THERE EXISTS A PUBLIC HEALTH EMERGENCY RELATED TO THE COVID-19 VIRUS THAT NECESSITATES A MEETING OF THE MUNICIPAL DEVELOPMENT DISTRICT TO TAKE PLACE VIA VIDEOCONFERENCE PURSUANT TO GOVERNMENT CODE CHAPTER 551.127, AS MODIFIED BY EXECUTIVE ORDER OF THE GOVERNOR

Zoom Videoconference Link: https://www.zoomgov.com/j/1612297251

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Webinar ID: 161 229 7251

If you wish to address the board, please select *9 on your phone, this will place you in a queue for speaking. At the appropriate time, the City Secretary will call upon each individual separately. *6 will unmute your phone to allow you to speak.

I. Roll Call – Declaration of a Quorum

II. Guest Comments / Presentations

(To address the MDD Board, please select *9 on your phone; this will place you in a queue for speaking. At the appropriate time the City Secretary will call upon each individual separately. Select *6 to unmute your phone to speak. In accordance with the Open Meetings Act, the MDD board may not discuss or take action on any item which has not been posted on the agenda.)

A. Guests to be heard.

III. Consent Agenda

A. Approval of the October 14, 2020 Regular MDD Board meeting minutes. Pgs. 3-4

IV. Consideration/Action Items

A. Consideration and possible action regarding the election of MDD Officers for Fiscal Year 2020/2021. Al McDavid, President Pg. 5

B. Consideration and possible action regarding upcoming Regular MDD Board Meeting Dates. Al McDavid, President Pg. 6

C. Consideration and possible action regarding input received regarding needed changes to the MDD Bylaws. Amanda Valdez, Deputy City Secretary Pgs. 7-8

D. Discussion regarding appointing the Accounting Manager as the Investment Officer for the MDD. Sarah Buckelew, CPA, MDD Investment Officer Pgs. 9-23

V. Reports

A. Update on the Civic Center. Tobin Maples, City Manager


C. Overview of the MDD Sales Tax Deposit Process. Sarah Buckelew, CPA, MDD Investment Officer Pg. 29
I, Christina Picioccio, City Secretary, certify that the above Notice of Meeting was posted on the outside bulletin board at the Fair Oaks Ranch City Hall, 7286 Dietz Elkhorn, Fair Oaks Ranch, Texas, being convenient and readily accessible to the general public at all times. Said Notice was posted by 4:00 PM January 10, 2021 and remained so posted continuously for at least 72 hours before said meeting was convened.

The Fair Oaks Ranch City Hall is wheelchair accessible at the side entrance of the building from the parking lot. Requests for special services must be received forty-eight (48) hours prior to the meeting time by calling the City Secretary’s office at (210) 698-0900. Braille is not available.
City of Fair Oaks Ranch Municipal Development District
Regular Meeting Minutes
Wednesday, October 14, 2020 at 4:00 PM
Video & Teleconference Meeting
7286 Dietz Elkhorn, Fair Oaks Ranch, TX  78015

I. Roll Call - Declaration of a Quorum
   Members Present: Al McDavid, Roy Elizondo, Brad Dutton, Laura Koerner, Nick DiCianni, and
   Mike Lovelace.
   Absent: Carolyn Knopf

   With a quorum present the Municipal Development District Board meeting was called to
   order at 4:05 PM.

II. Guest Comments / Presentations
   A. No guests spoke.
   B. Introduction and welcome of new MDD Board Members Nicholas DiCianni and Michal Lovelace.

III. Consent Agenda
   A. Approval of the July 15, 2020 Regular MDD Board Meeting Minutes.
   B. Approval of the August 19, 2020 Special MDD Board Meeting Minutes.
   C. Approval of the September 16, 2020 Special MDD Board Meeting Minutes.

   MOTION: Made by Laura Koerner, seconded by Roy Elizondo to approve the consent agenda.
   VOTE: 6-0; Motion Passed.

IV. Workshop
   A. Conduct a Texas Open Meetings Act Training Session
   B. Conduct a Public Information Act Training Session
   C. Conduct a Legal Training Workshop
   D. Conduct a MDD Administration Workshop

   No actions taken.

V. Consideration/Action Items
   A. Consideration and possible action to formalize and adopt a Fair Oaks Ranch Municipal
   Development District Policy regarding submission and evaluation of all development
   projects.

   Roy Elizondo, the MDD Treasurer, presented the policy for review and approval.

   MOTION: Made by Nick DiCianni, seconded by Laura Koerner to revise, amend, and adopt the
   MDD Project Evaluation Policy.
   VOTE: 6-0; Motion Passed.
B. Consideration and possible action to approve a Resolution reaffirming the City of Fair Oaks Ranch Municipal Development District’s Investment Policy.

Sarah Buckelew, MDD Investment Officer, presented the policy for review and approval.

MOTION: Made by Roy Elizondo, seconded by Nick DiCianni to approve the Resolution reaffirming the City of Fair Oaks Ranch Municipal Development District’s Investment Policy.

VOTE: 6-0; Motion Passed.

C. Discussion regarding changes to the Municipal Development District (MDD) Bylaws.

Al McDavid, MDD President, led a Board discussion about the MDD bylaws. No action taken. All Board Members were given an opportunity to provide input via email for discussion at Jan 13th meeting.

VI. Reports


Sarah Buckelew, the MDD Finance Officer, presented to the MDD Board the Q3 2020 Quarterly Financial and Investment Reports. No action taken.

VII. Adjournment

The next MDD Board Regular Meeting is scheduled for January 13, 2020 at 4:00pm.

Al McDavid adjourned the meeting at 6:57 PM.

______________________________
Al McDavid, President

ATTEST

______________________________
Laura Koerner, Secretary
AGENDA TOPIC: Consideration and possible action regarding the election of MDD Officers for Fiscal Year 2020/2021.

DATE: January 13, 2021

PRESENTED BY: President, Al McDavid

INTRODUCTION/BACKGROUND:

Article III, Section 1 of the MDD By Laws states the MDD Board of Directors shall choose from its members a President, Vice President, Secretary and Treasurer.

POLICY ANALYSIS/BENEFIT(S) TO CITIZENS:

Effective leadership of the MDD Board of Directors is essential to conducting all MDD required actions and reports in accordance with Texas MDD Laws and Comptroller requirements, while also providing good stewardship of MDD funds on behalf of our citizens. These officers will be internally elected to serve for fiscal year 2020/2021 (FY 20/21) with this term ending on 30 September 2021. A new election will be held for each position in October 2021 for fiscal year 2021/2022 (FY 21/22). All duly appointed MDD board members may seek any office each year. Elections will be held in an open meeting and all votes will be publicly cast by each board member.

BUDGETARY IMPACT:

No financial or budgetary impact.

LEGAL ANALYSIS:

N/A

RECOMMENDATION/PROPOSED MOTION:

Separate motions may be required to elect a President, Vice President, Secretary and Treasurer. However, if each position has only one board member seeking that office a slate motion may be appropriate. This will be determined in real time in open forum during the election consideration item on this agenda.

I move to elect _____________ for the position of President.

I move to elect _____________ for the position of Vice President.

I move to elect _____________ for the position of Secretary.

I move to elect _____________ for the position of Treasurer.
AGENDA TOPIC: Consideration and possible action regarding upcoming Regular MDD Board Meeting Dates.

DATE: January 13, 2021

PRESENTED BY: President, Al McDavid

INTRODUCTION/BACKGROUND:

MDD By Laws require a minimum of two meetings each fiscal year (Article II, Section 3). This item exceeds the requirement and proposes to continue conducting quarterly regular meetings. Special meetings will be called as needed. All meetings (regular or special) are open and announced in accordance with the Texas Open Meetings Act.

POLICY ANALYSIS/BENEFIT(S) TO CITIZENS:

The purpose of this action is to set a known MDD regular meeting date each quarter in the months of April 2021, July 2021, October 2021, and January 2022. This provides a better planning cycle for citizens, board members, and staff. Special meetings may be called between quarterly meetings as required.

BUDGETARY IMPACT:

Attorney fees will be slightly increased due to the quarterly meeting frequency. However, the increased meeting frequency will benefit in reducing the length of each meeting, resulting in minimum budgetary impact.

LEGAL ANALYSIS:

N/A

RECOMMENDATION/PROPOSED MOTION:

I move that the Board set the following dates for their known quarterly MDD regular meetings:

April 14, 2021 at 4:00 P.M.
July 14, 2021 at 4:00 P.M.
October 13, 2021 at 4:00 P.M.
January 12, 2022 at 4:00 P.M.
INTRODUCTION/BACKGROUND:
At the October 14, 2020 MDD Board Meeting President Al McDavid asked board members to submit, no later than December 15, 2020, recommendations of changes to the MDD Bylaws. Board Member Roy Elizondo emailed suggestions to the City Secretary's office.

POLICY ANALYSIS/BENEFIT(S) TO CITIZENS:
Purpose of this item is to enhance the MDD Bylaws.

LONG-TERM FINANCIAL & BUDGETARY IMPACT:
Not Applicable

LEGAL ANALYSIS:
Not Applicable

RECOMMENDATION/PROPOSED MOTION:
Staff is seeking input on the proposed changes only. A resolution will be placed on a future meeting agenda if necessary.
<table>
<thead>
<tr>
<th>Section Reference</th>
<th>Question / Comment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Article II. Section 1. C.</td>
<td>Is it still appropriate for one seat to be reserved for a FORHA Board member?</td>
</tr>
<tr>
<td>Article II. Section 2.</td>
<td>Indicate that the unexpired term will be filled for vacancies that occur within a term (to preserve the staggering of terms).</td>
</tr>
<tr>
<td>Article II. Section 4.</td>
<td>Indicate that a quorum will consist of a majority of the non-vacant director positions.</td>
</tr>
<tr>
<td>Article III. Section 1.</td>
<td>Suggest removing the sentence that allows for combining the Secretary and Treasurer roles.</td>
</tr>
</tbody>
</table>
| Article III. Section 5. | 1. Change the word “insure” in the first sentence to “ensure”.  
2. Change the second sentence to read “The Treasurer shall provide for financial reports of the District’s activities in accordance with all statutory and policy requirements.”  
3. Add: “The Treasurer shall ensure compliance with the requirements under Article IV. Section 1: Annual Budget, and Section 2. Financial Books, Records, Audits.” |
INTRODUCTION/BACKGROUND:

Chapter 2256 of the Government Code, also known as the Public Funds Investment Act (“PFIA”), defines the parameters under which a city may invest its public funds. Specifically, LGC Section 2256.005(f) states that:

“Each investing entity shall designate, by rule, order, ordinance, or resolution, as appropriate, one or more officers or employees of the state agency, local government, or investment pool as investment officer to be responsible for the investment of its funds consistent with the investment policy adopted by the entity. If the governing body of an investing entity has contracted with another investing entity to invest its funds, the investment officer of the other investing entity is considered to be the investment officer of the first investing entity for purposes of this chapter. Authority granted to a person to invest an entity’s funds is effective until rescinded by the investing entity, until the expiration of the officer’s term or the termination of the person’s employment by the investing entity...until the expiration of the contract with the investing entity. In the administration of the duties of investment officer, the person designated as investment officer shall exercise the judgement and care, under prevailing circumstances, that a prudent person would exercise in the management of the person’s own affairs, but the governing body of the investing entity retains ultimate responsibility as fiduciaries of the assets of the entity.”

In the past, per the investment policy, the investment officer for the City of Fair Oaks Ranch has also acted as the investment officer for the MDD. It is the intent of the City for the Finance Director of the City, who also acts as the investment officer for the City, to remain the investment officer of the City, and to appoint a separate investment officer, who is more closely tied with the financial matters of the MDD, to act in a dedicated investment officer position.

Over the past year, the accounting and financial administration of the MDD have shifted to the Accounting Manager for the City, with the Finance Director as a high-level reviewer of activities. It is being proposed that the investment officer designation should be transferred to the Accounting Manager, with the Finance Director maintaining general review and oversight responsibilities.

The following additional responsibilities to the Board would include:

- Presentation of the Quarterly Financial Investment Report and Financial Update
POLICY ANALYSIS/BENEFIT(S) TO CITIZENS:
Having a dedicated investment officer that is most closely tied with the financial administration of the entity results in a more comprehensive responsibility assigned to the one individual, as well as a more efficient use of staff time.

LONG-TERM FINANCIAL & BUDGETARY IMPACT:
The bi-annual cost of PFIA training for the investment officer would be directly charged to the MDD. Currently the cost of PFIA training is shared by the City and the MDD, and charged indirectly through the annual management fee. The cost of the bi-annual training is variable depending on where the in-person classes are held. Recently, these classes have been offered virtually and are less expensive. The cost of the 2021 class is $350, and is effective for two years.

LEGAL ANALYSIS:
Not applicable

RECOMMENDATION/PROPOSED MOTION:
No formal action is recommended at this time. Staff is requesting general direction to prepare any formal documentation for consideration at the next regularly scheduled meeting.
FAIR OAKS RANCH MUNICIPAL DEVELOPMENT DISTRICT
INVESTMENT POLICY
(Revision 1.0 Approved by FOR MDD Board on April 10, 2017)

I. POLICY

It is the policy of the Fair Oaks Ranch Municipal Development District Board (FOR MDD) that after allowing for the anticipated cash flow requirements of the FOR MDD and giving due consideration to the safety and risk of investment, all available funds shall be invested in conformance with these legal and administrative guidelines, seeking to optimize interest earnings to the maximum extent possible.

Effective cash management is recognized as essential to good fiscal management. Investment interest is a source of revenue to the FOR MDD funds. The FOR MDD investment portfolio shall be designed and managed in a manner designed to maximize this revenue source, to be responsive to public trust, and to be in compliance with the statutes, rules and regulations governing the investment of public funds.

Investments shall be made with the primary objectives of:
1. Safety and preservation of principal
2. Maintenance of sufficient liquidity to meet operating needs and accomplish the FOR MDD mission
3. Public trust from prudent investment activities
4. Optimization of interest earnings on the portfolio

II. PURPOSE

The purpose of this investment policy is to comply with applicable statutes, rules, regulations and Chapter 2256 of the Texas Government Code ("Public Funds Investment Act"), which requires the FOR MDD to adopt, and renew at least annually, a written investment policy regarding the investment of its funds and funds under its control. The Investment Policy addresses the methods, procedures and practices that must be exercised to ensure effective and prudent fiscal management of the FOR MDD's funds.

III. SCOPE

This Investment Policy shall govern the investment of all financial assets of the FOR MDD, including funds held for operational expenditures and current liquidity needs. These funds are accounted for in the FOR MDD Annual Financial Report and include:
1. General Fund
2. Development Project Fund (per Local Government Code Title 12; Subtitle A.; Chapter 377; Subchapter A.; Section 377.072)
3. Any new fund created by the FOR MDD, unless specifically exempted from this policy by the Executive Board or by law.

This Investment Policy shall apply to all transactions involving the financial assets and related activity for all FOR MDD funds.

The FOR MDD may consolidate cash balances from all funds to maximize investment earnings or achieve mission objectives. Investment income will be allocated to the various funds in accordance with generally accepted accounting principles.

In accordance with applicable statutes, rules, regulations, and with the Public Funds Investment Act (PFIA), the Board shall adopt a separate written investment strategy for each of the funds under the FOR MDD’s control. Attachment A includes investment strategies for all funds. The investment strategy must describe the investment objectives for the particular funds using the following priorities of importance:

1. Understanding of the suitability of the investment to the financial requirements of the FOR MDD;
2. Preservation of safety of principal;
3. Liquidity;
4. Marketability of the investment if the need arises to liquidate the investment before maturity;
5. Diversification of the investment portfolio;
6. Yield; and
7. Maturity restrictions.

In accordance with the PFIA, investment strategies will be reviewed at least annually.

IV. GENERAL OBJECTIVES

The safety of the principal invested always remains the primary objective. All investments shall be designed and managed in a manner responsive to the public trust and consistent with state and local law.

The FOR MDD shall maintain a comprehensive cash management program, which includes the collection of accounts receivable, processing of accounts payable in accordance with invoice terms, and prudent investment of available cash. The scope of cash management is concerned with the process of managing monies in order to ensure cash availability for current obligations and maximum yield on short-term investment of idle cash.

The FOR MDD shall manage and invest its cash with four primary objectives, listed in order of priority:
1. **Safety**
   Safety of principal is the foremost objective of the investment program. Investments shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. The objective will be to mitigate credit and interest rate risk.

   a) Credit Risk and Concentration of Credit Risk – the FOR MDD will minimize credit risk (the risk of loss due to the failure of the issuer or backer of the investment) and concentration of credit risk (the risk or loss attributed to the magnitude of investment in a single issuer) by:
      i. Limiting investments to the safest types of investments;
      ii. Pre-qualifying the financial institutions and broker/dealers with which the FOR MDD will do business; and
      iii. Diversifying the investment portfolio so that potential losses on individual issuers will be minimized.

   b) Interest Rate Risk – the FOR MDD will manage the risk that the interest earnings and the market value of investments in the portfolio will fall due to changes in general interest rates by limiting the maximum weighted average maturity of the investment portfolio to 3 years. The FOR MDD will, in addition:
      i. Structure the investment portfolio so that investments mature to meet cash requirements for ongoing operations, thereby avoiding the need to liquidate investments prior to maturity;
      ii. Invest operating funds appropriately in certificates of deposit, shorter-term securities, money market mutual funds, or local government investment pools functioning as money market mutual funds; and
      iii. Diversify maturities and staggering purchase dates to minimize the impact of market movements over time.

2. **Liquidity**
   The investment portfolio shall remain sufficiently liquid to meet all operating requirements that may be reasonably anticipated. This is accomplished by structuring the portfolio so that investments mature concurrent with cash needs to meet anticipated demands. Because all possible cash demands cannot be anticipated, a portion of the investment portfolio may be invested in shares of money market mutual funds or local government investment pools that offer same-day liquidity. In addition, a portion of the portfolio may consist of securities that otherwise meet the requirements of this Policy and that have active secondary or resale markets.

3. **Public Trust**
   All persons assigned roles and given authority to participate in the FOR MDD’s investment process shall seek to act responsibly as custodians of the public trust. Investment officers shall avoid any transaction that might in fact or appearance impair public confidence in the FOR MDD’s ability to govern effectively and safeguard FOR MDD financial assets.
4. **Yield**
   The investment portfolio shall be designed with the objective of attaining a market rate of return throughout budgetary and economic cycles, taking into account the investment risk constraints and liquidity needs. Return on investment is of secondary importance compared to the safety and liquidity objectives described above.

5. **Counterparty Risks**
   The risks associated with counterparties and related investments will be monitored through ongoing review of standard rating agency reports. In cases where ratings of the counterparty or the related investments fall below thresholds set in this Policy, the investments will be liquidated and the funds will be reinvested in conformance with the Policy.

V. **RESPONSIBILITY AND CONTROL**

**Prudence**

In accordance with applicable statutes, rules, regulations and the PFIA, investments shall be made with the same 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.

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

1. The investment of all funds, or funds under the FOR MDD’s control, over which the Investment Officer had responsibility rather than a consideration as to the prudence of a single investment.
2. Whether the investment decision was consistent with the written approved investment policy of the FOR MDD.

**Quality and Capability of Investment Management**

The Board will appoint the Investment Officer and approve designees that are deemed by the Board to possess the background and experience to reasonably exercise due professional care and judgement in carrying out their responsibilities under this Policy. The FOR MDD shall provide periodic training in investments for the Investment Officer and designee(s) through courses and seminars offered by qualified professional organizations, associations, and other independent sources in order to ensure the quality and capability of investment management in compliance with the PFIA.
**Ethics and Conflicts of Interest**

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

An Investment Officer of the FOR MDD who has a personal business relationship with an organization seeking to sell an investment to the FOR MDD shall file a statement disclosing that personal business interest. An Investment Officer who is related within the second degree by affinity or consanguinity to an individual seeking to sell an investment to the FOR MDD shall file a statement disclosing that relationship. A statement required under this subsection must be filed with the Texas Ethics Commission and the Board.

**Delegation of Authority**

In accordance with applicable statutes, rules, regulations and the PFIA, the Board designates the City of Fair Oaks Ranch Finance Director (Director of Finance) as the FOR MDD’s Investment Officer and approves any designee nominated by the Investment Officer. Only upon such explicit authorization from the Board, the Investment Officer or designee is authorized to execute investment transactions on behalf of the FOR MDD. The investment authority granted to the Investing Officer or designees is effective until rescinded by the Board.

**Training**

In accordance with applicable statutes, rules, regulations and the PFIA, the investment officers will complete ten hours of training within 12 months of assuming their duties and thereafter, shall complete ten hours of additional training not less than once in a two-year period that begins on the first day of FOR MDD’s fiscal year and consists of the two consecutive fiscal years after that date. The training shall be provided by an independent source and must be approved by the Board. The training must include education in investment controls, security risks, strategy risks, market risks, diversification of investment portfolios, compliance with the PFIA and other topics that may from time to time be required under the PFIA.

The independent sources include, but are not necessarily limited to the following:

1. The Government Treasurers’ Organization of Texas (GTOT)
2. The Texas Municipal League (TML)
3. The Government Finance Officers’ Association (GFOA)

A list will be maintained of the number of hours and conferences attended for each investment official and a report of such information will be provided to the FOR MDD Board.
**Authorized Brokers/Dealers**

The FOR MDD shall, at least annually, review, revise, and adopt a list of qualified broker/dealers and financial institutions authorized to engage in securities transactions with the FOR MDD. Those firms that request to become qualified bidders for securities transactions will be required to provide a completed broker/dealer questionnaire that provides information regarding creditworthiness, experience and reputation and a certification stating the firm has received, read and understood the FOR MDD’s investment policy and agree to comply with the policy. Authorized firms may include primary dealers or regional dealers that qualify under Securities & Exchange Commission Rule 15C3-1 (Uniform Net Capital Rule), and qualified depositories. All investment providers, including financial institutions, banks, money market mutual funds, and local government investment pools, must sign a certification acknowledging that the organization has received and reviewed the FOR MDD’s investment policy and that reasonable procedures and controls have been implemented to preclude investment transactions that are not authorized by the FOR MDD’s policy.

If brokers or dealers are utilized, the approved broker/dealer list will be reviewed and approved along with this investment policy at least annually by the Board.

**Internal Control (Best Practices)**

The Investment Officer is responsible for establishing and maintaining an internal control structure designed to reasonably ensure that the assets of the FOR MDD are protected from loss, theft, or misuse. The concept of reasonable assurance recognizes that (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management.

Accordingly, the Investment Officer shall establish a process for annual independent review by an external auditor to assure compliance with policies and procedures. The internal controls shall, at a minimum, address the following points:

1. Reliability, availability and integrity of financial reporting
2. Control of collusion
3. Separation of transactions authority from accounting and record keeping
4. Custodial safekeeping
5. Avoidance of physical delivery securities
6. Clear, documented delegation of authority to subordinate staff members
7. Documented confirmation for all transactions for investments and wire transfers
8. Development of a wire transfer agreement with the depository bank or third party custodian

**Indemnification**

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

VI. SUITABLE AND AUTHORIZED INVESTMENTS

Authorized Investments

The FOR MDD funds governed by this policy may be invested in the instruments described below, all of which are authorized by Chapter 2256 of the Government Code (PFIA). Investment of the FOR MDD funds in any instrument or security not authorized for investment under the Act is prohibited. The FOR MDD will not be required to liquidate an investment that becomes unauthorized subsequent to its purchase.

1. Certificates of Deposit issued by a depository institution that has its main office or a branch office in Texas. The certificate of deposit must be guaranteed or insured by the Federal Deposit Insurance Corporation or its successor or the National Credit Union Share Insurance Fund or its successor and secured by obligations in a manner and amount as provided by law. In addition, certificates of deposit obtained through a depository institution that has its main office or a branch office in Texas and that contractually agrees to place the funds in federally insured depository institutions in accordance with the conditions prescribed in Section 2256.010(b) of the PFIA are authorized investments;

2. Money Market Mutual funds that: 1) are registered and regulated by the Securities and Exchange Commission, 2) have a dollar weighted average stated maturity of 90 days or less, 3) seek to maintain a net asset value of $1.00 per share, and 4) are rated AAA (i.e., Prime Grade) or an equivalent rating by at least one nationally recognized rating service (e.g., Moody’s, Standard & Poor’s, or Fitch), and

3. Local government investment pools, which 1) meet the requirements of Chapter 2256.016 of the PFIA, 2) are rated no lower than AAA (i.e., Prime Grade) or an equivalent rating by at least one nationally recognized rating service (e.g., Moody’s, Standard & Poor’s, or Fitch), and 3) are authorized by resolution or ordinance by the Board. In addition, a local government investment pool created to function as a money market mutual fund must mark its portfolio to the market daily and, to the extent reasonably possible, stabilize at $1.00 net asset value.

All prudent measures will be taken to liquidate an investment that is downgraded to less than the required minimum rating.

Prohibited Investments

The following are not authorized investments under this policy:

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

2. Obligations whose payment represents the principal stream of cash flow from the underlying mortgage-backed security collateral and bears no interest;
3. Collateralized mortgage obligations that have a stated final maturity date of greater than 10 years; and
4. Collateralized mortgage obligations the interest rate of which is determined by an index that adjusts opposite to the changes in a market index.
5. Commercial Paper, except that the FOR MDD can invest in local government investment pools and money market mutual funds that have commercial paper as authorized investments. A local government investment pool or money market mutual fund that invests in commercial paper must meet the requirements of, VI. SUITABLE AND AUTHORIZED INVESTMENTS above.
6. Subject to Board consideration, the FOR MDD is not required to liquidate investments that were authorized by the Investment Policy in force at the time of purchase.

VII. INVESTMENT PARAMETERS

Maximum Maturities

It is the FOR MDD’s policy to concentrate its investment portfolio in shorter-term securities in order to limit principal risk caused by changes in interest rates.

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

The composite portfolio will have a weighted average maturity of 548 days or less. This dollar-weighted average maturity will be calculated using the stated final maturity dates of each security.

Diversification

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

- Limiting investments to avoid over concentration in investments from a specific issuer or business sector (excluding U.S. Treasury securities and certificates of deposit that are fully insured and collateralized in accordance with state and federal law),
- Limiting investment in investments that have higher credit risks (example: commercial paper),
- Investing in investments with varying maturities, and
- Continuously investing a portion of the portfolio in readily available funds such as local government investment pools (LGIPs), or money market funds to ensure that appropriate liquidity is maintained in order to meet ongoing obligations.

The following maximum limits, by instrument, are established for the FOR MDD’s portfolio:
1. U.S. Treasury Securities ..............................................100%
2. Agencies and Instrumentalities ..................................85%
3. Certificates of Deposit .................................................100%
4. Money Market Mutual Funds (2) .................................50%
5. Authorized Pools ......................................................100%

(1) No single investment in any one money market mutual fund which exceeds 10% of the total assets of the money market mutual fund

The Investment Committee shall review diversification strategies and establish or confirm guidelines on at least an annual basis regarding the percentages of the total portfolio that may be invested in securities other than U.S. Government Obligations while remaining within the limitations established by this policy. The Investment Committee shall review quarterly investment reports and evaluate the probability of market and default risk in various investment sectors as part of its consideration.

VIII. SELECTION OF BANKS AND DEALERS
Depository
At least every five (5) years a Depository shall be selected through the FOR MDD banking services procurement process, which shall include a formal request for proposal (RFP). The selection of a depository will be determined by competitive proposal and evaluation of proposals will be based on the following criteria:

1. The ability to qualify as depository for public funds in accordance with state law.
2. The ability to provide requested information or financial statements for the periods specified.
3. The ability to meet all requirements in the banking RFP.
4. Complete response to all required items on the RFP form.
5. Lowest net banking service cost, consistent with the ability to provide an appropriate level of service.
6. The credit worthiness and financial stability of the bank.

Competitive Bids (Best Practice)

It is the policy of the FOR MDD to require competitive bidding for all individual security purchases and sales except for:

- CDs, which will be purchased based on best terms available from survey of local qualified institutions
- Transactions with money market mutual funds and local government investment pools,
- Treasury and agency securities purchased at issue through an approved broker/dealer or financial institution.
The Investment Officer shall develop, communicate and maintain procedures for ensuring competition in the investment of FOR MDD’s funds, subject to the oversight and approval of the Board.

**Delivery vs. Payment**

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

**IX. CUSTODIAL CREDIT RISK MANAGEMENT**

**Safekeeping and Custodial Agreements**

The FOR MDD shall contract with a bank or banks for the safekeeping of securities either owned by the FOR MDD as part of its investment portfolio or held as collateral to secure demand or time deposits. Securities owned by the FOR MDD shall be held in the FOR MDD’s name as evidenced by safekeeping receipts of the institution holding the securities.

Collateral for deposits will be held by a third party custodian designated by the FOR MDD and pledged to the FOR MDD as evidenced by safekeeping receipts of the institution with which the collateral is deposited. Original safekeeping receipts shall be obtained. Collateral may be held by the depository bank’s trust department, a Federal Reserve Bank or branch of a Federal Reserve Bank, a Federal Home Loan Bank, or a third party bank approved by the FOR MDD.

**Collateral Policy**

Consistent with the requirements of the Public Funds Collateral Act, it is the policy of the FOR MDD to require full collateralization of all the FOR MDD funds on deposit with a depository bank, other than investments. In order to anticipate market changes and provide a level of security for all funds, the collateralization level will be 102% of market value of principal and accrued interest on the deposits or investments less an amount insured by the FDIC. At its discretion, the FOR MDD may require a higher level of collateralization for certain investment securities. Securities pledged as collateral shall be held by an independent third party which the FOR MDD has a current custodial agreement. The Investment Officer is responsible for entering into collateralization agreements with third party custodians in compliance with this Policy. The agreements are to specify the acceptable investment securities for collateral, including provisions relating to possession of the collateral, the substitution or release of investment securities, ownership of securities, and the method of valuation of securities. A clearly marked evidence of ownership (safekeeping receipt) must be supplied to the FOR MDD and retained. Collateral shall be reviewed at least annually to assure that the market value of the pledged securities is adequate.

**Collateral Defined**
The FOR MDD shall accept only the following types of collateral:

- Obligations of the United States or its agencies and instrumentalities
- Direct obligations of the State of Texas or its agencies and instrumentalities
- Collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States
- Obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized rating firm not less than A (i.e., Upper Medium Grade per Moody’s, Standard & Poor’s or Fitch) or its equivalent with a remaining maturity of ten (10) years or less

**Subject to Audit**

All collateral shall be subject to inspection and audit by the FOR MDD or the FOR MDD’s independent auditors.

**X. PERFORMANCE**

**Performance Standards**

The FOR MDD’s investment portfolio will be managed in accordance with the parameters specified within this policy. The portfolio shall be designed with the objective of obtaining a rate of return through budgetary and economic cycles, commensurate with the investment risk constraints and the cash flow requirements of the FOR MDD.

**Performance Benchmark**

It is the policy of the FOR MDD to purchase and maintain investments with maturity dates coinciding with cash flow needs. Through this strategy, the FOR MDD shall seek to optimize interest earning utilizing allowable investments available on the market at that time. Market value will be calculated on a quarterly basis on all securities owned and compared to current book value. The FOR MDD’s portfolio shall be designed with the objective of regularly meeting or exceeding the average rate of return on U.S. Treasury Bills at a maturity level comparable to the FOR MDD’s weighted average maturity in days.

**XI. REPORTING**
Methods
The Investment Officer shall prepare and provide to the Board an investment report on a quarterly basis that summarizes investment strategies employed in the most recent quarter and describes the portfolio in terms of investment securities, maturities, and shall explain the total investment return for the quarter.

The quarterly investment report shall include a summary statement of investment activity prepared in compliance with generally accepted accounting principles. This summary will be prepared in a manner that will allow the FOR MDD to ascertain whether investment activities during the reporting period have conformed to the Investment Policy. The report will be provided to the Board. The report will include the following:

1. A listing of individual securities held at the end of the reporting period.
2. Unrealized gains or losses resulting from appreciation or depreciation by listing the beginning and ending book and market value of securities for the period.
3. Additions and changed to the market value during the period. Market value will be based on information from a nationally recognized, credible source.
4. Average weighted yield to maturity of portfolio as compared to applicable benchmark.
5. Listing of investments by maturity date.
6. Fully earned interest for the reporting period
7. The percentage of the total portfolio that each type of investment represents.
8. Statement of compliance of the FOR MDD’s investment portfolio with state law and the investment strategy and policy approved by the Executive Committee.

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

Monitoring Market Value

Market value of all securities in the portfolio will be determined on a quarterly basis. These values will be obtained from a reputable and independent source and disclosed to the governing body quarterly in a written report.

XII. INVESTMENT COMMITTEE

1. Members
An Investment Committee, consisting of the Investment Officer, City of Fair Oaks City Administrator, the FOR MDD President and the FOR MDD Treasurer appointed annually by majority vote of members of a quorum present and voting during the regularly called meeting and seated in the month of January, shall review the FOR MDD’s investment strategies and monitor the results of the investment program at least quarterly. This review can be done by reviewing the quarterly written reports and by holding committee meetings as necessary. The committee will be authorized to invite other advisors to attend meetings as needed.
2. **Scope**
   The Investment Committee shall include in its deliberations such topics as review of results of independent audits of FOR MDD financial statements and Investment Policy Compliance, implementation of FOR MDD investment procedures, economic outlook, investment strategies, portfolio diversification, maturity structure, potential risk to the FOR MDD’s funds, evaluation and authorization of broker/dealers, rate of return on the investment portfolio, review and approval of training providers and compliance with the investment policy. The Investment Committee will also advise the Board of any future amendments to the Investment Policy that are deemed necessary or recommended.

3. **Investment Committee Meetings & Reporting**
   The Investment Committee shall provide minutes of any meetings held to the Board. The Investment Committee should meet at least quarterly to discuss the investment program and policies.

**XII. INVESTMENT POLICY ADOPTION**

The FOR MDD’s investment policy shall be adopted by resolution of the Board. It is the FOR MDD’s intent to comply with state laws and regulations. The FOR MDD’s investment policy shall be subject to revisions consistent with changing laws, regulations, and needs of the FOR MDD. The Board shall adopt a resolution stating that it has reviewed the policy and investment strategies annually, approving any changes or modifications.
AGENDA TOPIC: Quarterly Financial & Investment Report – Q4 2020
DATE: January 13, 2021
PRESENTED BY: Sarah Buckelew, CPA, MDD Investment Officer

INTRODUCTION/BACKGROUND:
Pursuant to Government Code Section 2256.023 and the MDD's Investment Policy Section 11, the Investment Officer is required, on a quarterly basis, to prepare and submit to the MDD Board a written report of investment assets and the market value of the current investments.

The attached presentation is being made to comply with the Q4 2020 reporting requirements.

POLICY ANALYSIS/BENEFIT(S) TO CITIZENS:
Frequent review and reporting of the MDD’s assets and investment vehicles is both prudent and necessary to verify that the MDD’s investment portfolio is being managed according to the investment policy.

LONGTERM FINANCIAL & BUDGETARY IMPACT:
The investment portfolio shall be managed in accordance with the objectives specified in the investment policy (safety, liquidity, diversification, and yield). The portfolio should obtain a market average rate of return during a market/economic environment of stable interest rates.

LEGAL ANALYSIS:
N/A

RECOMMENDATION/PROPOSED MOTION:
This presentation is for informational purposes only and to comply with requirements under Texas Government Code Section 2256.023 and the MDD’s Investment Policy.
About This Quarterly Financial Report

This report has been prepared by the City of Fair Oaks Ranch Finance Department. The Quarterly Financial Report is intended to provide our users (internal and external) with information regarding the MDD's financial position. This report includes information for Q4 2020.

This report is presented in two sections.

1. The *Financial Summary* section reports the performance of the major operating funds of the MDD.

2. The *Quarterly Investment Report* provides a summary of MDD's investment portfolio, interest earnings and a brief market outlook.

The Quarterly Financial Report is intended to provide our users with timely and relevant information. Please provide us with any comments or suggestions you may have. If you would like additional information, feel free to contact me.

