Section 3. Severability. The sections, paragraphs, sentences, phrases, clauses and words of this Ordinance are severable, and if any section, paragraph, sentence, phrase, clause or word in this Ordinance or application thereof to any person or circumstance is held invalid or unconstitutional by a Court of competent jurisdiction, such holding shall not affect the validity of the remaining portions of this Ordinance, and the City Council hereby declares that it would have passed such remaining portions of this Ordinance despite such invalidity, which remaining portions shall remain in full force and effect.

Section 4. Effective Date. This Ordinance shall become effective from and after its date of passage and approval as provided by law.

PASSED AND APPROVED by the City Council of the Town of Addison, Texas this _____ day of _____, 2010.

Joe Chow, Mayor

ATTEST:

By: _____
Lea Dunn, City Secretary

APPROVED AS TO FORM:

By: _____
John Hill, City Attorney

Council Agenda Item: #R5

AGENDA CAPTION:

Presentation, discussion and consideration of approval of a resolution adopting the Town of Addison Investment Strategy for Fiscal Year 2010-2011.

FINANCIAL IMPACT:

There is no financial impact associated with the approval of the investment strategy.

BACKGROUND:

The Public Funds Investment Act (PFIA) requires the Council to annually review the Town's investment strategy. The Town's investment advisor, First Southwest Asset Management, has assisted staff with the development of the attached strategy. The investment strategy has been drafted to comply with all aspects of the PFIA.

For FY 2011, staff is not recommending any change to our investment strategy. The investment strategy has the following priorities (in order of importance):

- Understanding the suitability of the investment to the financial requirements of the Town Preservation and safety of principal
- Liquidity
- Marketability of the investment if the need arises to liquidate the investment prior to maturity
- Diversification of the investment portfolio
- Yield

RECOMMENDATION:

Staff recommends approval.

COUNCIL GOALS:

Conduct the Business of the Town in a Fiscally Responsible Manner

ATTACHMENTS:

Description:

- [FY 2011 Investment Strategy Statement](#)
- [Resolution to Adopt Investment Strategy](#)

Type:

- Exhibit
- Exhibit

EXHIBIT A

TOWN OF ADDISON

INVESTMENT STRATEGY STATEMENT

For

FY 2010-11

Adopted:
September 28, 2010

PREFACE

It is the policy of the Town of Addison that, giving due regard to the safety and risk of investment, all available funds shall be invested in conformance with State and Federal Regulations, applicable Bond Resolution requirements, and adopted Investment Policy.

In accordance with the Texas Public Funds Investment Act (Chapter 2256, Tex. Gov. Code), the City Council shall adopt Investment Strategy Statements that address the following priorities (in order of importance):

- Understanding the suitability of the investment to the financial requirements of the Town;
- Preservation and safety of principal;
- Liquidity;
- Marketability of the investment if the need arises to liquidate the investment prior to maturity;
- Diversification of the investment portfolio; and
- Yield

Effective investment strategy development coordinates the primary objectives of the Town's Investment Policy and cash management procedures with investment security risk/return analysis to enhance interest earnings and reduce investment risk. Aggressive cash management shall be utilized to increase the available "investment period" for all Town funds. Investment security maturity selections shall be based on cash flow requirements and market conditions to take advantage of interest earnings as viable and material revenue to all Town funds. The Town's portfolios shall be designed and managed in a manner responsive to the public trust and consistent with the Investment Policy.

INVESTMENT STRATEGY

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:

Suitability – any investment eligible in the Investment Policy is suitable.

Safety of principal – all investments shall be of high quality securities with no perceived default risk. Market price fluctuations will, however, occur. By managing the weighted average days to maturity for the Operating fund portfolio to less than 270 days and restricting the maximum allowable maturity to five years, the price volatility of the overall portfolio will be minimized.

Liquidity – operating funds require the greatest short-term liquidity of any of the fund types. Short-term investment pools and money market mutual funds should provide daily liquidity and may be utilized as a competitive yield alternative to fixed maturity investments.

