



**LEGAL NOTICE
AND
REQUEST FOR PROPOSAL
P005-25**

The Brownsville Public Utilities Board will accept sealed proposals for Bank Depository Services, **until 5:00 P.M., November 13, 2024**, in the Brownsville PUB Purchasing Office, 1155 FM511, Olmito Texas. Proposals received after this time will not be considered.

Vendor's name will be read aloud on November 14, 2024 at 10:00 A.M. Proposers are invited to call (956) 614-6020 at 10:00 AM, November 14, 2024, to listen to the proposal acknowledgement.

Detailed specifications may be obtained at the following website:
https://www.brownsville-pub.com/rfp_status/open/

Please mark on the **outside of the envelope and on any carrier's envelope**: **"SEALED PROPOSALS FOR BANK DEPOSITORY SERVICES P005-25, NOVEMBER 13, 2024, 5:00 P.M."**, and send to the attention of Diane Solitaire, Purchasing Department, 1155 FM 511, Olmito Texas 78575.

The Brownsville Public Utilities Board will not be responsible in the event that the U.S. Postal Service or any other courier system fails to deliver the sealed proposals to the Brownsville Public Utilities Board, Purchasing Office by the given deadline above. No proposals will be accepted via electronic transmission or facsimile.

The Brownsville PUB reserves the right to reject any or all proposals and to waive irregularities contained therein and to accept any proposal deemed most advantageous to the Brownsville PUB.

BY:

Diane Solitaire
Purchasing
Brownsville Public Utilities Board
(956) 983-6366 - Phone

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INTRODUCTION

The Brownsville Public Utilities Board (BPUB) is a component unit of the City of Brownsville, Texas and is 92.91% participant of the Southmost Regional Water Authority (Authority). The BPUB provides electrical, water and wastewater services to the City of Brownsville, and the Authority provides treated water to various areas of the lower Cameron County. The BPUB is one of the largest employers in the City of Brownsville with over 604 employees. The Authority has a mutual agreement with the BPUB authorizing the BPUB to manage all accounting and reporting functions. As of September 2023, the BPUB had 72,761 billed accounts for the entire system. The estimated operating revenues for fiscal year 2024 are \$223 million.

The BPUB, pursuant to Chapter 105, Texas Local Government Code, is requesting proposals from eligible and qualified financial institutions to provide the BPUB and the Authority the banking services as described below. The services provided will be in accordance with this Request for Proposal (the “RFP”) and attachments. It is the BPUB’s intent that a Bank Depository Services Agreement detailing the services to be provided will be duly executed between the Brownsville PUB and the selected financial institution.

Any and all charges and fees associated with the Bank Depository Services Agreement must be clearly and accurately included in the RFP response. The charges and fees represented in the RFP response shall overrule any and all previous bank service or other agreements between the BPUB and the financial institution, as they relate to the accounts and services included herein. The BPUB will not be obligated by any charges and fees not clearly and accurately presented in the RFP response. Services initiated after commencement of the Bank Depository Services Agreement shall carry charges and fees mutually agreed to, in writing, by the BPUB and the financial institution. Regardless of time delay, the financial institution shall refund or credit the BPUB for any erroneous charges and fees not agreed to in writing.

The philosophy incorporated into this RFP is to solicit proposals for banking services currently utilized or considered by the BPUB. The BPUB intends to manage its funds to minimize service charges and optimize investment income as authorized by policy and permitted by state law.

The new agreement period will be for a three-year period from June 1, 2025 through May 31, 2028, with a provision for two one-year continuations under the same terms and conditions of the contract contingent upon mutual agreement by both parties. The agreement will also provide for a transition period not to exceed ninety (90) days for migration to a new bank at the end of the term.

The BPUB reserves the right to open or close any number or type of accounts, as it deems necessary throughout the term of the agreement. Any fee charged for services not listed but later requested by the BPUB will be mutually agreed upon in writing.

The Bank Depository Services Agreement is an important component of the treasury and cash management system of the BPUB. From this perspective, the BPUB is seeking a financial institution that is:

- ◆ Capable of providing the services required by the BPUB at the least possible cost,
- ◆ Meet the requirements of Chapter 105 of the Texas Local Government Code,
- ◆ Meet the requirements of Chapter 2256 and Chapter 2257 of the Texas Government Code,
- ◆ Willing to be attentive and responsive to the BPUB's financial matters, and
- ◆ Financially sound and meets the BPUB's requirements.

The requested Proposal content details the information that will enable the BPUB to properly evaluate the overall capabilities of your bank. Please limit your response only to material requested; additional material, which you deem relevant, must be submitted in the form of an attachment or an appendix.

After release of this solicitation, Proposer's contact regarding this RFP with members of the RFP evaluation, interview or selection panels, and employees of the BPUB or officials of the BPUB other than the Purchasing Manager or Purchasing Staff is prohibited and may result in disqualification from this procurement process. No officer, employee, agent or representative of the Proposer shall have any contact or discussion, verbal or written, with any members of the BPUB Board of Directors, members of the RFP evaluation, interview, or selection panels, BPUB staff, or directly or indirectly through others, seek to influence any BPUB Board member, BPUB staff regarding any matters pertaining to this solicitation, except as herein provided. If a representative of any Proposer violates the foregoing prohibition by contacting any of the above listed parties with whom contact is not authorized, such contact may result in the Proposer being disqualified from the procurement process.

Questions regarding the RFP may be directed to:

Diane Solitaire at dsolitaire@brownsville-pub.com; with a copy to Hugo Lopez at hlopez@brownsville-pub.com.

Proposals must be submitted no later than **November 13, 2024, 5:00 P.M.** The responsibility for timely delivery of the proposal rests with the sender, not with the U.S. mail or any other courier.

Five copies of the proposal shall be delivered as follows:

Diane Solitaire
Purchasing
Brownsville Public Utilities Board
1155 FM 511
Olmito, Texas 78575

REQUEST FOR PROPOSAL


This RFP is intended to serve as the submittal form for the Bank Depository Services Agreement. There are multiple blanks to fill in and questions to be answered. The evaluation of the respondent's proposal will be based on the responses included herein.

Exceptions, conditions, or qualifications to the provisions of the BPUB's specifications or requirements must be clearly identified as such, with the reasons therefore, and alternate language proposed by respondent, if any, clearly stated and inserted in the appropriate place in the proposal submission.

Each of these exceptions, conditions, or qualifications to the BPUB's specifications may be included, as appropriate, in the contract documents. Items and matters not explicitly excepted in this manner shall be deemed to be in non-conformance with the BPUB's specifications.

The RFP also requests certain information to be attached and specifically labeled. Responses must be complete, address all aspects of the RFP, and include all requested information to receive full consideration by the BPUB in the selection process. The BPUB may choose to waive any irregularities in any responses received and reserves the right to reject all proposals.

The BPUB desires to enter into a contract of mutual party benefit and will answer all questions pertaining to this RFP. Please note the following timeline for the dates and times of key elements in the proposal process.

 BANK DEPOSITORY SERVICES TIMELINE (Tentative)		
Target Date	Description of Events	Responsibility
	2024	
10/19/2024	RFP initial advertisement	Purchasing
11/13/2024	Responses due by 5:00 PM CDT at the BPUB Purchasing Office	Purchasing
	2025	
1/24/2025	Evaluation process completed	Team
2/5/2025	Present results to Finance Committee	Finance
3/10/2025	BPUB Board considers to award service agreement	Finance
	Implementation period from acceptance of bid	Bank
6/1/2025	New bank depository service agreement begins	BPUB/Bank

CRITERIA FOR EVALUATION

This procurement process is being conducted pursuant to Chapter 105 of the Local Government Code, “Depositories for Municipal Funds”. Responses to this RFP will be evaluated and ranked. Based on the evaluation, Financial Institutions may be asked to make a presentation of their proposal. The determination as to need for presentations, including the location, order, and schedule of the presentations, shall be at the sole discretion of the BPUB.

The BPUB will carefully review the submitted proposals. The staff recommendation to the BPUB Board shall be based on the proposal determined to be “the best value” for the BPUB. The evaluation of the proposals will be made based on, but not limited to, the following criteria, in no particular order of priority:

- ◆ Ability to perform and provide the required and requested services – Weight 5
- ◆ Cost of services – Weight 5
- ◆ Funds availability – Weight 3
- ◆ Interest paid on interest bearing accounts and/or earning credit calculation on account balances – Weight 5
- ◆ Overnight investment option – Weight 3
- ◆ Completeness of proposal and agreement to points outlined in the RFP – Weight 2
- ◆ Community Presence – Weight 2
- ◆ Financial strength and stability of institution – Weight 3

Rating: Based on points awarded from 1 (worst) to 5 (best)

Weight: Based on importance to project, from 1 (least important) to 5 (most important)

Total Points = RATING X WEIGHT

ACCOUNT ACTIVITIES

The BPUB anticipates establishing approximately 28 (twenty-eight) checking accounts with an average monthly collected balance for the last six months of approximately \$3.1 million including four accounts for the Authority. The three main accounts for the BPUB are the Plant Fund, AP Clearing Account, and the Payroll Account. BPUB also may activate future accounts as needed for new bond monies, grants, loans, etc. depending on utility system expansions.

The Plant Fund serves as the main account of the system and accounts for most of the banking transactions such as wires, book transfers, ACH, deposits, lockbox, credit cards, and other numerous types resulting from daily BPUB operations. The BPUB initiates an average of 10 wire transfers per month and approximately 390 in ACH debits.

The AP Clearing Account serves as the main check disbursement account for daily accounts payable functions of the BPUB and is funded by the other BPUB accounts. Accounts payable and customer service refund checks are currently issued once a week. From time-to-time, BPUB will issue checks, ACH credits, and wire transfers as needed. The average monthly number of checks, ACH direct deposits, and wire transfers is 543, totaling \$17,100,276.

The Payroll Account is funded by other accounts on a bi-weekly basis. Payroll checks are issued from this account and ACH files are prepared for employees with direct deposit. The BPUB's payroll includes approximately 604 employees who are paid bi-weekly with an approximate net pay amount of \$2,097,637 per month. All BPUB employees utilize direct deposit payroll services. The ACH file is prepared and transmitted on Wednesday for employee payment receipt on Friday.

Estimated historic activity and balance information from each of these three major accounts is provided in Exhibit 1 and projected on Schedule 1. A daily portfolio summary is also included in Exhibit 2. Actual activity could vary significantly.

BANK DEPOSITORY SERVICES

The BPUB requests information on the following services:

A. On-Line Banking Services – The BPUB **requires** on-line banking services accessible through the internet that at a minimum include:

- Balance reporting should be for intra-day, previous business day and include: ledger balance, collected balance, one-day float amount, two-day float amount, total credits, total debits, and detail debits and credits.
- Initiation of ACH debits and credits
- Initiation of wire transfers
- Initiation of book transfer between accounts
- Activity reports for stop payments on checks
- Electronic Data Interchange Reporting (EDI)
- Positive Pay actions
- Positive pay reports with images
- ACH exception pay actions
- Online cleared check search with images
- Maintenance of wire transfer templates
- Ability to monitor wire transfers online
- Historical information should be maintained on-line and accessible at minimum for six months.

☐ Yes, can provide as requested/required.

☐ No, cannot provide as requested/required.

Comment. _____

B. Automated Clearing House (ACH) – The BPUB **requires** to receive and initiate any payment type available through the National Automated Clearing House Association (NACHA). The BPUB utilizes ACH services for its bi-weekly direct deposits payroll disbursements, Accounts Payables disbursements, collection for utility payments, automatic (ACH debits) from customers and payroll tax and other deductions.

☐ Yes, can provide as requested/required.

➤ Provide detail information that includes:

- Method by which ACH files will be submitted
- Requirements for ACH initiation/origination processing

- Deadlines for ACH transactions

☐ No, cannot provide as requested/required.

Comment. _____

- C. Wire Transfer Services– The BPUB **requires** wire transfer service for repetitive and non-repetitive outgoing wire transfers, and ability to store future dated wire instructions. Incoming wire transfers must receive immediate same day collected credit.

☐ Yes, can provide as requested/required
 ➤ Provide additional information that includes:
 • Wire transfer deadlines

☐ No, cannot provide as requested/required.

Comment. _____

- D. Stop Payment Services – From time to time, the BPUB requires to issue stop payments on checks before they clear.

☐ Yes, can provide as requested/required.

☐ No, cannot provide as requested/required.

Comment. _____

- E. Account Reconciliation Plan Services – The BPUB **requires** full account reconciliation services on several accounts. Ability to provide outstanding checks report in Excel & HTML format on a monthly basis. List any other available formats.

☐ Yes, can provide as requested/required

☐ No, cannot provide as requested/required.

Comment. _____

- F. Positive Pay with Payee Review Service - The BPUB **requires** positive pay on several accounts. The Bank would only honor those checks issued by the BPUB that are pre-authorized through the positive pay system. Payment verification criteria will be issue date,

check number, amount, and payee name. Positive Pay files will be transmitted electronically.

☐ Yes, can provide as requested/required.

☐ No, cannot provide as requested/required.

Comment. _____

G. ACH Debit Blocking – The BPUB **requires** ACH debit blocking capabilities on its accounts, with the ability to selectively permit specified ACH debits on certain accounts and restrict all ACH debits from certain accounts.

☐ Yes, can provide as requested/required.

☐ No, cannot provide as requested/required.

Comment. _____

H. “Post No Checks” – The BPUB **requires** the fraud protection feature or service that prevents unauthorized checks being presented for payment to be posted to the accounts. BPUB requires placing dollar limit on specific transaction and preventing the encashment of checks by individuals at the teller line.

☐ Yes, can provide as requested/required.

☐ No, cannot provide as requested/required.

Comment. _____

I. Lockbox Processing – The BPUB **requires** lockbox processing services for remittances of utility payments. On a daily basis, the remittance data and payment amount captured during processing will be transmitted to the BPUB for the update of the accounts receivable file. The format of safe transmission file should use a “Fix Length File” for proper processing. All empty remittance envelopes need to be returned to BPUB for second review. Monthly items processed are approximately 1,686 totaling \$1,330,095.

☐ Yes, can provide as requested/required.

☐ No, cannot provide as requested/required.

Comment. _____

- J. Lockbox Online Decision – The BPUB **requires** ability to process lockbox online decision for exception items, rejected items, and items that require further verification before accepting payment.

☐ Yes, can provide as requested/required.

☐ No, cannot provide as requested/required.

Comment. _____

- K. Check Cashing - The BPUB **requires** the bank to cash employee payroll checks and accounts payable checks (with proper identification) without service charges or fees to the employee/vendor or the BPUB and without requiring the employee/vendor to open an account with the bank.

☐ Yes, can provide as requested/required.

☐ No, cannot provide as requested/required.

Comment. _____

- L. Collection and Deposit Services - The BPUB **requires**, immediate credit on all incoming US obligations security maturities and coupon flow, wires, and book transfers.

☐ Yes, can provide as requested/required.

➤ Provide additional detail information that includes:

- Cutoff times and requirements
- Discrepancy policies

☐ No, cannot provide as requested/required.

Comment. _____

- M. Account Analysis – The BPUB **requires** account analysis statements on a monthly basis by individual account and at group level, which will reflect average ledger balance, average

uncollected funds, average collected balance, reserve requirement, average available balance, rate and amount of earnings credit, detail of services provided with quantities and unit fees for each, and total service cost. Statements must be available in Excel and PDF format.

☐ Yes, can provide as requested/required.

☐ No, cannot provide as requested/required.

Comment. _____

N. Disbursement Services – The BPUB **requires** the use of several disbursement accounts.

☐ Yes, can provide as requested/required.

☐ No, cannot provide as requested/required.

Comment. _____

O. Bank Statements - Statements **shall** be rendered within three (3) working days after the close of the calendar month. The statement shall include debits and credits made on the last day of the period and the detail items. Bank statements must be received on a monthly basis, even if there is no activity for the account, in PDF format accessible online.

☐ Yes, can provide as requested/required.

☐ No, cannot provide as requested/required.

Comment. _____

P. Remote Deposit Services – The BPUB requires to scan checks for deposit by using a check scanner or similar device. Check images should be available online through remote deposit portal for at least 90 days. Checks deposited via remote deposit must receive same day credit.

☐ Yes, can provide as requested/required.

- Provide cost for two scanners.
- Provide deposit deadline for same day credit.

☐ No, cannot provide as requested/required.

Comment. _____

Q. Vault Services – The BPUB requires the use of vault services as part of its daily operations. Approximately \$3,523,519 are deposited monthly.

☐ Yes, can provide as requested/required.

➤ Provide additional information including:

- Service details
- Deadlines
- Cash Vault Site
- Coin and currency change order processing requirements
- Armor Car Policy

☐ No, cannot provide as requested/required.

Comment. _____

R. Direct Debit – As an additional service to its patrons, the BPUB **requires** a direct debit payment system for certain charges. Currently the BPUB allows and encourages this option to its utility customers. Approximately 5,052 transactions are processed this way per month reflecting \$3,937,207. The BPUB anticipates expanding this function to include other services in the direct debit system, and transaction volume to increase.

☐ Yes, can provide as requested/required.

☐ No, cannot provide as requested/required.

Comment. _____

S. Account Verification Service – The BPUB requires the capability to verify account owner authentication through Early Warning participation.

☐ Yes, can provide as requested/required.

☐ No, cannot provide as requested/required.

If not an Early Warning Participant, do you plan to become a participant? Give estimated date.

Comment. _____

- T. Check Conversion – The BPUB is interested in considering the use of check conversion capabilities for the payments by check received in person by Customer Service. Generally, the check would be converted to an ACH debit upon receipt of payment.

☐ Yes, can provide as requested/required.

☐ No, cannot provide as requested/required.

Comment. _____

- U. Safekeeping Services– The BPUB requires the successful bank to provide clearing and safekeeping of the BPUB’s investment securities. BPUB requires a third-party custodial service for safekeeping of investments. Third-party custodial may be a completely separate financial institution or a separate division of the depository institution. The BPUB requires delivery versus payment settlement. The current balance of securities in safekeeping is \$48,000,000.

☐ Yes, can provide as requested/required.
➤ Provide information how these services will be offered including associated costs and identify the safekeeping service provider. BPUB reserves the right to accept or reject the proposed safekeeping provider.

☐ No, cannot provide as requested/required.

Comment. _____

- V. Overnight investment option – The BPUB **requires** the use of overnight investment option available for all accounts. BPUB currently maintains a total balance of approximately \$12 million in six overnight investment accounts. This balance may increase or decrease at BPUB’s sole discretion. Investment option shall be permitted under the Public Funds Investment Act and the BPUB’s Investment Policy.

☐ Yes, can provide as requested/required.
➤ Provide the following information:

- Account Investment Type (i.e. sweep, interest bearing, Money Market, etc.) and description
- Rate of return for the last 3 months
- Monthly Fees
- Provide prospectus or any other documentation that provides information about the investment option

☐ No, cannot provide as requested/required.

Comment. _____

W. Payment for Services – The BPUB **intends** to pay for all services provided by the earnings credit amount generated by account balances, or by direct payment, or a combination of both.

☐ Yes, can provide as requested/required.

☐ No, cannot provide as requested/required.

Comment. _____

X. Research – The BPUB requests that all research requests are responded to within three business days of the request.

☐ Yes, can provide as requested/required.

☐ No, cannot provide as requested/required.

Comment. _____

Y. Bank Errors – Bank errors resulting in lost interest to the BPUB will be reimbursed by the Bank to the BPUB. The method of reimbursement will be agreed upon by the Bank and the BPUB.

☐ Yes, can provide as requested/required.

☐ No, cannot provide as requested/required.

Comment. _____

Z. Fraud Prevention Services – The BPUB **requires** fraud prevention services for reducing losses. Please describe in detail Financial Institution's fraud prevention capabilities and protocols.

- ☐ Yes, can provide as requested/required.
- Provide detail information including but not limited to:
 - Multi-level security options
 - Security measures for ACH processing
 - Security measures for wire initiation and approval
 - Other Fraud Prevention measures recommended by Financial Institution to identify transaction which are out of the norm or suspicious

☐ No, cannot provide as requested/required.

Comment. _____

AA. Earning Credit/Interest Rate – The BPUB requires the use of an earning credit rate and/or interest rate on all accounts.

☐ Yes, can provide as requested/required.

☐ No, cannot provide as requested/required.

Comment. _____

BB. Direct Investment Option – The BPUB's direct investment activities may take place in BPUB accounts. The BPUB shall have the right, at its sole discretion, to direct investment of its funds. BPUB will have no obligation to invest its funds with selected depository institution. The attached Investment Policy outlines the BPUB's options for investing any and all funds. The policies are subject to annual review and revision by the BPUB Board.

☐ Yes, can provide as requested/required.

☐ No, cannot provide as requested/required.

Comment. _____

COLLATERAL REQUIREMENTS

- A. As security for the deposits of the BPUB, the successful bank shall pledge securities equal to 102% of their market value, of the largest total balances the BPUB maintains in the bank, less the amount provided by the Federal Deposit Insurance Corporation. The securities so pledged shall satisfy the requirements of the Public Funds Collateral Act, Chapter 2257, Texas Government Code, and the Investment Policy (Attached).
- B. The maximum ledger balances could exceed \$100,000,000. The highest monthly average ledger balance within the last 12 months has been \$10,393,788 and the lowest \$3,099,106. The BPUB reserves the right to maximize or minimize bank balances regardless of historical patterns. It is expected that the successful bank will monitor the collateral adequacy on a daily basis and provide additional collateral to secure balances.
- C. The securities pledged shall be held in safekeeping at an independent financial institution acceptable to both the BPUB and the successful bank.
- D. The successful bank shall provide BPUB at the end of each month, a daily collateral report showing the Collateral Value vs. the Required Collateral.
- E. The successful bank and the custodial bank shall provide the BPUB a report of securities pledged at the end of each month or at any time requested by the BPUB. The report should reflect the total pledged securities itemized by:

Name
Type / Description
CUSIP
Par Value
Market Value
Maturity Date
Rating by Rating Agency

- F. Any substitutions of the securities or reductions in the total amount pledged shall be made only by and with the proper written authorization of an authorized BPUB signatory or designee. On authorized substitutions, new collateral will be received before the existing collateral is released. The BPUB shall approve all securities pledged. In the case of reduction requests, the bank shall provide in writing that collateral shall be available when needed to meet normal balance increases throughout the year.
- G. The Board of Directors or designated committee of the successful bank will be required to provide a resolution of certification approving the commitment and delivery of the collateral to the safekeeping institution not later than five days before the commencement of the contract period.
- H. Successful bank must provide Collateral agreement clearly stating that the custodian is instructed to release the collateralized securities to the BPUB, if the BPUB has determined that

the bank has failed to pay on any accounts, including but not limited to matured investments in Certificates of Deposit, or the BPUB has determined that the BPUB's funds are in jeopardy for any reason, including but not limited to involuntary closure or change in ownership. The collateral agreement shall have signatories and be executed by the custodian, the successful bank, and the BPUB.

In response to the Collateral Requirements Section:

☐

Yes, can provide as requested/required.

➤ Provide additional information including:

- Provide name of custodial bank
- Provide notification requirement deadline of incoming deposits requiring same day collateral and explain notification method (email, telephone, fax, online, etc.)
- Explain any collateral limitation or fees if not part of the account analysis charges
- Explain how BPUB staff can verify collateral levels on a daily basis

☐

No, cannot provide as requested/required.

Comment. _____

OTHER STIPULATIONS

- A. The successful bank shall notify the BPUB in writing within ten (10) days of any changes in Federal or State regulations or laws that would affect the Bank Depository Services Agreement.
- B. In the event it would be ruled illegal under the provisions of any Federal or State laws or regulations for the successful bank to comply with the requirements of the Bank Depository Services Agreement, then the BPUB expressly reserves the right and privilege to cancel the Bank Depository Services Agreement and to re-solicit.
- C. The successful bank's records relating to the BPUB's accounts shall be open for review during normal business hours by designated staff members or appointed independent auditors.
- D. The BPUB reserves the right to open and maintain one or more demand accounts at financial institutions not affiliated with the successful bank.
- E. The BPUB expressly reserves the right to terminate the depository agreement with or without cause at any time by providing thirty (30) days written notice to the depository to close its accounts.
- F. All fees shall be fixed for the entire initial contract period. Continuations or contract extensions will be mutually agreed upon by both parties.
- G. The BPUB requests **one** relationship manager to coordinate the financial institution's efforts in providing the requested services. This individual will be the BPUB contact and will be directly responsible for facilitating all BPUB's financial institution interaction.
- H. The BPUB shall require a review meeting at least once a year to evaluate the working relationship between the BPUB and the successful bank. The objective shall be to address any problems and to seek solutions as well as keeping abreast of changes, new services, or new requirements.
- I. IT Requirements:
 - 1. BPUB **requires** one IT point of contact regarding problems with text file transfers, effective dates, submittal confirmations for all BPUB bank files.
 - 2. BPUB **requires** one IT NOC (Network operations center) 1-800-number with 24/7 file transfer support.
 - 3. BPUB **requires** daily bank statements illustrating transactions in text (CSV) file format.
 - 4. BPUB **requires** secure Web access and logins with multi-factor authentication.
 - 5. BPUB **requires** specific schedules illustrating the bank cutoff times for successful file submittals.

6. BPUB **requires** one-month online history log illustrating bank file submittals and bank file verifications.
7. BPUB requires for the domain name to be checked against a reputation reporting agency.

In response to the Other Stipulations Section:

☐

Yes, can provide as requested/required.

☐

No, cannot provide as requested/required.

Comment. _____

SUBMITTAL REQUIREMENTS

- A. Five (5) complete copies of the proposal including Required Schedules 1, 2, and 3 along with a cashier's check, sealed and clearly marked "RFP Bank Depository Services, P005-25, November 13, 2024, 5:00 PM" shall be delivered to the BPUB by 5:00 P.M., CST, on Wednesday, November 13, 2024 and addressed:

Ms. Diane Solitaire
Purchasing
Brownsville Public Utilities Board
1155 FM 511
Olmito, TX 78575
(956) 983-6366

B. NO PROPOSAL WILL BE ACCEPTED AFTER 5:00 P.M. ON THE DATE DUE.

- C. The proposing institution shall use this RFP as the Official Submittal Form. Submitted prices, rates, conditions, and answers shall be included in final contract form. The **signed**, submitted response should include printed copies of all completed worksheets and will be deemed the respondent's official proposal. To reduce errors and increase the ease of both response and evaluation, the BPUB will email the RFP in MS-Word format and Required Schedules 1, 2, and 3 in MS-Excel format. The RFP is included as a Word document to enable the proposer to respond to the questions and incorporate comments into the RFP. It is important that any additions to, exceptions to, and changes of the RFP be highlighted or italicized. The MS –Excel worksheet Schedule 1 is to provide unit prices for the bank service items listed and be extended for the activity volume indicated for each item, to arrive at a total service cost. The MS – Excel worksheets Schedules 2 and 3 are for proposer to provide interest and earning credit rates and corresponding estimated monthly interest or credit earnings. The number of units/activity is an estimated amount used for submittal purposes only. The number of units/activity may increase or decrease. Average collected balance is shown for bidding purposes only. Balances may increase or decrease through-out the year. Completed Required Schedules 1, 2, and 3 must be included with the proposal.
- D. The BPUB reserves the right to request additional information or to meet with representatives from proposing organizations to discuss points in the proposal before and after submission, any and all of which may be used in forming a recommendation.
- E. The BPUB reserves the right to reject any and all proposals, and to accept the proposal it considers in its best interest based upon the requirements and descriptions outlined in this RFP.
- F. Respondent must qualify under current Texas law as a state or national bank to serve as a municipal depository bank.
- G. Respondent shall supply a cashier's check in the amount of \$5,000.00 made payable to the BPUB, and shall be returned to each respondent upon final acceptance and execution of a contract with the successful bank. Should the institution selected as the successful bank by the

BPUB fail to become a bank service provider, for whatever reason, the cashier's check will be forfeited to the BPUB as liquidated damages and not as a penalty.

- H. Transfer of funds will commence at such time the successful bank has provided the BPUB with all required forms and supplies necessary to insure uninterrupted day-to-day operations. The successful bank commits its "best efforts" to complete the execution of documentation and transfer of funds by the June 1, 2025 contract period start date. Failure to complete by the start date, at the discretion of the BPUB, could be considered grounds for cashier's check forfeiture and alternative bank selection.
- I. The successful bank shall, upon termination of contract, cooperate with the current bank for transfer of funds.
- J. Proposals will be acknowledged at 10:00 A.M., November 13, 2024. There will be no formal proposal opening at the expiration of the response deadline. Upon written request, non-confidential information on the accepted proposal will be available after the BPUB Board selects the successful bank. If a proposer indicates and justifies in his proposal(s) that certain information in the proposal(s) is confidential or a trade secret, the BPUB will review those materials with the proposer prior to releasing the materials for public inspection after the contract award.
- K. Any questions concerning this RFP should be directed to:

Diane Solitaire, dsolitaire@brownsville-pub.com with a copy to Hugo Lopez at hlopez@brownsville-pub.com
- L. PRICES HELD FIRM: The BPUB reserves the right to require that submitted proposals remain in force for a period of 180 calendar days after opening or until award is made; whichever occurs first.
- M. During the performance of this contract, the bank agrees not to discriminate against any employee or applicant for employment because of race, color, national origin, age, religion, gender, marital or veteran status, or physically challenging condition.
- N. Brownsville Public Utilities Rights:
 - The right to reject or re-solicit if only one or no RFP is received by "submission date" or extend the submission date by an additional two (2) weeks.
 - The right to reject any/or all RFPs and to make awards as they may appear to be advantageous to the Brownsville Public Utilities Board, to hold RFP for 180 calendar days from submission date without action, and to waive all formalities in the RFP. The vendor must indicate "all or none" in the RFP if the above-stated condition is not acceptable.
 - The right to extend the total unit RFP cost, with the approval of the governing board, if low RFP price holds firm.
- O. Any interpretation, correction, or change of the RFP will be made by ADDENDUM. Changes or corrections will be issued by the Brownsville PUB Purchasing Department. **Addenda will be emailed to all who have returned the Acknowledgement Form.** Addenda will be issued

as expeditiously as possible. It is the responsibility of the respondent to determine whether all addenda have been received. It will be the responsibility of all respondents to contact the Brownsville PUB prior to submitting a response to the RFP to ascertain if any addenda have been issued, and to obtain any and or all addenda(s), execute them, and return addenda with the response to the RFP. Addenda may also be posted on BPUB's website.

MISCELLANEOUS

The final appointment of the successful bank shall be made by contract award of the Brownsville PUB Board. The successful bank shall be required to enter into a contract that incorporates all of the requirements of their submitted RFP as the OFFICIAL PROPOSAL FORM, along with the accompanying related schedules and materials as called for in this RFP. Additional contract attachments include: collateral custodial agreement, FIRREA (Financial Institutions Reform, Recovery and Enforcement Act) bank certification, and PFIA investment provider certification.

This RFP has been duly advertised and is being offered for consideration to financial institutions as permitted by the BPUB policy.

This Request for Proposal is being offered by the following person duly authorized to act on behalf of the BPUB.

Miguel A. Perez
Chief Financial Officer

PROPOSAL SUBMITTED BY

This Proposal is being submitted to the BPUB by the following person duly authorized to act on behalf of this financial institution.

Name of Financial Institution

Address of Financial Institution

Telephone Number

Email

Officer Name & Title (Printed)

Officer Signature (Must be signed-failure to sign will disqualify response)

Date

ACCEPTANCE OF PROPOSAL

This proposal, having been approved by the Brownsville PUB Board, is being accepted for the BPUB by the following person duly authorized to act on behalf of the BPUB:

Name (print)

Signature

Title (print)

Date

BANK TRANSACTIONS BY ACCOUNT

FOR THE MONTH OF: July 2024

ACCOUNT NAME	CREDITS		DEBITS		ENDING BALANCE	AVERAGE BALANCE
	NUMBER	AMOUNT	NUMBER	AMOUNT		
AP Clearing	27	15,936,084.61	164	16,378,461.23	54,506.70	619,097.86
Payroll Fund	14	5,518,887.77	8	4,458,788.49	1,061,847.08	208,136.51
Plant Fund	721	39,064,308.83	107	37,614,729.42	1,998,633.55	1,939,987.63

Brownsville Public Utilities Board											
Portfolio											
8/26/2024											
	WF Depository	WF Investment	Texpool	TexStar	TX Class	Texas Daily	Texas TERM	Texas TERM CD	US Bank MM	Securities	Balance
Plant Fund	3,391,151	2,766,135	216,369	208,080	6,991,368	2,566,086					16,139,190
Fuel Adjustment	-					-					-
Flexing Spending	-				355,489	23,931					379,420
CIP Reserve Fd	-	5,747	332		178,288	45,920	4,000,000	948,000		9,822,372	15,000,660
City Transfer Fd	-		1,107,552								1,107,552
Commercial Paper	1										1
EPA Grant	-										-
Health Insurance	12,581	259,744	1	1	1,829,788	358,730		-		-	2,460,846
Impact Fees	10,071		54,794	13	6,441,714	860,774	6,000,000	-		-	13,367,366
Water Rights	-		3,401,063	0		1,219,716	-	-		-	4,620,779
Jr Lien DS I&S	-		3			52,505	-	-		-	52,508
Jr Lien Reserve	-					111,557	-	-		-	111,557
Operating Reserve	-	37,222	208			262,223	5,000,000	1,892,000		9,808,347	17,000,000
Payroll Fund	1,174										1,174
Payroll Taxes	-										-
Sr Debt Svc I&S	-		0			22,767,134	-	-		-	22,767,134
Sr Lien Reserve	-	44,901	80,036		95,187	1,563,607	5,000,000	1,189,000		7,807,889	15,780,620
Share Fund	986				1,320,890						1,321,876
Workers Comp.	39,603			1,239,000		3,001,672	-	474,000		-	4,754,275
Capital Improv.	561,211	8,815,718	7,123,331	2,001,000	21,510,272	13,387,293	25,000,000	5,609,000		19,315,537	103,323,363
Resaca Fee	-					6,046,130	-	-		-	6,046,130
AP Clearing Fund	127,901										127,901
Dental Fund	33,133				1,227,225						1,260,357
Meter Deposit	28,304		363,562	2,204,047		2,476,611	2,000,000	-		-	7,072,524
SRWA Improv.	-	77,604				1,030,612	1,000,000	475,000			2,583,215
SRWA D. Svc.	-					20,598	-	-			20,598
SRWA Operating	27,681	378,496	1,782,896			1,968,096	1,250,000	2,143,000			7,550,169
SRWA O&M Res	-					68,047	300,000	474,000			842,047
SRWA Reserve									27,542	690,316	717,858
2009 SRWA DS									589,139		589,139
2012 SRWA DS									1,307,891		1,307,891
2017 SRWA DS									174,774		174,774
Totals	4,233,797	12,385,568	14,130,148	5,652,141	39,950,221	57,831,241	49,550,000	13,204,000	2,099,345	47,444,461	246,480,923
SRWA	27,681	456,099	1,782,896	-	-	3,087,352	2,550,000	3,092,000	2,099,345	690,316	13,785,690
BPUB	4,206,116	11,929,469	12,347,252	5,652,141	39,950,221	54,743,889	47,000,000	10,112,000	-	46,754,145	232,695,233

Average Collected Balances
Last 12 Months

Period	Avg. Collected Balance
AUG 2023	\$ 8,248,067
Sept 2023	\$ 10,072,762
OCT 2023	\$ 5,305,957
NOV 2023	\$ 5,412,047
DEC 2023	\$ 4,094,180
JAN 2024	\$ 3,387,799
FEB 2024	\$ 3,358,558
MAR 2024	\$ 3,175,072
APR 2024	\$ 2,949,950
MAY 2024	\$ 2,850,196
JUN 2024	\$ 2,874,041
JUL 2024	\$ 3,428,094

REQUIRED SHCEDULES

Please include UNIT PRICE on every available service, even if no ACTIVITY is listed. Number of Units/Activity are based on three-month average estimates for bidding purposes only. **Fee Schedule below is for reference only. Complete the provided Fee Schedule in Excel format.**

SCHEDULE 1 - FEE SCHEDULE

SERVICE CODE	AFP CODE	SERVICE DESCRIPTION	SERVICE PROVIDED (Y/N)	UNIT PRICE	AVG. VOLUME	SERVICE CHARGES
22051	01 0000	Account Maintenance			29	0.00
34335	25 1053	ACH fraud filter review- item			2	0.00
34333	25 1050	ACH fraud filter review monthly base			28	0.00
34334	25 1050	ACH fraud filter stop monthly base			1	0.00
ES211	25 0102	ACH future dated item			5,115	0.00
ES280	25 0000	ACH monthly base			6	0.00
6525	25 0302	ACH NOC- electronic			2	0.00
ES206	25 0120	ACH originated - addenda record			2,479	0.00
ES349	25 0220	ACH received addenda			2,005	0.00
ES344	25 0202	ACH received item			533	0.00
6505	25 0302	ACH administrative return items - electronic			3	0.00
6502	25 0302	ACH returned item			9	0.00
34342	25 0400	ACH return subscription - item			42	0.00
34340	25 0400	ACH return subscription - account			7	0.00
6507	25 0312	ACH returned unauthorized return			1	0.00
6511	25 0312	ACH returned unauthorized return items to cover NACHA unauthorized entry fee			1	0.00
ES216	25 0102	ACH same day			5	0.00
ES801	25 0501	ACH transmission charge			53	0.00
34123	40 022Z	Alerts service- Email			242	0.00
12687	20 9999	ARP aged issued records on file per item- outstanding after 60 days			8,448	0.00
12377	20 0201	ARP Full Reconciliation per item			142	0.00
12060	20 0010	ARP Full Reconciliation monthly			5	0.00
34421	40 0272	ARP statements and reports (CSV/Excel) per item			17,702	0.00
34420	40 0225	ARP statements and reports (CSV/Excel) base			4	0.00

REQUIRED SCHEDULES CONTINUED

SERVICE CODE	AFP CODE	SERVICE DESCRIPTION	SERVICE PROVIDED (Y/N)	UNIT PRICE	AVG. VOLUME	SERVICE CHARGES
8504	10 0520	Cash vault adjustment advice- US			1	0.00
8351	10 0511	Cash vault adjustment report email			1	0.00
8116	10 0145	Cash vault coin furnished standard half box			1	0.00
8110	10 0144	Cash Vault charge per roll furnished			253	0.00
8416	10 0199	Cash Vault currency furnished			1,767	0.00
8290	10 0199	Cash vault currency / coin deposited			1,230,926	0.00
8160	10 0501	Cash vault deposit adjustment charge			1	0.00
8173	10 0100	Cash vault Deposit			134	0.00
8181	10 0141	Cash vault order change for coin/currency via transmission			6	0.00
22225	15 0240	Check cashing threshold monthly			1	0.00
22245	15 0240	Checks pay to individual block monthly base			1	0.00
22202	15 0100	Per item change for checks or drafts presented			129	0.00
22063	01 0000	DDA Statements with image monthly Base			1	0.00
CK021	01 0100	Debit Items posted			201	0.00
2	10 0224	Deposited checks			1,536	0.00
15017	40 0058	Desktop deposit monthly base			5	0.00
34121	40 0272	Desktop deposit report per item			1	0.00
15007	01 0101	Remote deposit deposits credited			46	0.00
ED500	30 0341	Monthly fee assessed for each E-Box setup			1	0.00
ED470	05 9999	E-Box payment fee per item charge			1,693	0.00
CK018	25 0201	Electronic credits posted			611	0.00
12812	15 1352	Image view per item			10	0.00
34120	40 0055	Intraday base per account per report			29	0.00
34121	40 0275	Intraday reporting items reported			1,156	0.00
36791	05 0600	Lockbox image archive fee per item			2,949	0.00
36731	05 0530	Lockbox correspondence or rejects			11	0.00
3905	05 0140	Lockbox Fee to image check & documents			2,949	0.00
36707	05 0500	Lockbox Online Decision Base monthly maintenance fee			1	0.00
36713	05 0500	Lockbox per item fee for each exception posted to the online portal for review			11	0.00
36714	05 0500	Lockbox fee for items presented for review and rejected			2	0.00

REQUIRED SCHEDULES CONTINUED

SERVICE CODE	AFP CODE	SERVICE DESCRIPTION	SERVICE PROVIDED (Y/N)	UNIT PRICE	AVG. VOLUME	SERVICE CHARGES
36769	05 011L	Lockbox paper package base			1	0.00
3303	05 0410	Lockbox United State Mail postage related to outgoing remittance			129	0.00
36739	05 011E	Lockbox Fee assessed when used for return mail from the Post Office			1	0.00
3611	05 0000	Lockbox remit processed express			2	0.00
3302	05 0400	Lockbox monthly charge for transmission of accounts receivable information			1	0.00
36745	05 0129	Lockbox Fee per keystroke of character captured and delivered			5,726	0.00
3711	05 0136	Lockbox weekend service base fee			1	0.00
48200	05 0020	Lockbox Wholetail maintenance fee			1	0.00
48210	05 0100	Lockbox Wholetail fee for checks processed			1,240	0.00
48257	05 0899	Lockbox Wholetail fee to detect and out sort coupons which include mark sense or change of information			1,335	0.00
48221	05 0122	Lockbox Wholetail surcharge fee to process scannable transactions which include checks and multiple coupons			160	0.00
48222	05 0002	Lockbox Wholetail partial payment			242	0.00
48307	05 9999	Lockbox Wholetail per item fee to process remittances received as non scannable transaction			225	0.00
48220	05 0122	Lockbox Wholetail fee to process transaction received with scannable coupon			1,335	0.00
48501	05 0401	Lockbox Wholetail fee associated with outgoing transmission of detailed remittance			1,560	0.00
8025	10 0015	Miscellaneous credits posted			69	0.00
34350	20 0306	Online ARP statements and reports monthly base			5	0.00
34242	30 0225	Online Electronic Data Interchange payment detail			348	0.00
34240	33 0000	Online Electronic Data Interchange payment detail subscription monthly base			1	0.00
34245	30 0225	Online Electronic Data Interchange payment detail - addenda item			1,576	0.00

REQUIRED SCHEDULES CONTINUED

SERVICE CODE	AFP CODE	SERVICE DESCRIPTION	SERVICE PROVIDED (Y/N)	UNIT PRICE	AVG. VOLUME	SERVICE CHARGES
27707	40 034Z	Online search			87	0.00
22235	15 0240	Over the counter debit block monthly base			1	0.00
12694	20 0100	Outgoing transmission per item			12,603	0.00
24250	15 0340	Overdraft charge per item			1	0.00
DS191	15 0122	Payee validation standard item			129	0.00
12505	15 0222	Positive pay exception checks			4	0.00
12907	15 0030	Positive pay exception monthly base			4	0.00
34100	40 0052	Previous day base per account per report			29	0.00
34115	40 0425	Previous day reporting items loaded			1,148	0.00
MD091	15 0240	Payment authorization max check monthly base			25	0.00
28006	30 0510	Per inbound or outbound transmission charge for REC MGR or E-Box transmissions			42	0.00
ED265	30 0521	Receivables manager ACH item			471	0.00
28019	33 0101	Receivables manager monthly base			1	0.00
28011	30 0525	Receivables manager received			1,944	0.00
IAMTH	00 0230	Recoupment Fee			3,313	0.00
34235	10 0416	Return item subscription per account			8	0.00
34236	10 0416	Return decisioning per item			7	0.00
CK061	10 0400	Returned item charge			11	0.00
CK062	10 0416	Return item retrieval			10	0.00
CK064	10 0416	Return item service monthly base			11	0.00
28318	30 0210	Receivables Manager item			1,465	0.00
12670	15 0410	Stop payment per item			46	0.00
311	10 0224	Lockbox wholesale deposited checks			1,465	0.00
ES141	35 0120	Wire book transfer			92	0.00
ES030	35 0300	Wire in to USA account USA			35	0.00
ES139	35 0100	Wire out domestic			11	0.00
34216	40 0832	Wire template online			30	0.00
						0.00

REQUIRED SCHEDULES CONTINUED

Schedules below are for reference only. Complete the provided Schedules in Excel format.

SCHEDULE 2 - EARNINGS CREDIT CALCULATION

Formula _____	Current Rate	
	Average Collected Balance	3,100,000.00
	Less Reserve Requirement (____%)	
	Investable Balance	3,100,000.00
	Estimated Monthly Earnings Credit	

SCHEDULE 3 - INTEREST RATE CALCULATION

Formula _____	Current Rate	
	Average Collected Balance	3,100,000.00
	Less Reserve Requirement (____%)	
	Investable Balance	3,100,000.00
	Estimated Monthly Interest Earned	

Note: Average collected balance is shown for bidding purposes only. Balance may increase or decrease through-out the year. Rates should not be contingent on account balances.

RESPONSE ATTACHMENTS (Please attach in the order requested):

1. Sample monthly account analysis statement that will be provided to the BPUB, and indicate any capability to provide the information electronically.
2. Explanation of the institutions' policy and methodology used in setting rates paid on interest bearing accounts and account analysis earnings credit. Indicate if they are based on a market rate such as T-Bill discount or yield rate, or the federal funds rate, etc., and when the rates are changed. Also, please provide a historical six-month schedule of rates paid.
3. Latest annual financial statements, the most recent quarterly F.D.I.C. call reports, and the Uniform Bank Performance Report for the latest fiscal year end.
4. Information describing the institution's security measures to prevent fraud and unauthorized electronic and non-electronic transfers, and protect the integrity of computer banking services and internal computer systems.
5. Technology specifications for use of all proposed electronic systems and services.
6. Sample Safekeeping report of the information the BPUB shall receive monthly from the Custodian.
7. Information on the overnight investment options recommended for use by the BPUB, if applicable.
8. Information on check conversion, vault services, remote deposit, account verification service, ACH debit blocking, and "post no check" service.
9. Summary of the institution's business continuation plans as they pertain to the BPUB's ability to perform normal banking functions during natural and un-natural bank operation disruptions, including a Statement of Commitment to provide the BPUB continuous and ongoing bank depository services to the best of the financial institution's ability.
10. Lists of Comparable References and Current Texas Public Funds Clients.
11. Successful Financial Institution must provide an implementation/conversion plan for the transition of services from the BPUB's current service provider. Please provide a listing of steps, responsible parties, and the approximate duration of each step. Any one-time set-up fees, consulting fees, support fees, and other fees charged for such a transition should be included.

Please submit this page upon receipt

ACKNOWLEDGEMENT FORM
BANK DEPOSITORY SERVICES
P005-25

For any clarifications, please contact Diane Solitaire at Brownsville PUB Purchasing Department at (956) 983-6366 or e-mail: dsolitaire@brownsville-pub.com

Please email this page upon receipt of the RFP package or legal notice. If you only received the legal notice and you want the RFP package mailed please provide a method of shipment with account number in the space designated below.

Check one:

☐ **Yes, I will be able to send a RFP; obtained RFP package from website.**

☐ **Yes, I will be able to send a RFP; please email the RFP package.**

Email: _____

☐ **Yes, I will be able to send a RFP; please mail the RFP package using the carrier & account number listed below:**

Carrier: _____

Account: _____

☐ **No, I will not be able to send a RFP for the following reason:**

If you are unable to send your proposal, kindly indicate your reason above and return this form **via email to:** dsolitaire@brownsville-pub.com, and copy to hlopez@brownsville-pub.com. This will ensure you remain active on our vendor list.

REQUIRED SCHEDULES

Upon return of this acknowledgement form, the Required Schedules 1, 2, and 3 will be provided to the email address listed below in excel format. The company listed below agrees that the information to be provided is confidential and is to only be used by company in connection with preparing a proposal. The company also agrees not to release this information and to comply with Federal and State laws and regulations and notify BPUB in writing within five (5) days if they receive a request for such information.

Date _____

Company: _____

Name: _____

Address: _____

City: _____ State: _____ Zip Code: _____

Phone: _____ Fax: _____

Email: _____

PLEASE FILL IN THE FOLLOWING INFORMATION AND SUBMIT WITH PROPOSAL.

The undersigned proposer, by signing and executing this proposal, certifies and represents to the Brownsville Public Utilities Board that proposer has not offered, conferred or agreed to confer any pecuniary benefit, as defined by (1.07 (a) (6) of the Texas Penal Code, or any other thing of value as consideration for the receipt of information or any special treatment of advantage relating to this proposal; the proposer also certifies and represents that the proposer has not offered, conferred or agreed to confer any pecuniary benefit or other thing of value as consideration for the recipient's decision, opinion, recommendation, vote or other exercise of discretion concerning this proposal, the proposer certifies and represents that proposer has neither coerced nor attempted to influence the exercise of discretion by any officer, trustee, agent or employee of the Brownsville Public Utilities Board concerning this proposal on the basis of any consideration not authorized by law; the proposer also certifies and represents that proposer has not received any information not available to other proposers so as to give the undersigned a preferential advantage with respect to this proposal; the proposer further certifies and represents that proposer has not violated any state, federal, or local law, regulation or ordinance relating to bribery, improper influence, collusion or the like and that proposer will not in the future offer, confer, or agree to confer any pecuniary benefit or other thing of value of any officer, trustee, agent or employee of the Brownsville Public Utilities Board in return for the person having exercised their person's official discretion, power or duty with respect to this proposal; the proposer certifies and represents that it has not now and will not in the future offer, confer, or agree to confer a pecuniary benefit or other thing of value to any officer, trustee, agent, or employee of the Brownsville Public Utilities Board in connection with information regarding this proposal, the submission of this proposal, the award of this proposal or the performance, delivery or sale pursuant to this proposal.

THE PROPOSER SHALL DEFEND, INDEMNIFY, AND HOLD HARMLESS THE BROWNSVILLE PUBLIC UTILITIES BOARD, ALL OF ITS OFFICERS, AGENTS AND EMPLOYEES FROM AND AGAINST ALL CLAIMS, ACTIONS, SUITS, DEMANDS, PROCEEDING, COSTS, DAMAGES, AND LIABILITIES, ARISING OUT OF, CONNECTED WITH, OR RESULTING FROM ANY ACTS OR OMISSIONS OF CONTRACTOR OR ANY AGENT, EMPLOYEE, SUBCONTRACTOR, OR SUPPLIER OF CONTRACTOR IN THE EXECUTION OR PERFORMANCE OF THIS RFP.

I have read all of the specifications and general proposal requirements and do hereby certify that all items submitted meet specifications.

COMPANY: _____

AGENT NAME: _____

AGENT SIGNATURE: _____

ADDRESS: _____

CITY: _____

STATE: _____ ZIP CODE: _____

TELEPHONE: _____ TELEFAX: _____

FEDERAL ID#: _____ AND/OR SOCIAL SECURITY #: _____

DEVIATIONS FROM SPECIFICATIONS IF ANY:

NOTE: QUESTIONS AND CONCERNS FROM PROSPECTIVE CONTRACTORS SHOULD BE RAISED WITH OWNER AND ITS CONSULTANT (IF APPLICABLE) AND RESOLVED IF POSSIBLE, PRIOR TO THE PROPOSAL SUBMITTAL DATE. ANY LISTED DEVIATIONS IN A FINALLY SUBMITTED PROPOSAL MAY ALLOW THE OWNER TO REJECT A PROPOSAL AS NON-RESPONSIVE.

CERTIFICATION REGARDING
DEBARMENT, SUSPENSION, AND OTHER RESPONSIBILITY
MATTERS (Complete and return with Proposal)

Name of Entity: _____

The prospective participant certifies to the best of their knowledge and belief that they and their principals:

- a) Are not presently debarred, suspended, proposed for debarment, declared ineligible, or voluntarily excluded from covered transactions by any Federal department or agency;
- b) Have not within a three year period preceding this proposal been convicted of or had a civil judgment rendered against them for commission of fraud or a criminal offense in connection with obtaining, attempting to obtain, or performing a public (Federal, State, or local) transaction or contract under a public transaction; violation of Federal or State antitrust statutes or commission of embezzlement, theft, forgery, bribery, falsification or destruction of records, making false statements, or receiving stolen property;
- c) Are not presently indicted for or otherwise criminally or civilly charged by a government entity (Federal, State, Local) with commission of any of the offenses enumerated in paragraph (1) (b) of this certification; and
- d) Have not within a three year period preceding this application/proposal had one or more public transactions (Federal, State, and Local) terminated for cause or default.

I understand that a false statement on this certification may be grounds for rejection of this proposal or termination of the award. In addition, under 18 USC Section 1001, a false statement may result in a fine up to a \$10,000.00 or imprisonment for up to five (5) years, or both.

Name and Title of Authorized Representative (Typed)

Signature of Authorized Representative

Date

☐ I am unable to certify to the above statements. My explanation is attached.