Sarah Buckelew
Director of Finance

7286 Dietz Elkhorn
Fair Oaks Ranch, TX 78015
210-698-0900
### Municipal Development District
**Revenue & Expense Report**
**December 31, 2020**

<table>
<thead>
<tr>
<th></th>
<th>Budget</th>
<th>Year-to Date</th>
<th>Percent of Budget</th>
<th>Budget Surplus / (Deficit)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenues:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Local Sales Tax</td>
<td>190,400</td>
<td>43,350</td>
<td>22.8%</td>
<td>(147,050)</td>
</tr>
<tr>
<td>Interest</td>
<td>10,000</td>
<td>382</td>
<td>3.8%</td>
<td>(9,618)</td>
</tr>
<tr>
<td><strong>Total Revenue</strong></td>
<td>200,400</td>
<td>43,732</td>
<td>21.82%</td>
<td>(156,668)</td>
</tr>
<tr>
<td><strong>Expenditures:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Supplies</td>
<td>250</td>
<td>-</td>
<td>0.00%</td>
<td>250</td>
</tr>
<tr>
<td>Training/Seminars</td>
<td>500</td>
<td>-</td>
<td>0.00%</td>
<td>500</td>
</tr>
<tr>
<td>Miscellaneous</td>
<td>100</td>
<td>-</td>
<td>0.00%</td>
<td>100</td>
</tr>
<tr>
<td>Attorney</td>
<td>9,300</td>
<td>779</td>
<td>8.37%</td>
<td>8,522</td>
</tr>
<tr>
<td>Auditor</td>
<td>5,000</td>
<td>-</td>
<td>0.00%</td>
<td>5,000</td>
</tr>
<tr>
<td>Professional Services</td>
<td>33,450</td>
<td>30,150</td>
<td>90.13%</td>
<td>3,300</td>
</tr>
<tr>
<td>Insurance</td>
<td>50</td>
<td>50</td>
<td>100.00%</td>
<td>-</td>
</tr>
<tr>
<td>Transfer to Capital Improvements</td>
<td>151,750</td>
<td>-</td>
<td>0.00%</td>
<td>151,750</td>
</tr>
<tr>
<td><strong>Total Expenditures</strong></td>
<td>200,400</td>
<td>30,979</td>
<td>15.46%</td>
<td>169,422</td>
</tr>
<tr>
<td><strong>Revenue Over / (Under) Expenditures</strong></td>
<td>-</td>
<td>12,753</td>
<td>12,754</td>
<td></td>
</tr>
</tbody>
</table>
## Municipal Development District
### Balance Sheet
#### December 31, 2020

<table>
<thead>
<tr>
<th>Assets</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Frost Bank</td>
<td>99,739</td>
</tr>
<tr>
<td>TexPool</td>
<td>1,341,156</td>
</tr>
<tr>
<td>Accrued Receivables</td>
<td>-</td>
</tr>
<tr>
<td>Due from Fair Oaks Ranch</td>
<td>-</td>
</tr>
<tr>
<td>Total Cash &amp; Investments</td>
<td>1,440,895</td>
</tr>
<tr>
<td><strong>Total Assets</strong></td>
<td>1,440,895</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Liabilities</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Accounts Payable</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total Liabilities</strong></td>
<td>-</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Fund Balance</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Fund Balance</td>
<td>100,000</td>
</tr>
<tr>
<td>Infrastructure Improvements - Assigned</td>
<td>728,142</td>
</tr>
<tr>
<td>Infrastructure Improvements - Committed</td>
<td>600,000</td>
</tr>
<tr>
<td>Total Fund Balance</td>
<td>1,428,142</td>
</tr>
</tbody>
</table>

| Total Revenues              | 43,732|
| Total Expenses              | 30,980|
| Excess Revenue over Expenses| 12,753|
| **Total Liabilities & Fund Equity** | 1,440,895|
This report is in compliance with the MDD’s Investment Policy Section 11 and Texas Government Code Section 2256.023.

* Weighted Average Maturity
Per the MDD’s investment policy, there will not be direct investment in securities maturing more than 36 months from the date of purchase.

The Weighted Average Maturity of these investments is in compliance with...
CONSIDERATION ITEM
CITY OF FAIR OAKS RANCH, TEXAS MUNICIPAL DEVELOPMENT DISTRICT
January 13, 2021

AGENDA TOPIC: Overview of the MDD Sales Tax Deposit Process
DATE: January 13, 2021
DEPARTMENT: Fair Oaks Ranch Municipal Development District
PRESENTED BY: Sarah Buckelew, CPA, Investment Officer/Finance Director

INTRODUCTION/BACKGROUND:
On May 7, 2011, the citizens of Fair Oaks Ranch approved by election the imposition of the MDD local sales and use tax at the rate of one-half of one percent within the boundaries of the district.

The MDD sales tax is an optional city sales tax that closely resembles a Type B economic development sales tax, and is levied within the district boundaries. Use of the sales tax is limited to those allowed under TLGC 505.151-501-158, details of which would require a separate training.

POLICY ANALYSIS/BENEFIT(S) TO CITIZENS:
Purpose of this discussion item is to provide an overview of the history of the MDD sales tax for new board members of the MDD.

LONG-TERM FINANCIAL & BUDGETARY IMPACT:
NA

LEGAL ANALYSIS:
NA

RECOMMENDATION/PROPOSED MOTION:
This item is for discussion purposes only, and does not require a formal action.