Marketability – securities with active and efficient secondary markets are necessary in the event of an unanticipated cash requirement. Historical market “spreads” between the bid and offer prices of a particular security-type of less than a quarter of a percentage point shall define an efficient secondary market.

Diversification – investment maturities should be staggered throughout the budget cycle to provide cash flow based on the anticipated operating needs of the Town. When conditions are favorable, market cycle risk will be reduced by diversifying the appropriate maturity structure out to three years. Adhering to the Investment Policy’s maximum investment-type limits (Section IX. INVESTMENT LIMITS) should restrict the exposure of the fund to any one-market sector.

Yield – attaining a competitive market yield for comparable security-types and portfolio restrictions is the desired objective. The yield of an equally weighted, rolling three-month Treasury bill portfolio should be the minimum yield objective. The Town's Chief Financial Officer ("CFO") may also compare the operating fund’s performance to other appropriate benchmarks.

The Investment Policy permits the Town to sell securities from time to time that it owns in order to better position its portfolio assets. Sales of securities prior to maturity shall be documented and approved by the CFO before such a transaction is consummated. Sales of securities, yielding net proceeds less than ninety-eight (98) percent of the book value of the securities, must be approved in advance and in writing by both the City Manager and the CFO.

RESOLUTION NO. R10-xxx

**A RESOLUTION OF THE CITY COUNCIL OF THE TOWN OF
ADDISON, TEXAS ADOPTING AN INVESTMENT STRATEGY
FOR FY 2010-11.**

WHEREAS, the Public Funds Investment Act (PFIA) requires the Council to annually review the Town's investment strategy; and,

WHEREAS, the Town's investment advisor, First Southwest Asset Management, has assisted staff with the development of the attached strategy; and,

WHEREAS, the investment strategy has been drafted to comply with all aspects of the PFIA; and,

WHEREAS, for FY 2010-11, staff is not recommending any change in our investment strategy; and,

WHEREAS, the investment strategy has the following priorities (in order of importance);

- » Understanding the suitability of the investment to the financial requirements of the Town.
- » Preservation and safety of principal.
- » Liquidity
- » Marketability of the investment if the need arises to liquidate the investment prior to maturity.
- » Diversification of the investment portfolio.
- » Yield

**BE IT RESOLVED BY THE CITY COUNCIL OF THE TOWN OF ADDISON
TEXAS:**

THAT the City Council does hereby approve adopting an investment strategy for FY 2010-11.

PASSED AND APPROVED by the City Council of the Town of Addison, Texas this 28th day of September, 2010.

Joe Chow, Mayor

ATTEST:

Lea Dunn, City Secretary

Council Agenda Item: #ES1

AGENDA CAPTION:

Closed (executive) session of the Addison City Council, pursuant to Section 551.071 of the Texas Government Code, to conduct a private consultation with its attorney(s) to seek the advice of its attorney(s) about pending litigation, to wit: In Re. GREAT ESCAPE AVIATION, INC., DEBTOR.; Case No. 10-35871-hdh11, Chapter 11; pending in the United States Bankruptcy Court for the Northern District Court of Texas-Dallas Division.

FINANCIAL IMPACT:

N/A

BACKGROUND:

N/A

RECOMMENDATION:

COUNCIL GOALS:

N/A

ATTACHMENTS:

Description:

Type:

No Attachments Available

Council Agenda Item: #R6

AGENDA CAPTION:

Consideration of any action regarding certain pending litigation, to wit: In Re. GREAT ESCAPE AVIATION, INC., DEBTOR.; Case No. 10-35871-hdh11, Chapter 11; pending in the United States Bankruptcy Court for the Northern District Court of Texas-Dallas Division.

FINANCIAL IMPACT:

N/A

BACKGROUND:

N/A

RECOMMENDATION:

COUNCIL GOALS:

N/A

ATTACHMENTS:

Description:

No Attachments Available

Type: