



**AGENDA  
REGULAR MEETING  
FREEPORT CITY COUNCIL  
MONDAY, APRIL 20, 2020 at 6:00 P.M.**

**Mayor:**  
Brooks Bass

**Council Members:**  
Ken Green  
Jerry Cain  
Sandra Loeza  
Roy Yates

**City Manager:**  
Timothy Kelty

**THE CITY COUNCIL OF THE CITY OF FREEPORT, TEXAS, WILL MEET ON MONDAY, THE 20TH DAY OF APRIL 2020, AT 6:00 P.M., AT THE FREEPORT POLICE DEPARTMENT, MUNICIPAL COURT ROOM, 430 NORTH BRAZOSPORT BOULEVARD, FREEPORT TEXAS**

**BECAUSE OF THE PUBLIC HEALTH THREAT, THE MEETING WILL BE CLOSED TO ATTENDANCE IN PERSON BY THE GENERAL PUBLIC. THE GENERAL PUBLIC MAY JOIN THE PUBLIC MEETING REMOTELY BY TELECONFERENCE BY DIALING:**

**(425) 436-6312 AND USING ACCESS CODE 315225**

**OR**

**AUDIO VISUAL CONFERENCE CALL USING:**

**PCs, Macs®, Chromebooks™, iOS and Android™ phones and tablets.**

**For users wanting to view and listen to the council meeting via a web browser go to [https://join.freeconferencecall.com/city\\_council\\_04202020](https://join.freeconferencecall.com/city_council_04202020) enter access code **315225** and the online meeting code is **freeporttx city council**.**

**OR**

**Visit the App Store or Google Play to download FreeConferenceCall. Enter the phone number, access code and online code listed above to view the meeting.**

**THE MEETING IS BEING HELD FOR THE FOLLOWING PURPOSES:**

**CALL TO ORDER:** *The Mayor will call the meeting to order, declare a quorum if present, and declare notices legally posted pursuant to Open Meetings Act.*

**INVOCATION AND PLEDGE OF ALLEGIANCE:** (Council Member)

**CITIZENS' COMMENTS:**

Members of the public are allowed to address the City Council at this time. *Note*, comments must be submitted electronically, and must include name and address specific factual information or a recitation of existing policy may be furnished in response to an inquiry made, but any deliberation, discussion, or decision with respect to any subject about which the inquiry was made shall be limited to a proposal to place such subject on the agenda for a subsequent meeting for which notice is provided in compliance with the Texas Open meetings Act unless said notice appears herein. The public is reminded that there is a (4) minute time limit as approved by City Council on June 21, 2010.

**PRESENTATIONS/ANNOUNCEMENTS:** Announcements by Mayor, City Council and/or Staff.

1. Emergency management briefing COVID-19. **(Motley/Garivey)**
2. Presentation and Possible Direction regarding Water and Waste Water Rate Study. **(Russell)**

**COUNCIL BUSINESS – REGULAR SESSION:**

3. Consideration and possible action on the approval of City Council meeting minutes from April 6, 2020. **(Wells)**
4. Consideration and possible action on the GRIP Resolution No. 2020-2626 from Centerpoint Energy. **(Kelty)**
5. Consideration and possible action on Resolution No.2020-2627, a resolution amending the Freeport Personnel Policy Handbook, regarding Social Media usage. **(Ferguson)**
6. Consideration and possible action on Sales Tax Overpayment and Repayment options. **(Russell)**
7. Consideration and possible action on Resolution No. 2020-2628 Approving and Adopting an Amended Investment Policy. **(Russell)**

**WORK SESSION:**

8. **The City Council may deliberate and make inquiry into any item listed in the Work Session.**
  - A. Mayor Brooks Bass announcements and comments.
  - B. Councilman Green Ward A announcements and comments.
  - C. Councilman Cain Ward B announcements and comments.
  - D. Councilwoman Loeza Ward C announcements and comments.
  - E. Councilman Yates Ward D announcements and comments.
  - F. City Manager Tim Kelty announcements and comments.
  - G. Updates on current infrastructure.
  - H. Update on reports / concerns from Department heads.

**CLOSED SESSION:**

9. Executive Session regarding a.) economic development (Project Wing Tip) (Project Easy Street) in accordance with Government Code Annotated, Chapter 551, Sections 551.087.

**COUNCIL BUSINESS – REGULAR SESSION:**

**ADJOURNMENT:**

10. Adjourn.

Items not necessarily discussed in the order they appear on the agenda. The Council at its discretion may take action on any or all of the items as listed. This notice is posted pursuant to the Texas Open Meeting Act. (Chapter 551, Government Code).

The City Council reserves the right to adjourn into executive session at any time during the course of this meeting to discuss any of the matters listed above, as authorized by Texas Government Code Sections 551.071 (Consultation with Attorney), 551.072 (Deliberations about Real Property), 551.073 (Deliberations about Gifts and Donations), 551.074 (Personnel Matters), 551.076 (Deliberations about Security Devices) and 551.087 (Economic Development).

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**ACCESSIBILITY STATEMENT** This facility is wheelchair accessible and accessible parking spaces are available. Requests for accommodations or interpretive services must be made 48 hours prior to this meeting. Please contact the City Secretary's Office at (979) 233-3526.

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**CERTIFICATE** I certify the foregoing notice was posted in the official glass case at the rear door of the City Hall, with 24 hours a day public access, 200 West 2<sup>nd</sup> Street, Freeport Texas, before 6:00 p.m. in accordance with Open Meetings Act.



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Betty Wells, City Secretary  
City of Freeport, Texas



## City Council Agenda Item # 2

**Title:** Presentation and Possible Direction regarding Water and Waste Water Rate Study

**Date:** April 20, 2020

**From:** Stephanie Russell, Assistant City Manager/Finance Director

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**Staff Recommendation:**

Staff is not recommending an immediate rate increase at this time. However; based on the results of the study, the City will need to plan for an increase in the future.

**Item Summary:**

Freese and Nichols' methodology for performing this study is based on accepted industry standards and practices, specifically the American Water Works Association (AWWA) Manual 1 (M1) "Principles of Water Rates, Fees, and Charges", Seventh Edition. The study included the following steps:

- Obtain data from City needed for the rate study.
- Review and analyze the data and develop projections of the operating expenses and revenues at current rates.
- Identify the revenue requirements for the water and wastewater system using the projected operating expenses and projected capital expenses in the next few years.
- Develop a rate model for the City's water and wastewater systems that projects the rates needed to provide sufficient annual revenue.
- Document the findings in a report.

This report describes the findings and recommendations of the water and wastewater rate study. The calculations are based on the City of Freeport's Fiscal Year, which runs from October 1 through September 30.

**Background Information:**

The City of Freeport provides retail water and wastewater services to customers within the City and outside the City limits. In addition, they have an existing wholesale contract with Bryan Mound Strategic Petroleum Reserve and have recently begun providing wholesale water supply to Surfside.

In June 2019, the City authorized Freese and Nichols, Inc. to perform a water and wastewater rate study. The purpose of the rate study is to develop a multi-year plan for

rates that will provide sufficient revenue to implement needed capital improvements and allow the water and wastewater system to be self-supporting.

**Special Considerations:** N/A

**Financial Impact:**

These projected rate increases would provide sufficient revenue to cover expenses each year with sufficient revenue to maintain a healthy fund balance and provide cash equal to at least 120 days of operating expenses.

**Board or 3<sup>rd</sup> Party recommendation:** N/A

**Supporting Documentation:** Water and Wastewater Rate Study by Freese and Nichols, Inc. Power point from Freese and Nichols. (Full Rate Study will be passed out at City Council Meeting)



# Water and Wastewater Rate Study

## FREPORT CITY COUNCIL

April 20, 2020



# Agenda



## Introduction

- Critical Assumptions

## Historical and Projected Revenue & Expenses

- Major Expense Categories
- Major Revenue Categories

## Proposed Water and Wastewater Rate Increases

- Overall Rate Recommendation
- Impacts to Customer Classes
- Benchmark Comparison

## Questions

# Critical Assumptions



- **General Fund**
  - Captures historical transfers from General Fund to W/WW Fund
  - Assumes annual transfers of \$150,000 from W/WW Fund to General Fund, FY20 – FY30
- Revenues increase by 7% in FY20 as a result of the rate increase in July 2019
- Reserve Fund of 120 days
- BWA expenses are from BWA's Five-Year Plan
- Veolia expenses increase by 3% per year, based on recent average of CPI
- **Capital Improvements**
  - \$10 million between water and wastewater
  - TWDB loan with 30% principal forgiveness reduces Freeport's total principal to \$7 million
  - Front-loaded in FY21
  - Interest rate of 3% (as a conservative estimate)



# Agenda



## Introduction

- Critical Assumptions

## Historical and Projected Revenue & Expenses

- Major Expense Categories
- Major Revenue Categories

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- Overall Rate Recommendation
- Impacts to Customer Classes
- Benchmark Comparison

## Questions

# Major Expense Categories



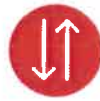
**Salaries**



**Benefits**



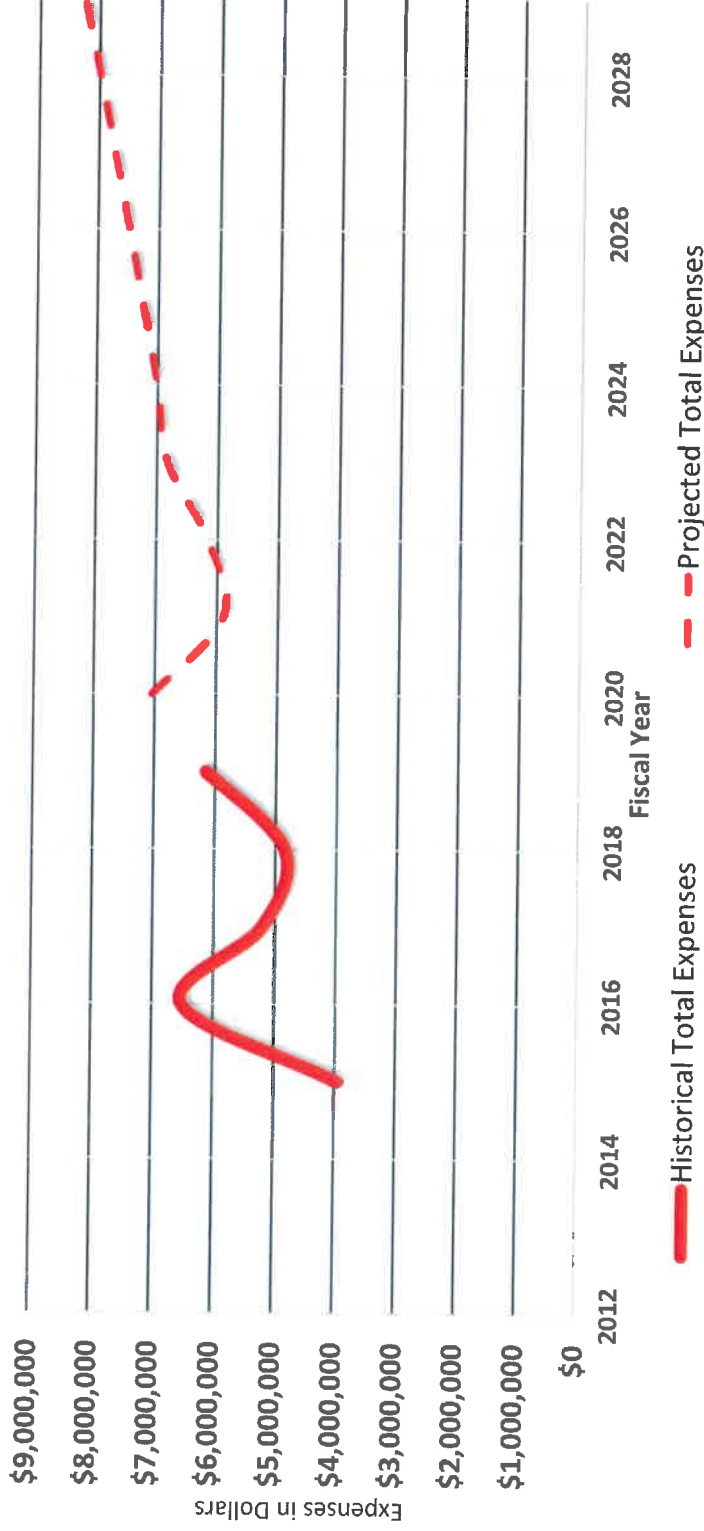
**Capital Outlay**



**BWA Water Resale (45% of historical overall expenses\*)**



**Veolia Contract (45% of historical overall expenses\*)**



\*Historical expenses. When debt service is added to projected expenses, these expense items become a smaller percentage.

# Major Revenue Categories



**Base Charges**

(water and wastewater)



**Usage Charges**

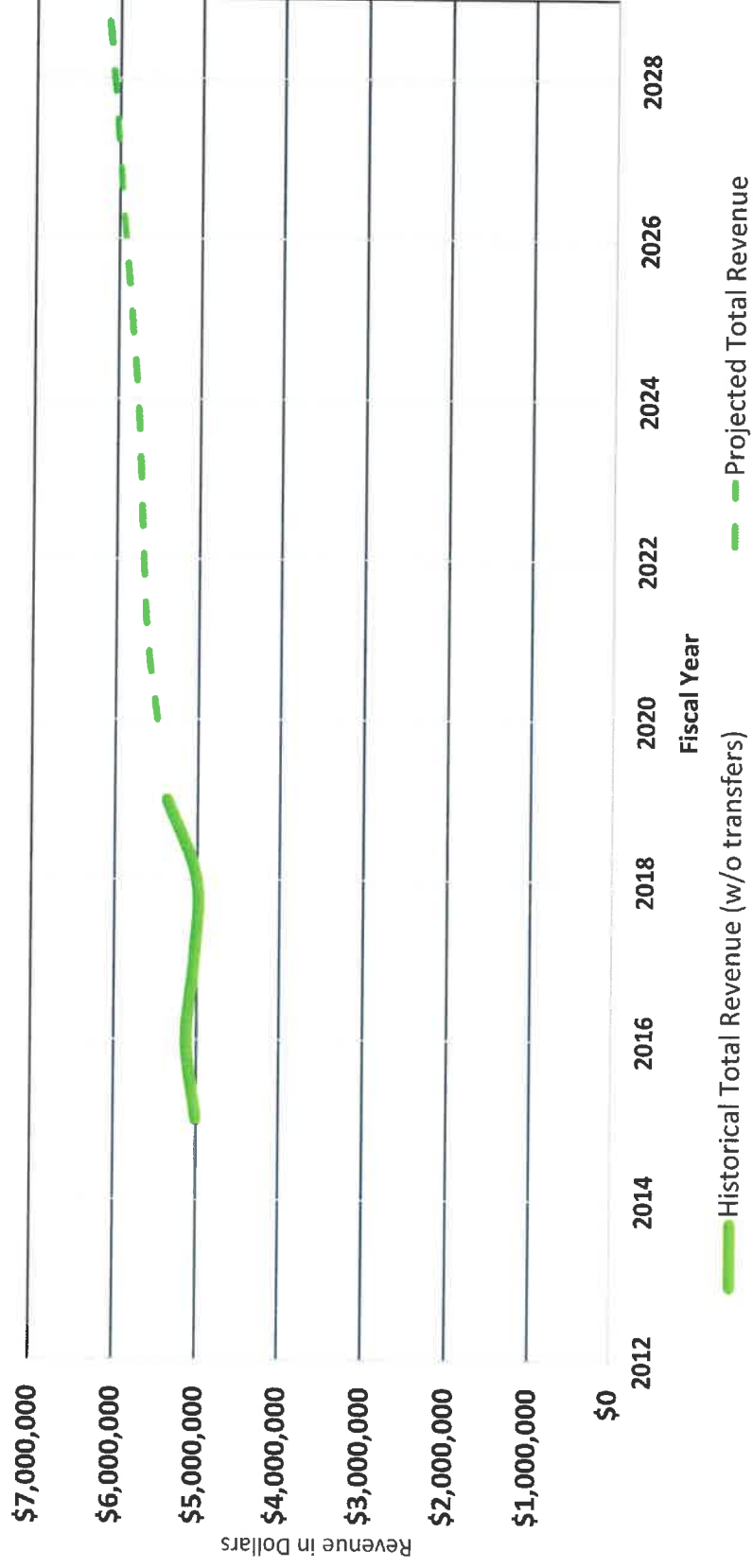
(water and wastewater)



**Wholesale Sales**



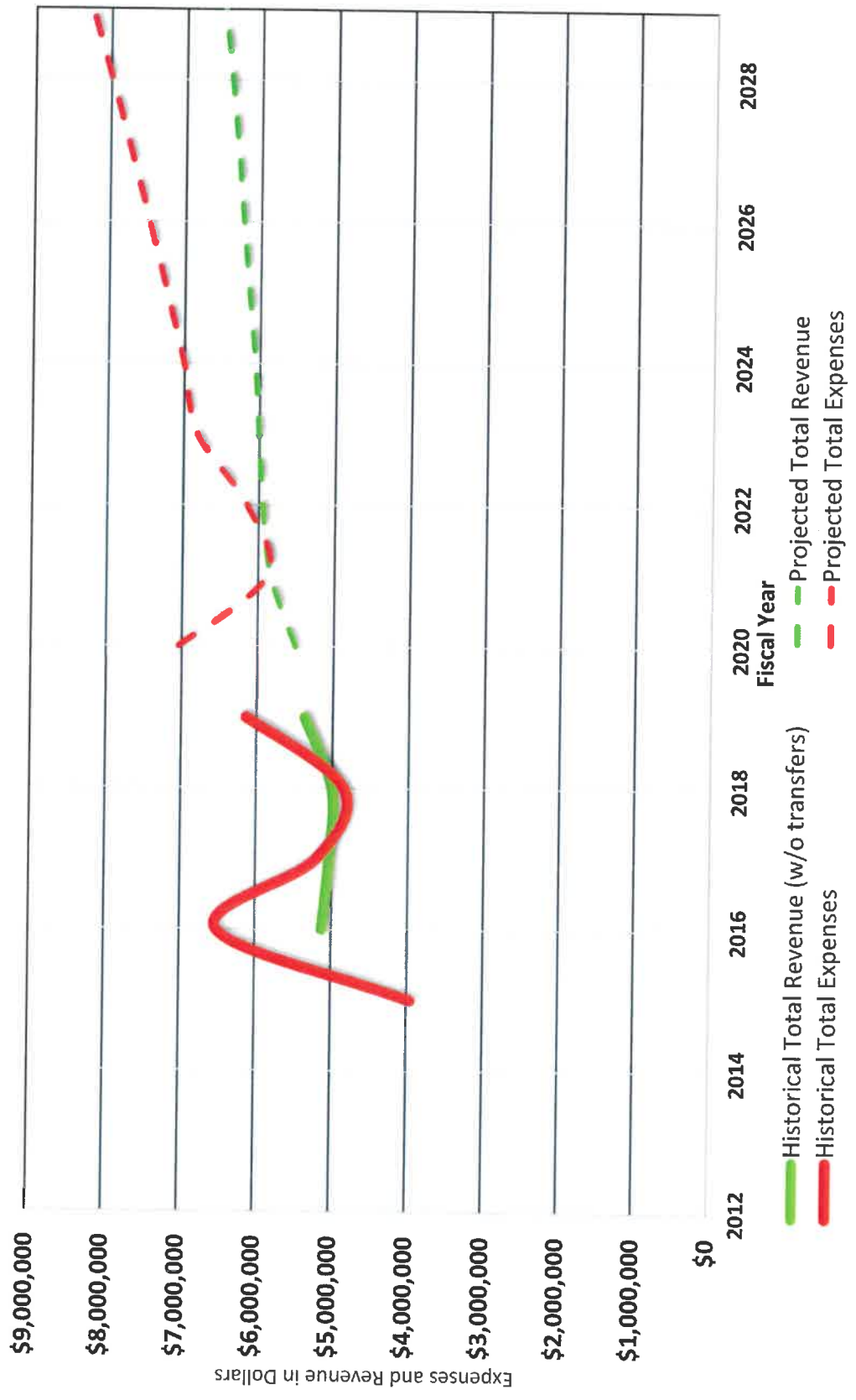
**Transfers from General Fund**



# Expenses and Revenue (at current rates)



- **Expenses > Revenue**



# Agenda



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- Critical Assumptions

## Historical and Projected Revenue & Expenses

- Major Expense Categories
- Major Revenue Categories

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- Overall Rate Recommendation
- Impacts to Customer Classes
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# FNI Rate Recommendations



- ✓ Increase Usage Charges for all customer classes and tiers by the following percentages:

FY21	FY22	FY23	FY24	FY25	FY26	FY27	FY28	FY29	FY30
16%	5%	2%	1%	0%	0%	3%	3%	2%	2%

- ✓ Increase Base Charges for Residential customers at the same rate as Usage Charges
- ✓ Institute new tiered Base Charges for Commercial customers based on meter size, which would increase at the same rate as Usage Charges
- ✓ Conduct outreach to Commercial customers prior to adopting rate adjustments

# Proposed Residential Rate Adjustment



## Increase to Residential Water and Wastewater Rates

Fiscal Year	Combined W/WW Bill @5,000 gallons	Combined W/WW Bill Increase @5,000 gallons	Yearly Percent Rate Increase
FY20	\$47.04	-	-
FY21	\$54.57	\$7.53	16.0%
FY22	\$57.30	\$2.73	5.0%
FY23	\$58.44	\$1.14	2.0%
FY24	\$59.03	\$0.59	1.0%
FY25	\$59.03	\$0	0%
FY26	\$59.03	\$0	0%
FY27	\$60.80	\$1.77	3.0%
FY28	\$62.62	\$1.82	3.0%
FY29	\$63.87	\$1.25	2.0%
FY30	\$65.15	\$1.28	2.0%

# Proposed Commercial Rate Adjustment

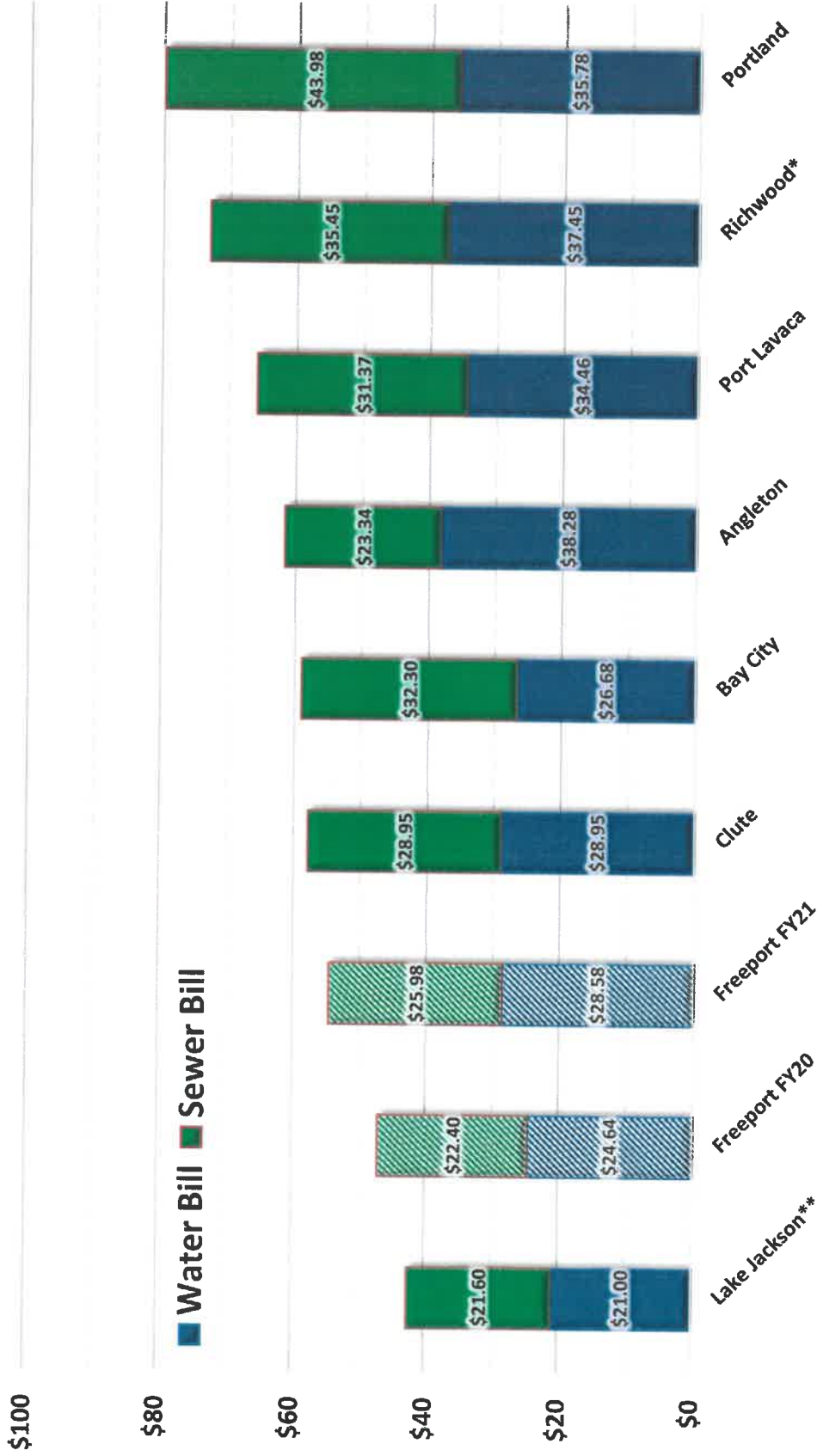


## Increase to Commercial Water and Wastewater Rates

Fiscal Year	2-inch Meter		10-inch Meter	
	Combined W/WW Bill @ 41,000 gallons	Yearly Percent Rate Increase	Combined W/WW Bill @ 2.8M gallons	Yearly Percent Rate Increase
FY20	\$663.55	-	\$59,046.57	-
FY21	\$809.30	22.0%	\$69,441.42	17.6%
FY22	\$849.77	5.0%	\$72,913.49	5.0%
FY23	\$866.76	2.0%	\$74,371.76	2.0%
FY24	\$875.43	1.0%	\$75,115.48	1.0%
FY25	\$875.43	0%	\$75,115.48	0%
FY26	\$875.43	0%	\$75,115.48	0%
FY27	\$901.69	3.0%	\$77,368.94	3.0%
FY28	\$928.74	3.0%	\$79,690.01	3.0%
FY29	\$947.32	2.0%	\$81,283.81	2.0%
FY30	\$966.26	2.0%	\$82,909.49	2.0%



# Rate Comparison with Other Cities



\*Richwood has automatic discounts for seniors, firefighters and Councilmembers that aren't included in this comparison.  
 \*\*Lake Jackson has automatic discounts for seniors that aren't included in this comparison.

## Final Remarks



- ✓ Analysis based on best available data and recent changes related to the economy may warrant considerations outside of the rate study
- ✓ Rate studies represent a snapshot in time. However, unless the utility experiences major divergences in revenue and expenses, the recommendations in this rate study should hold true for one to two years.
- ✓ Update rate study every five years



## Questions?

**CONTACT INFORMATION:**

**ADAM CONNER, PMP**

**(512)617-3173**

**ADAM.CONNER@FREESE.COM**



State of Texas

County of Brazoria

City of Freeport

BE IT REMEMBERED, that the City Council of Freeport, Texas met on Monday, April 6, 2020 at 6:00 p.m. at the Freeport Police Department, Municipal Court Room, 430 North Brazosport Boulevard, Freeport Texas for the purpose of considering the following agenda items:

City Council:

- Mayor Brooks Bass
- Councilman Jerry Cain
- Councilman Ken Green
- Councilwoman Sandra Loeza
- Councilman Roy E. Yates

Staff:

- Tim Kelty, City Manager
- Stephanie Russell, Assistant City Manager
- Betty Wells, City Secretary
- Chris Duncan, City Attorney
- Brenda Miller-Ferguson, Human Resource Director via teleconference
- LeAnn Strahan, Freeport Destination Director via teleconference
- Chris Motley, Freeport Fire Chief
- Ray Garivey, Freeport Police Department Chief
- Billy Shoemaker, Code/Permit Director, via teleconference

Visitors: Via Teleconference

- James Thomas
- Lila Diehl
- Shky McGinty

- Vander Williams
- Nick Irene (Facts Newspaper)

**Call to order.**

Mayor Brooks Bass called the meeting to order at 6:04 p.m.

**INVOCATION AND PLEDGE OF ALLEGIANCE:**

Invocation and the Pledge of Allegiance was conducted was by Mayor Bass.

Mayor Bass spoke about the recommendations from the CDC. He said that the CDC is recommending that we wear mask when we are out, or in a confined space. The CDC said that the virus can spread with close proximity, with speaking, coughing, and sneezing. Mayor Bass said that the City of Freeport is operating, and the City employees are doing a fantastic job, and we will get through this.

**Citizen's Comments**

There were no citizens comments.

## PRESENTATIONS/ANNOUNCEMENTS: Announcements by Mayor, City Council and/or Staff

### Proclamation of the City of Freeport designating April 2020 Fair Housing Month.

Mayor Brooks Bass read the proclamation of the City of Freeport proclaiming that April 2020 as Fair Housing Month.

### Presentation by Brazoria County SPCA.

Mayor Bass passed this item.

### Emergency management briefing COVID-19.

Freeport Fire Chief Chis Motley spoke to council about the changes that have been made with the Freeport Fire and EMS department. He said that the departments have been split to divide the personnel into two locations. One location is at the Service Center and the other is still at the station. Mayor Bass asked what the reason for this is and Chief Motley said that this will help with the number of personnel being exposed to a call. Chief Motley said that there are daily afternoon conference calls. He said that they have inventory at the fire department, hand sanitizers and mask if other departments are in need of these they just have to call. Chief Motley said the city is doing the recommendations from the Brazoria County Health Department and the CDC. Mayor Bass asked if Chief Motley was the first contact other than himself or Mr. Kelty if there were a positive result of COVID-19 in the City of Freeport. Chief Motley said that his Deputy Chief is the one that is receiving these calls. Mayor Bass asked what is protected information? Chief Motley said this is the patient information to identify the patient. This information may be shared with the first responders. Councilwoman Loeza asked if there are a series of questions that are asked when calls come in. Chief Motley said yes, there are a series of questions that are asked this is so EMS will know what level of personal protective equipment (PPE) to wear. Mayor Bass asked what safety plans are gone over with your staff? Chief Motley said that the previous information is just reiterated. Mayor Bass asked if there is anything that the City can do, that isn't already being done? Chief Motley said no, not at this time.