CONFLICT OF INTEREST QUESTIONNAIRE For vendor doing business with local governmental entity		FORM CIQ
<p>This questionnaire reflects changes made to the law by H.B. 23, 84th Leg., Regular Session.</p> <p>This questionnaire is being filed in accordance with Chapter 176, Local Government Code, by a vendor who has a business relationship as defined by Section 176.001(1-a) with a local governmental entity and the vendor meets requirements under Section 176.006(a).</p> <p>By law this questionnaire must be filed with the records administrator of the local governmental entity not later than the 7th business day after the date the vendor becomes aware of facts that require the statement to be filed. See Section 176.006(a-1), Local Government Code.</p> <p>A vendor commits an offense if the vendor knowingly violates Section 176.006, Local Government Code. An offense under this section is a misdemeanor.</p>	OFFICE USE ONLY <div style="border: 1px solid black; height: 100px; margin-top: 5px;"></div>	
1 Name of vendor who has a business relationship with local governmental entity.		
2 <input type="checkbox"/> Check this box if you are filing an update to a previously filed questionnaire. (The law requires that you file an updated completed questionnaire with the appropriate filing authority not later than the 7th business day after the date on which you became aware that the originally filed questionnaire was incomplete or inaccurate.)		
3 Name of local government officer about whom the information is being disclosed.		
<div style="border-bottom: 1px solid black; width: 30%; margin: 0 auto;"></div> Name of Officer		
4 Describe each employment or other business relationship with the local government officer, or a family member of the officer, as described by Section 176.003(a)(2)(A). Also describe any family relationship with the local government officer. Complete subparts A and B for each employment or business relationship described. Attach additional pages to this Form CIQ as necessary.		
<div style="margin-bottom: 20px;"> <p>A. Is the local government officer or a family member of the officer receiving or likely to receive taxable income, other than investment income, from the vendor?</p> <div style="display: flex; justify-content: center; gap: 50px;"> <input type="checkbox"/> Yes <input type="checkbox"/> No </div> </div> <div> <p>B. Is the vendor receiving or likely to receive taxable income, other than investment income, from or at the direction of the local government officer or a family member of the officer AND the taxable income is not received from the local governmental entity?</p> <div style="display: flex; justify-content: center; gap: 50px;"> <input type="checkbox"/> Yes <input type="checkbox"/> No </div> </div>		
5 Describe each employment or business relationship that the vendor named in Section 1 maintains with a corporation or other business entity with respect to which the local government officer serves as an officer or director, or holds an ownership interest of one percent or more.		
6 <input type="checkbox"/> Check this box if the vendor has given the local government officer or a family member of the officer one or more gifts as described in Section 176.003(a)(2)(B), excluding gifts described in Section 176.003(a-1).		
7		
<div style="display: flex; justify-content: space-between;"> <div style="width: 60%; border-bottom: 1px solid black;"></div> <div style="width: 35%; border-bottom: 1px solid black;"></div> </div> <div style="display: flex; justify-content: space-between; margin-top: 5px;"> Signature of vendor doing business with the governmental entity Date </div>		

CONFLICT OF INTEREST QUESTIONNAIRE
For vendor doing business with local governmental entity

A complete copy of Chapter 176 of the Local Government Code may be found at <http://www.statutes.legis.state.tx.us/Docs/LG/htm/LG.176.htm>. For easy reference, below are some of the sections cited on this form.

Local Government Code § 176.001(1-a): "Business relationship" means a connection between two or more parties based on commercial activity of one of the parties. The term does not include a connection based on:

- (A) a transaction that is subject to rate or fee regulation by a federal, state, or local governmental entity or an agency of a federal, state, or local governmental entity;
- (B) a transaction conducted at a price and subject to terms available to the public; or
- (C) a purchase or lease of goods or services from a person that is chartered by a state or federal agency and that is subject to regular examination by, and reporting to, that agency.

Local Government Code § 176.003(a)(2)(A) and (B):

- (a) A local government officer shall file a conflicts disclosure statement with respect to a vendor if:

- (2) the vendor:

(A) has an employment or other business relationship with the local government officer or a family member of the officer that results in the officer or family member receiving taxable income, other than investment income, that exceeds \$2,500 during the 12-month period preceding the date that the officer becomes aware that

- (i) a contract between the local governmental entity and vendor has been executed;
- or

- (ii) the local governmental entity is considering entering into a contract with the vendor;

(B) has given to the local government officer or a family member of the officer one or more gifts that have an aggregate value of more than \$100 in the 12-month period preceding the date the officer becomes aware that:

- (i) a contract between the local governmental entity and vendor has been executed; or
- (ii) the local governmental entity is considering entering into a contract with the vendor.

Local Government Code § 176.006(a) and (a-1)

- (a) A vendor shall file a completed conflict of interest questionnaire if the vendor has a business relationship with a local governmental entity and:

- (1) has an employment or other business relationship with a local government officer of that local governmental entity, or a family member of the officer, described by Section 176.003(a)(2)(A);

- (2) has given a local government officer of that local governmental entity, or a family member of the officer, one or more gifts with the aggregate value specified by Section 176.003(a)(2)(B), excluding any gift described by Section 176.003(a-1); or

- (3) has a family relationship with a local government officer of that local governmental entity.

- (a-1) The completed conflict of interest questionnaire must be filed with the appropriate records administrator not later than the seventh business day after the later of:

- (1) the date that the vendor:

(A) begins discussions or negotiations to enter into a contract with the local governmental entity; or

(B) submits to the local governmental entity an application, response to a request for proposals or bids, correspondence, or another writing related to a potential contract with the local governmental entity; or

- (2) the date the vendor becomes aware:

(A) of an employment or other business relationship with a local government officer, or a family member of the officer, described by Subsection (a);

(B) that the vendor has given one or more gifts described by Subsection (a); or

(C) of a family relationship with a local government officer.

Certificate of Interested Parties-Form 1295

Special message: Please read the Special Notification regarding HB 1295 effective January 1, 2016, implemented by the Texas Ethics Commission, which requires business entities to provide a completed Form 1295 to Brownsville PUB with signed contracts in order to execute them.

In 2015, the Texas Legislature adopted House Bill 1295. The law states that a governmental entity or state agency may not enter into certain contracts with a business entity unless the business entity submits a disclosure of interested parties to the governmental entity or state agency at the time the business entity submits the signed contract to the governmental entity or state agency. The law applies to a contract of a governmental entity or state agency that either (1) requires an action or vote by the governing body of the entity or agency before the contract may be signed or (2) has a value of at least \$1 million. The disclosure requirement applies to a contract entered into on or after January 1, 2016.

To implement the law, the Texas Ethics Commission (TEC) adopted new rules necessary to prescribe the disclosure of interested parties form, and post a copy of the form on the commission's website. The commission adopted the Certificate of Interested Parties form, Form 1295, on October 5, 2015. The commission also adopted new rules as part of Chapter 46 of the Texas Administrative Code on November 30, 2015.

On January 1, 2016, TEC made a new filing application available on their website for business entities to use to both create and file Form 1295. Business entities will enter the required information on Form 1295 within the application and print a copy of the completed form, which will include a certification of filing with a unique certification number. An authorized agent of the business entity will need to sign the printed copy of the form and have the form notarized. The completed Form 1295 with the certification of filing must be included with the signed contract to the governmental body or state agency in order for the governmental body to execute the contract.

Brownsville PUB will then notify the commission, using TEC's filing application, of the receipt of the filed Form 1295 with the certification of filing not later than the 30th day after the date the contract binds all parties to the contract.

TEC will then post the business entity's completed Form 1295 to its website within seven (7) business days after receiving notice from Brownsville PUB acknowledging that it was received.

To obtain additional information on HB 1295, to learn more about TEC's process to create a new account or to complete an electronic version of Form 1295 for submission with a signed contract, please go to the following link: https://ethics.state.tx.us/whatsnew/elf_info_form1295.htm

NOTE: IF AWARDED THIS CONTRACT, FORM 1295 WILL BE SUBMITTED AT THE TIME THE SIGNED CONTRACT IS SUBMITTED TO BPUB. ☐ YES ☐ NO

CERTIFICATE OF INTERESTED PARTIES**FORM 1295**

Complete Nos. 1 - 4 and 6 if there are interested parties.
Complete Nos. 1, 2, 3, 5, and 6 if there are no interested parties.

OFFICE USE ONLY

1 Name of business entity filing form, and the city, state and country of the business entity's place of business.

2 Name of governmental entity or state agency that is a party to the contract for which the form is being filed.

3 Provide the identification number used by the governmental entity or state agency to track or identify the contract, and provide a description of the goods or services to be provided under the contract.

4 Name of Interested Party	City, State, Country (place of business)	Nature of Interest (check applicable)	
		Controlling	Intermediary

5 Check only if there is NO Interested Party. ☐

6 UNSWORN DECLARATION

My name is _____, and my date of birth is _____.

My address is _____, _____, _____, _____, _____.
(street) (city) (state) (zip code) (country)

I declare under penalty of perjury that the foregoing is true and correct.