Freeport Police Chief Ray Garivey spoke to council about the things that the Freeport Police Department is doing, he said that calls for service are down. This means that they are not getting called out for disturbances. Chief Garivey said that he is proud of our residents. He said that the officers have mask, gloves and sanitizers in all units. Chief Garivey said that the officers are keeping distance from each other. Chief Garivey said that the PD has installed a Ring doorbell so that they may ask a series of questions to the residents before going out to speak with them. Mayor Bass asked what the idea was with having more police presence out on the streets? Chief Garivey said to have more visibility, he said that he has the detective division in uniform and on the streets. He said that they are split in half, half is on nights, and half are on days. Mayor Bass asked what are you doing when you are wearing your coveralls? Chief Garivey said that they are taking care of projects at the Police Department, he said with calls being down they can take care of the City that takes care of us. Councilwoman Loeza asked if there are calls of people having large get togethers at their homes? Chief Garivey said yes and there is a \$2000 fine that can be issued if you are in violation to the Order. Councilwoman Loeza asked about the basketball nets that are at the parks, she asked if this is something that the city should take down, as the City of Houston did? Chief Garivey said that if a couple of people want to go and play basketball then do it. The problem begins if there are large groups playing.

City Manager Tim Kelty said that he has spoken with some employees today and one of the things that he keeps stressing to the City employees is that we are essential employees. This is because we provide a service to the public. We need to make sure that our city residents have sewer and water, and that they

feel safe, parks are still open, and they must be maintained. Mr. Kelty said at this point all city employees are still working in the city. Some have gone to shift work with rotating shifts. This is to help if one employee gets sick, they don't all get sick. He said that we will take care of our employees, so that they can take care of the public. Mr. Kelty thanked the Mayor for providing lunch on Friday for the City employees.

## REGULAR SESSION

Consideration and possible action on the approval of City Council meeting minutes from March 20, 2020 Emergency Meeting and from March 23, 2020.

On a motion by Councilwoman Loeza, seconded by Councilman Cain, with all present voting "Aye" 5-0 Council unanimously approved the meeting minutes from March 20, 2020 Emergency Meeting and from March 23, 2020.

Consideration and possible action on Resolution No. 2020-2625 a resolution providing a temporary amendment to the Freeport Personnel Policy Handbook.

City Manager Tim Kelty presented to council Resolution No. 2020-2625 this resolution will allow adoption of changes to the Freeport Personnel Handbook, regarding emergency leave. Mr. Kelty said that two of the changes to the policy will be temporary changes. These are the result of Federal Legislation mandate. Mr. Kelty said that the third policy change addresses a need in our personnel policy, the emergency event leave policy was previously designed for hurricane situations. This policy will allow full time employees to have a negative sick leave balance up to 80 hours, with reimbursement of balance through future accruals or cash payment. Mr. Kelty said that the permanent addition to the City's Personnel Policy will allow this to the first responders as well. Mr. Kelty said that the first two policy changes are required, and the third is a cleanup to the personnel policy. Councilwoman Loeza asked if the employee would have to deplete their vacation or sick time, before these 80 hours were given. Mr. Kelty said yes, they will have to use their personal time before they could use these hours. Councilwoman Loeza asked how part time employees time would work. Assistant City Manager Stephanie Russell said that under the Federal Mandate for part time employees there is a percentage as well. Councilman Green asked if the Federal Mandate will supersede anything that the city has done? Stephanie Russell said yes.

On a motion by Councilwoman Loeza, seconded by Councilman Green, with all present voting "Aye" 5-0 Council unanimously approved Resolution No. 2020-2625, a resolution providing a temporary amendment to the Freeport Personnel Policy Handbook

Consideration and possible action approving Resolution No. 2020-2623 to designate authorized signatory for Hurricane Harvey Disaster Recovery Program Contract.

Freeport Fire Chief Chris Motley presented to council Resolution No. 2020-2623 he said that this resolution will designate authorized signatory's for Hurricane Harvey CDBG contract. He said that this is a grant project. Mayor Bass asked what this money will be used for. Chief Motley said that these funds will replace the inlet screen at the sewer plant, that was damaged during Hurricane Harvey.

On a motion by Councilwoman Loeza, seconded by Councilman Yates, with all present voting "Aye" 5-0 Council unanimously approved Resolution No. 2020-2623, a resolution designating signatory for Hurricane Harvey CDBG contract.

Consideration and possible action approving Resolution No. 2020-2624 adopting required Community Development Block Grant (CDBG-DR) Civil Rights Policy

Freeport Fire Chief Chris Motley presented to council Resolution No. 2020-2624 a resolution adopting required CDBG-CR Civil Rights Policy. Chief Motley said that this resolution is brought by the Grant writer and what it does is allows the Mayor to sign documents, this is for the same project that was just adopted.

On a motion by Councilman Yates, seconded by Councilman Cain, with all present voting "Aye" 5-0 Council unanimously approved Resolution No. 2020-2624 adopting required Community Development Block Grant (CDBG-DR) Civil Rights Policy.

**WORK SESSION:**

Mayor Bass said that these are interesting times, he said that each day is different. He said though the numbers vary on the COVID-19, we are still increasing. Mayor Bass said that the County Judge stressed today that we need to do the basic things, wash your hands, do not touch eyes or nose, and if you must cough then cough into your elbow. It was also said that we need to follow the CDC recommendations, if you are out in public use the six feet distancing and to use a mask. Mayor Bass said that our city workers are courageous, they are out there every day. Fixing the roads, keeping the books, cleaning the parks, cleaning all city buildings. What these employees are doing is creating a safe spot for our residents. He said that the restrooms in our park are being sanitized, and this speaks volume of our city employees. He said as Mayor this makes him very proud of this fine city. He said that he encourages everyone to practice personal hygiene. Mayor Bass said that he wants to thank the residents of the city as well. Mayor Bass said that he had a young couple come to his home to return his sons wallet, he said that this why he lives in the City of Freeport.

Councilman Green said that the city workers are doing a tremendous job on Broad Street. He said that they have the curbs in, and he knows that the paving cannot be done until the curbs are complete. Councilman Green also thanked Chief Garivey and the officers for the help that they gave. Councilman Green said that the mirrors on the Levy was a great idea, but there was an accident and he recommends a yellow stripe to divide the lanes to prevent people from driving just down the middle. Mr. Kelty said that we will get this taken care of.

Councilman Cain said that he would like everyone to continue to support and pray for our first responders. He said to follow the recommendations of the CDC. Councilman Cain said that on the corner of Riverview and Acacia Circle it looks like a curb was taken out. He said he would like someone to go and look at this and to please get it cleaned up. He said that after the rain over the weekend it looks like some of the storm drains with the grating has substantial amount of debris, he asked if we can get the street sweeper to get these drains cleaned up.

Councilwoman Loeza said it looks like the trash has been picked up in her area. She said that there is an improvement. She said that on Ave D there is a vacant lot, and she is just curious who owns this lot. Mayor Bass said to get the address and we will find out. Councilwoman Loeza said that on the back of the Pawn shop there are dump trucks just parked there. She asked if they are just parked here or is this a business. Chief Garivey said that this is a business. She also said that there is still yard parking on Dixie and 5<sup>th</sup> Street, she said that you can tell these cars are not being used and they have been here for months. Councilwoman Loeza asked about the fencing that has been put up on the levy at the new river. City Manager Tim Kelty said that this is owned by Velasco Drainage District and they put the fence to stop illegal dumping, and to keep the homeless from living there.

Councilman Yates said that he has things that he would like to discuss, but he will put them off until another meeting.

City Manager Tim Kelty said that the roof at the Rec Center has been completed, he also said that the Public Works Crew repaired the problem on the edge of the Rec Center that was causing leakage into the Rec Center. This was all repaired and landscaped. Mr. Kelty said that the large pool project is moving forward.

Update on reports / concerns from Department heads

Freeport Fire Chief Chris Motley said that we will be going out for an RFP Grant Writer for a \$4.3 billion dollars for Hurricane Harvey funds for infrastructure and drainage.

Open session was closed at 7:03 pm and Council entered into Executive Session.

**CLOSED SESSION:**

Executive Session regarding economic development (Project Wing Tip) in accordance with Government Code Annotated, Chapter 551, Sections 551.087.

No action taken.

**REGULAR SESSION**

Mayor Brooks Bass opened regular session at 7:26 P.M.

Adjourn

On a motion by Councilwoman Loeza, seconded by Councilman Yates, with all present voting "Aye", Mayor Brooks Bass adjourned the meeting at 7:26 PM.

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Mayor, Brooks Bass  
City of Freeport, Texas

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City Secretary, Betty Wells  
City of Freeport, Texas





## City Council Agenda Item # 4

**Title:** Consideration and possible action on Resolution suspending the proposed CenterPoint utility rate increase for 45 days pending review by Herrera Law & Associates representing Freeport and the rest of the Texas Coast Utility Coalition cities.

**Date:** 4/20/2019

**From:** Tim Kelty, City Manager

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**Staff Recommendation:** Staff recommends approval of the Resolution.

### **Item Summary**

#### **ALLIANCE OF CENTERPOINT MUNICIPALITIES**

The City is a member of the Texas Coast Utilities Coalition (“TCUC”) of cities. TCUC was organized by a number of municipalities served by CenterPoint Energy Resources Corp., Texas Coast Division (“CenterPoint”) and has been represented by the law firm of Herrera Law & Associates, PLLC (through Mr. Alfred R. Herrera) to assist in reviewing applications to change rates submitted by CenterPoint.

#### **“GRIP” RATE APPLICATION**

Under section 104.301 of the Gas Utility Regulatory Act (“GURA”), a gas utility is allowed to request increases in its rates to recover a return on investments it makes between rate cases. This section of GURA is commonly referred to as the “GRIP” statute, that is, the “Gas Reliability Infrastructure Program.”

Under a decision by the Supreme Court of Texas, the Court concluded that a filing made under the GRIP statute permitted gas utilities the opportunity to recover return on capital expenditures made during the interim period between rate cases by applying for interim rate adjustment and that proceedings under the GRIP statute did not contemplate either adjudicative hearings or substantive review of utilities’ filings for interim rate adjustments. Instead, the Court concluded, the GRIP statute provides for a *ministerial* review of the utility’s filings to ensure compliance with the GRIP statute and the Railroad Commission’s rules, and that it is within the Railroad Commission’s authority to preclude cities from intervening and obtaining a hearing before the Railroad Commission.

#### **CENTERPOINT’S “GRIP” APPLICATION**

On or about March 5, 2020 CenterPoint Energy Resources Corp., Texas Coast Division (“CenterPoint”) filed for an increase in gas utility rates under the Gas Reliability Infrastructure Program (“GRIP”). CenterPoint’s application if approved by the Commission will result in an increase in the monthly customer charges as shown below:

Rate Schedule	Current Customer Charge	Proposed 2020 Interim Rate Adjustment	Adjusted Charge	Increase Per Bill
R-2096-I-GRIP 2020; R-2096-U-GRIP 2020 Residential	\$17.10 per customer per month	\$0.67 per customer per month	\$17.77 per customer per month	\$0.67 per customer per month
GSS-2096-I-GRIP 2020; GSS-2096-U-GRIP 2020 General Service Small	\$20.50 per customer per month	\$0.98 per customer per month	\$21.48 per customer per month	\$0.98 per customer per month
GSLV-627-I-GRIP 2020; GSLV-627-U-GRIP 2020 General Service Large Volume	\$239.85 per customer per month	\$22.99 per customer per month	\$262.84 per customer per month	\$22.99 per customer per month

CenterPoint's proposed increases represent an increase in annual revenue of about \$2.8 million. Also, CenterPoint's proposed increase in revenue results in the following percentage increases in a customer's base rate bills. Base rates recover CenterPoint's costs excluding the cost of gas and are the costs that are directly within CenterPoint's control:

- Residential Customer: 3.51% increase in average customer's bill
- Commercial Customer: 3.51% increase in average customer's bill
- General Service – Large Volume: 5.64% increase in average customer's bill

**REVIEW AND ACTION RECOMMENDED**

Although the City's ability to review and effectuate a change in CenterPoint's requested increase is limited, the City should exercise due diligence with regard to rate increases of monopoly utilities who operate within its boundaries, including increases requested under the GRIP statute to ensure compliance with the requirements of that law. This includes whether CenterPoint's current rates produce a rate of return in excess of its authorized rate of return.

To exercise its due diligence, it is necessary to suspend CenterPoint's proposed effective date of May 4, 2020 for forty-five days, so that the City can evaluate whether the data and calculations in CenterPoint's rate application are correctly done.

Therefore, TCUC's Special Counsel, the law firm of Herrera Law & Associates, PLLC (through Alfred R. Herrera) recommends that the City adopt a resolution suspending CenterPoint's proposed effective date for 45 days. Assuming a proposed effective date of May 4, 2020, CenterPoint's proposed effective date is suspended until June 18, 2020.

**Financial Impact:** While the city itself will not realize a refund, tax paying customers throughout the city will realize the benefit, and there will be no cost to the city by this action.

**Supporting Documentation:** Resolution

**RESOLUTION NO. 2020-2626**

**A RESOLUTION BY THE CITY OF FREEPORT, TEXAS, ("CITY") RESPONDING TO THE APPLICATION OF CENTERPOINT ENERGY RESOURCES CORP., TEXAS COAST DIVISION, TO INCREASE RATES UNDER THE GAS RELIABILITY INFRASTRUCTURE PROGRAM; SUSPENDING THE EFFECTIVE DATE OF THIS RATE APPLICATION FOR FORTY-FIVE DAYS; AUTHORIZING THE CITY TO CONTINUE TO PARTICIPATE IN A COALITION OF CITIES KNOWN AS THE "TEXAS COAST UTILITIES COALITION" OF CITIES; DETERMINING THAT THE MEETING AT WHICH THE RESOLUTION WAS ADOPTED COMPLIED WITH THE TEXAS OPEN MEETINGS ACT; MAKING SUCH OTHER FINDINGS AND PROVISIONS RELATED TO THE SUBJECT; AND DECLARING AN EFFECTIVE DATE.**

**WHEREAS:** on or about March 5, 2020 CenterPoint Energy Resources Corp., Texas Coast Division ("CenterPoint") filed for an increase in gas utility rates under the Gas Reliability Infrastructure Program ("GRIP"), resulting in a requested increase in the monthly customer charge for a residential customer from \$17.10 to \$17.77, an increase of approximately 3.92% in the monthly fixed customer charge; and

**WHEREAS:** the City has a special responsibility to exercise due diligence with regard to rate increases of monopoly utilities who operate within its boundaries; and

**WHEREAS:** the application to increase rates by CenterPoint is complex; and

**WHEREAS:** it is necessary to suspend the effective date for the increase in rates for forty-five days, so that the City can assure itself that the data and calculations in CenterPoint's rate application are correctly done; and

**WHEREAS:** the effective date proposed by CenterPoint is May 4, 2020 but a suspension by the City will mean that the rate increase cannot go into effect prior to June 18, 2020.

**NOW THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF \_\_\_\_\_, TEXAS THAT:**

**Section 1.** That the statements and findings set out in the preamble to this resolution are hereby in all things approved and adopted.

**Section 2.** The City suspends the requested effective date by CenterPoint for forty-five days pursuant to the authority granted the City under Section 104.301 of the Texas Utilities Code. The City finds that additional time is needed in order to review the data and calculations that provide the basis for the rate increase application.

**Section 3.** The City shall continue to act jointly with other cities that are part of a coalition of cities known as the Texas Coast Utilities Coalition ("TCUC") of cities.

**Section 4.** The City authorizes the law firm of Herrera Law & Associates, PLLC, to act on its behalf in connection with CenterPoint's application to increase rates.

**Section 5.** To the extent allowed by law, CenterPoint is ordered to pay the City's reasonable rate case expenses incurred in response to CenterPoint's rate increase application within 30 days of receipt of invoices for such expenses to the extent allowed by law.

**Section 6.** The meeting at which this resolution was approved was in all things conducted in compliance with the Texas Open Meetings Act, Texas Government Code, Chapter 551.

**Section 7.** This resolution shall be effective immediately upon passage.

**PASSED AND APPROVED** this \_\_\_\_\_ day of \_\_\_\_\_ 2020.

\_\_\_\_\_  
Brooks Bass, MAYOR

ATTEST:

\_\_\_\_\_  
Betty Wells, CITY SECRETARY



## City Council Agenda Item # 5

**Title:** Consideration and possible action on Resolution No. 2020-2627 a resolution amending the Freeport Personnel Policy Handbook.

**Date:** 04/20/2020

**From:** Brenda Ferguson, Director of Human Resources

---

**Staff Recommendation:**

Staff recommends approving this Resolution.

**Item Summary:**

This Resolution adopts an addition to the Freeport Personnel Policy Handbook regarding Social Media Usage.

**Background Information:**

Our existing Personnel Policy Handbook does not specifically address the use of social media. Because social media usage is so prevalent both personally and professionally, and because employees represent the City in our community, we believe it is important that the City establish clear guidelines for appropriate social media usage.

We recommend the addition of this Social Media Usage Policy to Chapter 5, Standards of Conduct, as Section 5.24. This will supplement the existing Internet Usage Policy that is located in Section 5.23. Key aspects of the proposed Social Media Policy are as follows:

- This policy is designed to protect the City's reputation and ensure that an employee's communications not only reflect positively on the employee as an individual, but also on the City.
- The intent of these standards is to regulate the creation and distribution of information concerning the City, its employees and citizens through electronic media, including, but not limited to online forums, instant messaging and internet social media and blogging sites.
- The term "social media" encompasses all platforms, including but not limited to: Facebook, Twitter, LinkedIn, blogs, and other online journals and diaries; bulletin boards and chat rooms, microblogging and all other social networking sites, instant messaging and the posting of video on YouTube and similar media.

- An employee's use of social media, both on-duty and off-duty, must not interfere with or conflict with the employee's duties or job performance, reflect negatively on the City or violate any City policy.
- Employees have the right to speak out as private citizens on matters of public concern, so long as the speech does not unduly disrupt the operations or mission of the City.
- Online behavior, whether on- or off-duty, must not otherwise cause harm to or misrepresent the City or its interests.
- Harassing, bullying, or demeaning coworkers, or otherwise creating a hostile work environment for any employee through online posting, violates this policy.

**Special Consideration:**

The probable increase in social media usage during the COVID-19 virus pandemic while employees are working alternate schedules and/or working from remote locations make this action important at this time.

**Board or 3rd Party recommendation:**

The content of this policy is based on recommendations from the Texas Municipal Human Resources Association (TMHRA), as reviewed by their attorneys, Lynn Law, PLLC. The policy has also been reviewed by our City Attorney, Mr. Chris Duncan.

**Financial Impact:**

No financial impact.

**Supporting Documentation:**

Resolution and Exhibit

**RESOLUTION NO. 2020-2627**

**A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF FREEPORT, TEXAS ADDING A SUPPLEMENT TO THE EXISTING SOCIAL MEDIA POLICY AND APPROVING ITS ADDITION AS SECTION 5.24 TO THE PERSONNEL POLICY HANDBOOK.**

WHEREAS, the City of Freeport provides internet access to many employees as a tool to perform their job duties; and

WHEREAS, it is appropriate and necessary to limit the use of this internet access by city employees; and

WHEREAS, the City of Freeport maintains various social media accounts, the use of which must be specifically limited to official communications of the City; and

WHEREAS, city employees, may obtain confidential or protected information through their employment with the city; and

WHEREAS, it is in the best interest of the city, as representative of the interests of all citizens, to prevent defamatory, insulting, or inappropriate communications by city employees.

**NOW THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF FREEPORT, TEXAS:**

**SECTION 1. SOCIAL MEDIA POLICY.** That the City Council of the City hereby approves and adopts the supplement to Social Media Policy attached hereto as Exhibit "A" and approves its addition to the Personnel Policy Handbook as section 5.24, a permanent personnel policy of the City, which shall take effect as of April 20, 2020.

**SECTION 2. PROPER NOTICE AND MEETING.** It is hereby found and determined that the meeting at which this resolution was passed was attended by a quorum of the City Council, was open to the public, and that public notice of the time, place and purpose of said meeting was given as required by the Open Meetings Act, Texas Government Code, Chapter 551.

Read, passed and adopted the \_\_\_\_\_ day of \_\_\_\_\_, 2020.

\_\_\_\_\_  
Brooks Bass, Mayor  
City of Freeport, Texas

ATTEST:

APPROVED AS TO FORM ONLY:

\_\_\_\_\_  
Betty Wells, City Secretary  
City of Freeport, Texas

\_\_\_\_\_  
Christopher Duncan, City Attorney  
City of Freeport, Texas



# **CITY OF FREEPORT – PERSONNEL POLICY HANDBOOK**

## ***Exhibit A***

### **CHAPTER FIVE**

#### **STANDARDS OF CONDUCT**

##### **5.24 Social Media Usage:**

##### **RECOMMENDED ADDITION to supplement existing section 5.23 Internet Usage Policy**

An employee's use of social media, both on-duty and off-duty, must not interfere with or conflict with the employee's duties or job performance, reflect negatively on the City or violate any City policy. The intent of these standards is to regulate the creation and distribution of information concerning the City, its employees and citizens through electronic media, including, but not limited to online forums, instant messaging and internet social media and blogging sites. Employees have the right to speak out as private citizens on matters of public concern, so long as the speech does not unduly disrupt the operations or mission of the City. This policy is designed to protect the City's reputation and ensure that an employee's communications not only reflect positively on the employee as an individual, but also on the City. Online behavior, whether on- or off-duty, must not otherwise cause harm to or misrepresent the City or its interests. Harassing, bullying, or demeaning coworkers, or otherwise creating a hostile work environment for any employee through online posting, violates this policy.

The term "social media" encompasses all platforms, including but not limited to: Facebook, Twitter, LinkedIn, blogs, and other online journals and diaries; bulletin boards and chat rooms, microblogging and all other social networking sites, instant messaging and the posting of video on YouTube and similar media.

##### **Use of City's Internet:**

Use of the City's Internet is a privilege and City employees must responsibly and ethically use it. The City may monitor an employee's access, use, and postings to the City's Internet to: ensure compliance with internal policies; support the performance of internal investigations; assist management of information systems; and for all other lawful purposes. The City expects all employees to follow the Internet Usage outlined in Section 5.23 and the Social Media Policy outlined below when posting information on the City's Social media sites.

##### **Interpretation in Conjunction with Other City Policies:**

This policy should be read and interpreted in conjunction with other City policies, including but not limited to, policies prohibiting harassment, discrimination, offensive conduct or inappropriate behavior. Violations of the Social Media Policy may lead to disciplinary action. The City provides avenues by which employee complaints can be heard and addressed, without resorting to social media.

## **EMPLOYEE GUIDELINES**

### **Use of City's Social Media on Work Time:**

Any blogging or posting of information on the Internet or other City social media sites must comply with the City's guidelines, regardless of where the blogging or posting is done.

- Blogging, or posting information of a personal nature on the Internet or other City social media sites is prohibited during work hours. Employees are not permitted to engage in social networking of a personal nature while using any of the City's electronic social media sites.
- Employees must obtain written authorization from the City Manager or the Department Director to update or post on social media sites on behalf of the City and all content must be approved prior to posting. All of the employee's time spent updating or posting on City social media sites as part of the employee's job duties is compensable time that must be reported and counted in the calculation of overtime.
- No use of social media on work time and on City equipment on City-operated networks is considered private or confidential, even if password protected or otherwise restricted. The City reserves the right to access, intercept, monitor and review all information accessed, posted, sent, stored, printed or received through its communications systems or equipment at any time.
- Never disclose any confidential information concerning another employee of the City in a blog or other posting to the Internet. Posting of confidential information may violate state law and subject the user to criminal penalty. All requests for City documents must be processed through the Public Information Act.
- Employees must abide by all federal and state law and policies of the City with regard to information sent through the City's Internet.
- Individual supervisors do not have the authority to make exceptions to these guidelines.

### **Use of Personal Social Media While Not on Work Time:**

The City recognizes that many City employees utilize social media when not at work. The City requires that employees be aware of guidelines regarding posting of work-related information on personal social media sites, and they are listed below.

- If the employee's social networking includes any information related to the City, the employee must make it clear to the readers that the views expressed are the employee's alone and not reflective of the views of the City.

- Employees are encouraged to act responsibly on and off duty, and to exercise good judgment when using social media. Employees are expected to recognize that postings on their social media site, even if done off premises and while off duty, could have an adverse effect on the City's legitimate business interests.
- Respect co-workers and the City. Do not put anything on your personal social media site that may defame, embarrass, insult, demean or damage the reputation of the City or any of its employees.
- Do not put anything on your personal social media site that may constitute violation of the City's Harassment policy. Do not post any pornographic pictures of any type that could identify you as an employee of the City. Be mindful that the City's harassment policy covers both work and non-work time, including postings on social media sites.
- Do not post inappropriate pictures of yourself or others on your personal social media site containing images of City uniforms or insignia, City logos, City equipment or City work sites.
- Do not post information on your personal social media site that could adversely impact the City and/or an employee of the City.
- Do not permit or fail to remove postings violating this policy, even when placed by others on your social media site.



## City Council Agenda Item # 6

**Title:** Discussion and Direction Regarding Sales Tax Overpayment and Repayment Options.

**Date:** April 20, 2020

**From:** Stephanie Russell, Assistant City Manager

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**Staff Recommendation:**

Staff recommends authorizing the City Manager to enter into a 29 – month local sales and use tax payback agreement with the Texas Comptroller of Public Accounts.

**Item Summary:**

Staff received notification from the Comptroller that the City was overpaid \$533,636.43 in local sales and use taxes due to a filed refund claim by a taxpayer. The taxpayer has been refunded and the City has three options to repay the State:

1. One-time reimbursement of total \$533,636.43;
2. Apply all of future sales tax distributions to the amount due until the \$533,636.43 is paid in full (this would be at least two full months of sales tax for the City); or
3. Enter into a 29 – month payback agreement of \$18,402 for the first 28 months and \$18,380.43 for the last month.

No fees or interest will be applied to any option. The City has 60 days to respond to the notice dated February 14, 2020. Staff recommends option 3.

**Background Information:**

Since the last meeting staff was able to learn more about the refund. The refund was for sales tax reported from September 2015 through October 2018. The refund was paid back to the taxpayer in November 2019. The taxpayer does not appear to be operating in the City anymore and was based out of state.

Per the Comptroller, there is no way of knowing when a taxpayer is going to file a refund claim. Many times, the taxpayer will choose to pay the tax up front because they do not want to be penalized for not paying it, then they go back later and file a refund. Some taxpayers also utilize consultants who receive a percentage of the refund they find.

Freeport is in an area of the state that has many direct pay taxpayers, such as manufacturers, oil/gas refineries, and utility companies. These taxpayers tend to accrue and pay tax themselves on items that they purchase for their own use and not resale or they pay it to the vendor from which the items were purchased.

**Special Considerations:** N/A

**Financial Impact:**

The total estimated impact for this fiscal year to the City's General Fund is \$85,876. The 1.5 cent Sales Tax is split proportionally between the City (1 cent) and the Freeport Economic Development Corporation (0.5 cent). Therefore; the total impact is \$355,758 to the City's General Fund and \$177,879 for the FEDC. Assuming the repayment plan begins in March, the 29 payments would be spread across three fiscal years:

Fiscal Year	Total	City	FEDC
2019-2020	128,814	85,876	42,938
2020-2021	220,824	147,216	73,608
2021-2022	183,998	122,666	61,333
Total	533,636	355,758	177,879

**Board or 3<sup>rd</sup> Party recommendation:** N/A

**Supporting Documentation:** Letter from Texas Comptroller of Public Accounts



## City Council Agenda Item # 7

**Title:** Consider a Resolution Approving and Adopting an Amended Investment Policy

**Date:** April 20, 2020

**From:** Stephanie Russell, Assistant City Manager/Finance Director

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**Staff Recommendation:**

I recommend Council re-adopt the investment policy in accordance with Chapter 2256, Public Funds Investment, of the Texas Government Code. After reviewing changes from the 2019 legislative session, there are not any proposed policy changes. However; I recommend expanding the number of Investment Officers to include the Accounting Specialist position.

**Item Summary:**

The investment policy and investment strategies should be reviewed annually. Council must adopt a written instrument by ordinance or resolution stating that it has reviewed the investment policy and investment strategies and record any changes made to either the investment policy or investment strategies.

**Background Information:**

In accordance with Chapter 2256, the investment policies must: be written; primarily emphasize safety of principal and liquidity; address investment diversification, yield, and maturity and the quality and capability of investment management; and include:

- A. a list of the types of authorized investments in which the investing entity's funds may be invested;
- B. the maximum allowable stated maturity of any individual investment owned by the entity;
- C. for pooled fund groups, the maximum dollar-weighted average maturity allowed based on the stated maturity date for the portfolio;
- D. methods to monitor the market price of investments acquired with public funds;
- E. a requirement for settlement of all transactions, except investment pool funds and mutual funds, on a delivery versus payment basis; and
- F. procedures to monitor rating changes in investments acquired with public funds and the liquidation of such investments consistent with the provisions of Section 2256.021.

Additionally, Council must adopt a separate written investment strategy for each of the funds or group of funds under its control. The investment strategy must describe the investment objectives using the following priorities in order of importance:

- 1) understanding of the suitability of the investment to the financial requirements of the entity;
- 2) preservation and 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; and
- 6) yield.

The proposed Investment Strategy is included as Exhibit E.

The City must designate one or more officers or employees to be responsible for the investment of its funds consistent with the investment policy adopted by the entity.

**Special Considerations:**

N/A

**Financial Impact:**

N/A

**Board or 3<sup>rd</sup> Party recommendation:**

N/A

**Supporting Documentation:**

Revised Investment Policy with Exhibits

**RESOLUTION NUMBER 2020-2628**

**A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF FREEPORT, TEXAS, APPROVING AND ADOPTING AN AMENDED INVESTMENT POLICY FOR THE CITY OF FREEPORT AND A LIST OF QUALIFIED BROKERS THAT ARE AUTHORIZED TO ENGAGE IN INVESTMENT TRANSACTIONS WITH THE CITY; PROVIDING FOR INCORPORATION OF PREAMBLE AND AN EFFECTIVE DATE.**

**WHEREAS**, Chapter 2256 of the Texas Government Code, commonly known as the "Public Funds Investment Act," requires the City to review and re-adopt an Investment Policy and Qualified Broker/Deal List by rule, order, ordinance or resolution; and

**WHEREAS**, the City Council must approve any amendments to such Investment Policy; and

**WHEREAS**, the proposed Amended Investment Policy, a copy of which is attached hereto as Exhibit "A," complies with the Public Funds Investment Act, as amended, and authorizes the investment of City funds in safe and prudent investments; and

**WHEREAS**, the City Council hereby finds that the proposed Amended Investment Policy should be approved.

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

**Section 1.** The facts and statements contained in the preamble are hereby found to be true and correct and are incorporated herein and made a part hereof for all purposes.

**Section 2.** The Amended Investment Policy attached hereto as "Exhibit A" is hereby adopted as the Investment Policy of the City of Freeport.

**Section 3.** This Resolution shall become effective immediately upon its passage.

**DULY PASSED, APPROVED AND ADOPTED** on this the 20th day of April 2020.

\_\_\_\_\_  
Brooks Bass, Mayor  
City of Freeport, Texas

ATTEST:

\_\_\_\_\_  
Betty Wells, City Secretary  
City of Freeport, Texas

APPROVED AS TO FORM AND CONTENT:

\_\_\_\_\_  
Christopher Duncan, City Attorney  
City of Freeport, Texas





# **City of Freeport, Texas Investment Policy**

For Review  
April 20, 2020

# City Freeport Investment Policy

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## I. Policy

It is the policy of the City Freeport (the “City”) to administer and invest its funds in a manner that will preserve the principal and maintain the liquidity while meeting the daily cash flow requirements of the City. The City will conform to all federal, state and local statutes, rules and regulations governing the investment of the City’s funds.

Not less than annually, City Council shall adopt a written instrument by resolution stating that it has reviewed the Investment Policy and investment strategies and that the written instrument so adopted shall record any changes made to the Investment Policy or investment strategies.

## II. Purpose

The purpose of this policy is to provide direction for investing the funds of the City of Freeport and to comply with Chapter 2256 of the Texas Government Code (“Public Funds Investment Act”), which requires each entity to adopt a written investment policy regarding the investment of its funds and any funds under its control. The investment policy addresses the methods, procedures and practices that must be exercised to ensure effective and judicious fiscal management of the City’s funds.

## III. Scope

This investment policy applies to the safekeeping and investing of all financial assets of the City. These funds are accounted for in the City's Annual Financial Report and include all financial assets of all funds managed by the City, including but not limited to tax revenues, charges for services, bond proceeds, interest income, loans and funds received by the City where the City performs a custodial function. However, this policy does not apply to the assets administered for the benefit of the City by outside agencies under deferred compensation programs or other retirement programs.

## IV. General Objectives

The primary objectives, in priority order, of the City’s investment activities shall be safety, liquidity, and yield:

- A. **Safety** – Safety of the 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 minimize credit risk and interest rate risk.
  - i. **Credit Risk and Concentration of Credit Risk** – The City will minimize credit risk, the risk of loss due to the failure of the security issuer or backer, and concentration of credit risk, the

risk of loss attributed to the magnitude of investment in a single issuer, by:

- Limiting investments to the safest types of securities,
- Pre-qualifying the financial institutions, broker/dealers, intermediaries, and advisers with which the City will do business, and;
- Diversifying the investment portfolio so that potential losses on individual securities will be minimized.

ii. **Interest Rate Risk** – The City will manage the risk that the market value of securities in the portfolio will fall due to changes in general interest rates, by:

- Structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity,
- Investing operating funds primarily in shorter-term securities, money market mutual funds, or similar investment pools, and;
- Diversify maturities and stagger purchase dates to minimize the impact of market movements over time.

- B. **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 securities mature concurrent with cash needs to meet anticipated demands. Furthermore, since all possible cash demands cannot be anticipated, a portion of the portfolio will be invested in money market mutual funds or local government investment pools that offer same-day liquidity for short-term funds. Additionally, securities held in the portfolio will have active secondary or resale markets.
- C. **Public Trust** – All participants in the City’s investment process shall seek to act responsibly as custodians of the public trust. Investment officials shall avoid any transaction that might impair public confidence in the City’s ability to govern effectively.
- D. **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. The core of investments is restricted to relatively low risk securities in anticipation of earning a fair return relative to the risk being assumed.

- E. **Investments held to Maturity** - Securities shall not be sold prior to maturity with the following exceptions:

- 1) A security with declining credit may be sold early to minimize loss of principal.
- 2) Liquidity needs of the portfolio require that the security be sold.

City Council will be informed promptly in the event that a security is sold prior to maturity.

V. **Standards of Care**

- F. **Prudence** – The standard of prudence to be used by investing officials shall be the "prudent person" rule. This rule states that "Investments shall be made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived." The determination of whether an investing official has exercised prudence with respect to an investment decision shall be applied in the context of managing an overall portfolio rather than a consideration as to the prudence of a single investment.

Investment officials acting in accordance with written procedures and the investment policy and exercising due diligence shall be relieved of personal responsibility for an individual security's credit risk or market price changes, provided that deviations from expectations are reported in a timely fashion and appropriate action is taken to control unfavorable developments.

- G. **Ethics and Conflicts of Interest** – Officers and employees involved in the investment process shall refrain from personal business activity that could conflict with proper execution and management of the investment program, or that could impair their ability to make impartial investment decisions. Employees and investment officials shall disclose to the City any material interests in financial institutions that conduct business with the City. They shall further disclose any personal financial/investment positions that could be related to the performance of the investment portfolio. (See Exhibit B.)

Furthermore, an investment official who has a personal business relationship with an organization seeking to sell an investment to the City shall file a statement disclosing that personal business interest. An investment official who is related within the second degree by affinity or consanguinity to an individual seeking to sell an investment to the City shall file a statement disclosing that relationship. A statement required

under this subsection must be filed with the Texas Ethics Commission and the City Council.

- H. **Delegation of Authority** – Authority to manage the City's investment program is granted to the Investment Officer (s) as listed in Exhibit A. Responsibility for the operation of the investment program is hereby delegated to the Investment Officer, who shall act in accordance with established procedures and internal controls for the operation of the investment program consistent with this investment policy. This policy includes explicit delegation of authority to persons responsible for investment transactions. (See Exhibit A) No person may engage in an investment transaction except as provided under the terms of this policy and the procedures established by the Investment Officer. The Investment Officer shall be responsible for all transactions undertaken and shall establish a system of controls to regulate activities of subordinate officials.
  
- I. **Training** – Investment officials must complete at least 10 hours of investment training within 12 months of taking office or assuming duties and shall attend an investment training session not less than once in a two-year period and receive not less than 8 hours of instruction relating to investment responsibilities. The City shall provide the training through courses and seminars offered by professional organizations and associations to insure the quality and capability of the City's investment personnel making investment decisions in compliance with Public Funds Investment Act (PFIA). Professional organizations and associations that may provide investment training included the Government Treasurer's Organization of Texas, the University of North Texas, the Government Finance Officers Association of Texas, or the Texas Municipal League.
  
- J. **Internal Controls** – The Investment Officer is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the entity are protected from loss, theft, or misuse. The internal control structure shall be designed to provide reasonable assurance that these objectives are met. The concept of reasonable assurance recognizes that (a) the cost of a control should not exceed the benefits likely to be derived and (b) the valuation of costs and benefits requires estimates and judgments by management.

## VI. Safekeeping and Custody

- A. **Authorized Broker/Dealers and Financial Institutions** – The Investment Officer will maintain a list of financial institutions and security broker/dealers authorized to provide investment services (Exhibit C) to the City. This list shall be reviewed, revised as necessary and adopted at least annually.

Any person or business entity wishing to be listed as authorized to provide investment services will be required to provide a certification stating the firm has received, read and understood the Entity's investment policy and agree to comply with the policy (Exhibit D). 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 Entity's investment policy and that reasonable procedures and controls have been implemented to preclude investment transactions that are not authorized by the Entity's policy. No security, even if otherwise authorized by this policy, may be acquired from an investment provider who has not complied with this requirement.

No securities may be acquired from entities not qualified under this section.

- B. Competitive Purchasing** – The City's policy requires competitive quotes for all individual security purchases and sales except for a) transactions with money market mutual funds and local government investment pools; b) treasury and agency securities purchased at issue through an approved broker/dealer or financial institution; and c) exceptions approved by the Investment Officer on a case by case basis. These exceptions will take into consideration the investment type, maturity date, amount to be invested, and disruption to the City's investment strategy.

Quotes may be accepted orally, in writing, electronically or in any combination of these methods.

- C. Delivery vs. Payment** – All trades apart from investment pools and mutual funds will be executed by delivery vs. payment (DVP) to ensure that securities are deposited in an eligible financial institution prior to the release of funds. Securities and collateral will be held in the City's name by a third-party custodian as evidenced by safekeeping receipts of the institution with which the securities are deposited.

## **VII. Suitable and Authorized Investments**

- A. Eligible Investments** – Assets of the City may be invested in the following instruments described below. All these investments are authorized by the Public Funds Investment Act. Only those instruments listed in this section are authorized.

1. Obligations of the United States of America, its agencies and instrumentalities
  2. Certificates of Deposit issued by a depository institution that has its main office or a branch 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 which are fully collateralized under a pledge agreement approved by the City are authorized investments.
  3. No-load 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 no lower than AAA or an equivalent rating by at least one nationally recognized rating service.
  4. Local Government Investment Pools, authorized by a separate resolution, which meet the requirements of Chapter 2256.016 of the Public Funds Investment Act and are rated no lower than AAA or an equivalent rating by at least one nationally recognized rating service.
- B. Collateralization** – Collateralization will be required on all funds on deposit with a depository bank, other than investments. To anticipate market changes and provide a level of security for all funds, the collateralization level will be one hundred two percent (102%) of market value of principal and accrued interest on the deposits, less an amount insured by the FDIC.

Securities pledged as collateral will be held in the City's name by an independent third party with whom the City 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 relation 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 City and retained. Collateral shall be reviewed at least quarterly to assure that the market value of the pledged securities is adequate.

- C. Existing Investments** – Any investment currently held that does not meet the guidelines of this policy, but were authorized investments at the time of purchase, is not required to be liquidated; however, the City



shall take all prudent measures consistent with this Investment Policy to liquidate an investment that does not or no longer qualifies as an authorized investment.

## **VIII. Investment Parameters**

- D. Diversification** – The investments shall be diversified by security type and institution. Except for U.S. Treasury securities and authorized pools, the City will diversify the entire portfolio to comply with the investment strategy; however, in no case shall any single investment transaction be more than five-percent (5%) of the entire portfolio.
- E. Maximum Maturities** – To the extent possible, the City shall attempt to match its investments with anticipated cash flow requirements. Unless matched to a specific cash flow, the City will not directly invest in securities maturing more than three (3) years from the date of purchase. The composite portfolio will have a weighted average maturity of 365 days or less. This dollar weighted average maturity will be calculated using the stated final maturity dates of each security.

## **IX. Investment Strategies**

The City maintains separate portfolios for individual funds or groups of funds that are managed according to the terms of this Policy and the corresponding investment strategies listed in Exhibit E. The investment strategy for portfolios established after the annual Investment Policy review and adoption will be managed in accordance with the terms of this Policy and applicable agreements until the next annual review when a specific strategy will be adopted.

The City maintains a pooled fund group that is an aggregation of the majority of City funds including tax receipts, enterprise fund revenues, fine and fee revenues, as well as some, but not all, bond proceeds, and grants. This portfolio is maintained to meet anticipated daily cash needs for City operations, capital projects and debt service.

The objectives of this portfolio are to ensure safety of principal; ensure adequate investment liquidity; limit market and credit risk through diversification; and attain the best feasible yield in accordance with the objectives and restrictions set for in this Policy.

## **X. Reporting**

- F. Methods** – The Investment Officer shall prepare an investment report at least quarterly, including a management summary that provides an analysis of the status of the current investment portfolio and

transactions made over the last quarter. This management summary will be prepared in a manner consistent with the requirements of Section 2256.023 (Internal Management Reports) of the PFIA, and that will allow the City to ascertain whether investment activities during the reporting period have conformed to the investment policy. The report should be provided to the City Council.

- G. **Annual Audit** - The City's external independent auditor shall formally review the quarterly reports, compliance with this policy, and internal management controls over investments in conjunction with the annual financial audit. The results of the review will be reported to the City Council.
- H. **Performance Standards** - The investment portfolio shall be managed in accordance with the objectives specified in this policy (safety, liquidity, and yield). The portfolio should obtain a market average rate of return during a market/economic environment of stable interest rates. The Investment Officer shall determine whether market yields are being achieved by comparing the portfolio market yield to the three (3) month U.S. Treasury Bill, the six (6) month U.S. Treasury Bill and the two (2) year U.S. Treasury Note.
- I. **Marking to Market** - The market value of the portfolio shall be calculated at least monthly and a statement of the market value of the portfolio shall be issued at least quarterly. The market value of each investment shall be obtained from an independent source such as the Wall Street Journal, a reputable brokerage firm or security pricing service and reported on the investment reports.

## XI. Record Retention

Records related to the City's investment activities will be maintained as recommended by the *Texas State Library Municipal Records Manual*. The Investment Officer, in conjunction with the City Secretary is responsible for filing and storing records of investment activity.

## **Exhibits**

**EXHIBIT A**

**List of Authorized Investment Officers**

Tim Kelty, City Manager

Stephanie Russell, Finance Director

| [Giselle Hernandez, Accounting Specialist](#)

**EXHIBIT B**

**Statement of Ethics and Conflicts of Interest**

Investment officials for the City Freeport shall refrain from personal business relationships with business organizations that could conflict with the proper execution of the investment program, or which could impair their ability to make partial investment decisions. This would only apply to personal business relationships with business organizations that have been approved by City Council to conduct investment transactions with the City.

An investment official is considered to have a personal business relationship with a business organization if:

- (1) The investment official owns 10 percent or more of the voting stock or shares of the business organization or owns \$5,000 or more of the fair market value of the business.
- (2) Funds received by the investment official from the business organization exceed 10 percent of the investment official's gross income for the previous year.
- (3) The investment official has acquired from the business organization during the previous year investments with a book value of \$2,500 or more for the personal account of the investment official.

I do hereby certify that I do not have a personal business relationship with any business organization approved to conduct investment transactions with the City Freeport, nor am I related within the second degree by affinity or consanguinity, as determined under Chapter 573, to an individual seeking to sell an investment to the Freeport as of the date of this statement.

City of Freeport  
Investment Official

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Date

\_\_\_\_\_  
Printed Name

\_\_\_\_\_  
Title

**EXHIBIT C**

**Approved Broker/Dealers, Financial Institutions and Investment Pools**

**Broker/Dealers**

**Financial Institutions**

Texas Gulf Bank, N.A.

**Investment Pools**

TexPool

**EXHIBIT D**

**Certification by Broker/Dealers and Financial Institutions**

(date)

City of Freeport, Texas  
Attn: Finance  
200 W. 2nd Street  
Freeport, TX 77541

Dear Ms. Russell:

This certification is executed on behalf of the City of Freeport, Texas (the Investor) and \_\_\_\_\_ (the Business Organization), pursuant to the Public Funds Investment Act, Chapter 2256, Texas Government Code, (the Act) in connection with investment transactions conducted between the Investor and Business Organization.

The undersigned Registered Principal of the Business Organization hereby certifies on behalf of the Business Organization that:

1. The undersigned is a Registered Principal of the Business Organization offering to enter an investment transaction with the Investor (Note: as such terms are used in the Public Funds Investment Act, chapter 2256, Texas Local Government Code) and;
2. The Registered Principal of the Business Organization has received and reviewed the Investment Policy furnished by the Investor and;
3. The Registered Principal of the Business Organization has implemented reasonable procedures and controls in an effort to preclude investment transactions conducted between the Business Organization and the Investor that are not authorized by the Investor's investment policy, except to the extent that this authorization is dependent on an analysis of the makeup of the investor's entire portfolio or requires and interpretation of the subjective investment standards.

**Registered Principal**

**Broker Assigned to the Account**

Signed By: \_\_\_\_\_

\_\_\_\_\_

Printed Name: \_\_\_\_\_

\_\_\_\_\_

Title: \_\_\_\_\_

\_\_\_\_\_

Date: \_\_\_\_\_

\_\_\_\_\_

## EXHIBIT E

### Investment Strategy

The City of Freeport's investment portfolio will be designed and managed to ensure that it will meet all the requirements established by the City's investment policy and the Public Funds Investment Act. The overall investment strategy outlined in the investment policy has been further refined in this investment strategy statement by the following fund types.

#### **Operating Funds:**

Operating Funds generally have greater cash flow needs than other funds types. The operating fund portfolio may consist of any approved investment type with the understanding that the financial requirements of the operating funds will dictate the maturity dates of the investment. At utmost importance is the preservation and safety of the investment principal.

Additionally each investment will be viewed for its liquidity and marketability of the investment if the need arises to liquidate the investment before maturity. The final determining factors for the investment strategy will be the diversification of the investment portfolio and the yield of the investment.

To achieve short-term needs of one (1) to one hundred and eighty (180) days, funds will be invested in approved investment pools. For longer-term needs of six (6) months to five (5) years, funds will be invested in approved investments with objectives prioritized as follows:

- 1) understanding the suitability of the investment to the financial requirements of the City of Freeport;
- 2) preservation and 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; and
- 6) yield.



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**Debt Service Funds:**

The debt service requirements are semi-annual, thus allowing the investment strategy to mirror debt obligation payment dates. The strategy for debt service funds allows greater flexibility since the actual requirements are known into the future. Investments will still meet the adopted policies; however, planning maturity dates to match debt requirement dates will be the primary objective.

The investment instruments will be primarily in approved investment types with maturities at six or twelve months established to match debt requirement dates. Shorter-term investment may be used to meet these objectives and longer-term investments may be used when fund balance reserves exceed one year's debt service requirements.

To achieve this strategy the following objectives are prioritized to evaluate investment opportunities:

- 1) understanding the suitability of the investment to the financial requirements of the City Freeport;
- 2) preservation and safety of principal;
- 3) yield;
- 4) marketability of the investment if the need arises to liquidate the investment before maturity;
- 5) diversification of the investment portfolio; and
- 6) liquidity.

**Capital Improvement Funds:**

Bond proceeds can be invested over the life of the project; however, the exact disbursement of the funds is not always known. The investment objective of the capital improvement funds is to schedule maturities to maximize investment earnings while preserving principle. The key to an effective strategy is to be aware of the project needs and match maturities to the period funds are needed.

The investment objective for capital projects funds is still to match investment maturities with funding needs. As short-term needs are recognized investment maturities will be moved into approved investment pools to meet financial requirements. Longer-term needs will be invested with the following objectives as prioritized for capital improvement funds:

- 1) understanding the suitability of the investment to the financial requirements of the City of Freeport;
- 2) preservation and safety of principal;
- 3) diversification of the investment portfolio;
- 4) yield;
- 5) liquidity; and
- 6) marketability of the investment if the need arises to liquidate the investment before maturity.

**Reserve Funds:**

Certain reserve funds have been established as required by bond covenants. The investment objective is to invest reserve funds to the extent that maturities are established to the limit of the investment policy or to the end of the bond requirements whichever is shorter.

The overall investment strategy for reserve funds will not rely on investment pools; however, the use of pools is not prohibited. Longer-term investment objectives are prioritized as follows:

- 1) understanding the suitability of the investment to the financial requirements of the City of Freeport;
- 2) diversification of the investment portfolio;
- 3) preservation and safety of principal;
- 4) yield;
- 5) liquidity; and
- 6) marketability of the investment if the need arises to liquidate the investment before maturity.