Executed in _____ County, State of _____, on the _____ day of _____, 20____.
(month) (year)

Signature of authorized agent of contracting business entity
(Declarant)

ADD ADDITIONAL PAGES AS NECESSARY



INVESTMENT POLICY

	Investment Policy	Department	Finance
		Policy Number	FIN-1001
		Effective Date	October 1, 2024
		Revision Number	13
		Final Approver	BPUB Board

1.0 Purpose

The purpose of this policy/procedure document is to set forth the requirements for the investment of the public funds of the Brownsville Public Utilities Board (the “BPUB”) in accordance with Chapter 2256, as amended, of the Texas Government Code, the Public Funds Investment Act (the “Act” or “PFIA”). This Investment Policy (the “Policy”) has been adopted by the BPUB’s Board of Directors (the “Board”) and can only be changed by recommendation of the BPUB staff. The Board’s resolution shall record any changes made to either the Policy or strategies.

This Policy is designed to ensure the prudent management of public funds, the availability of operating and capital funds when needed, and an investment return competitive with comparable funds and financial market indices. This Policy does not supersede applicable State laws and code. All investments made with the BPUB funds prior to the adoption of this Policy shall be held or liquidated as determined by the Board to be in the best interest of the financial well-being of the BPUB.

2.0 Scope

This policy/procedure applies to all BPUB investment activities conducted by the BPUB Finance Department.

3.0 Policy

The policy of the BPUB is to:

- 3.1 Invest available public funds in conformance with state and federal regulations, local statutes, applicable bond ordinance requirements, adopted Policy, and adopted investment strategy.
- 3.2 Effective cash management is recognized as essential to good fiscal management. Aggressive cash management and effective strategy development will be pursued to take advantage of interest earnings as available and material source revenue to all BPUB funds. The BPUB’s portfolio shall be designed and managed in a manner responsive to the public trust and consistent with this Policy.

3.3 Investment Objectives

3.3.1 Safety of Principal

3.3.1.1 The primary objective of all investment activity is the preservation of capital and the safety of principal in the overall portfolio.

3.3.1.2 Each investment transaction shall seek to ensure first that capital losses are avoided, whether they are from security default or erosion of market value.

3.3.2 Maintenance of Adequate Liquidity

3.3.2.1 The investment portfolio will remain sufficiently liquid to meet the cash flow requirements that might be reasonably anticipated.

3.3.2.2 Liquidity shall be achieved by matching investment maturities with forecasted cash flow requirements; investing in securities with active secondary markets; and maintaining appropriate portfolio diversification.

3.3.3 Yield

3.3.3.1 The investment portfolio will be structured in order to achieve a yield that is consistent with the guidelines provided by the Investment Strategy Statement and within the context and parameters set forth by the safety and liquidity objectives above.

3.4 Investment Strategy

3.4.1 It is the policy of the BPUB that in regards to the safety and risk of investments, all available funds shall be invested in conformance with state and federal regulations, applicable bond documentation requirements, and adopted Policy. Adopted in accordance with the Act, the BPUB's investment strategies shall address the following priorities (in order of importance):

3.4.1.1 Understanding the suitability of the investment to the financial requirements of the BPUB,

3.4.1.2 Preservation and safety of principal,

3.4.1.3 Liquidity,

3.4.1.4 Marketability of the investment prior to maturity,

3.4.1.5 Diversification of the investment portfolio, and

3.4.1.6 Yield.

- 3.4.2 Effective investment strategy development coordinates the primary objectives of the Policy and cash management procedures to enhance interest earnings and reduce investment risk.
- 3.4.3 Aggressive cash management will increase the available “investment period” and subsequently interest earnings.
- 3.4.4 Maturity selections shall be based on cash flow and market conditions to take advantage of various interest rate cycles.
- 3.4.5 The BPUB’s portfolio shall be designed and managed in a manner responsive to the public trust and consistent with the Policy.
- 3.4.6 Each major fund type has varying cash flow requirements and liquidity needs. Therefore, specific strategies shall be implemented considering the fund’s unique requirements. The BPUB’s funds shall be analyzed and invested according to the following major fund types:
 - 3.4.6.1 Operating Funds,
 - 3.4.6.2 Construction Funds, Project Funds, Commercial Paper, and
 - 3.4.6.3 Debt Service Funds and Debt Service Reserve Funds.
- 3.4.7 While the investment strategies of the BPUB include goals to maximize the yield on any investments, the BPUB recognizes that certain investments related to bond proceeds must be made in compliance with applicable bond documentation and the Internal Revenue Service Code.
- 3.4.8 When arbitrage rebate or yield restriction rules require rebating excess earnings, the BPUB’s bond proceeds may be invested using a more conservative approach than the standard investment strategy. All earnings in excess of the allowable earnings (“rebate liability”) will be segregated and made available for any necessary payments to the United States Treasury.
- 3.4.9 In order to minimize risk of loss due to interest rate fluctuations, investment maturities will not exceed the anticipated cash flow requirements of the funds. Investment guidelines by fund-type are as follows:

3.4.9.1 Operating Funds:

3.4.9.1.1 BPUB Operating Funds include the following:

- 3.4.9.1.1.1 Plant Fund
- 3.4.9.1.1.2 Improvement Fund
- 3.4.9.1.1.3 Workers' Compensation Fund
- 3.4.9.1.1.4 Meter Deposit Fund
- 3.4.9.1.1.5 Capital Improvement Reserve Fund
- 3.4.9.1.1.6 Share Fund
- 3.4.9.1.1.7 Improvement Water Rights
- 3.4.9.1.1.8 Improvement Impact Fee
- 3.4.9.1.1.9 City Transfer Fund
- 3.4.9.1.1.10
- 3.4.9.1.1.11 Payroll Fund
- 3.4.9.1.1.12 Health Insurance
- 3.4.9.1.1.13 Operating Reserve Fund
- 3.4.9.1.1.14 Payroll Taxes Fund
- 3.4.9.1.1.15 Dental Fund
- 3.4.9.1.1.16 Flexible Spending Fund
- 3.4.9.1.1.17 Fuel Adjustment Subaccount
- 3.4.9.1.1.18 Resaca Fee
- 3.4.9.1.1.19 AP Clearing Fund

3.4.9.1.2 Priorities addressed for Operating Funds:

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

- 3.4.9.1.2.2 Safety of Principal Maturity Limitations – All investments shall be of high quality securities with no perceived default risk. Market price fluctuations will however occur. By managing the weighted average days to maturity for the Operating Fund portfolio to less than 270 days and restricting the maximum allowable maturity to two years, the price volatility of the overall portfolio will be minimized.
- 3.4.9.1.2.3 Marketability- The BPUB intends to buy and hold investments to maturity. However, securities with active and efficient secondary markets are necessary in the event of an unanticipated cash requirement. Historical market “spreads” between the bid and offer prices of a particular security-type of less than a quarter of a percentage point shall define an efficient secondary market.
- 3.4.9.1.2.4 Liquidity – The Operating Fund requires the greatest short-term liquidity of any of the fund types. Short-term investment pools, money market mutual funds, and interest bearing accounts shall provide daily liquidity and may be utilized as a competitive yield alternative to fixed maturity investments.
- 3.4.9.1.2.5 Diversification – Investment maturities shall be staggered throughout the budget cycle to provide cash flow based on the anticipated operating needs of the BPUB. Market cycle risk will be reduced by diversifying the appropriate maturity structure out through two years.
- 3.4.9.1.2.6 Yield – Attaining a competitive market yield for comparable security-types and portfolio restrictions is the desired objective. The yield of an equally weighted rolling three-month Treasury Bill portfolio shall be the minimum yield objective.

3.4.9.2 Construction Funds, Project Funds, Commercial Paper Accounts:

- 3.4.9.2.1 The following are BPUB’s accounts designated as non-operating funds in the BPUB ordinances:

3.4.9.2.1.1 Construction Fund

3.4.9.2.1.2 Project Fund

3.4.9.2.1.3 Commercial Paper Fund

3.4.9.2.2 Priorities addressed for Construction Funds, Project Funds, and Commercial Paper

3.4.9.2.2.1 Suitability – Any investment authorized by the Investment Policy and any applicable bond provision is suitable for the Construction Funds.

3.4.9.2.2.2 Safety of Principal – All investments shall be of high quality securities with no perceived default risk. Market price fluctuations will however occur. By managing the Construction Fund's portfolio to exceed the anticipated expenditure schedule the market risk of the overall portfolio will be minimized.

3.4.9.2.2.3 Marketability – The BPUB intends to buy and hold investments to maturity. However, securities with active and efficient secondary market are necessary in the event of an unanticipated cash requirement. Historical market "spreads" between the bid and offer prices of a particular security-type of less than a quarter of a percentage point shall define an efficient secondary market.

3.4.9.2.2.4 Liquidity – The BPUB's funds used for construction and capital improvement programs have reasonably predictable draw down schedules. Therefore, investment maturities shall generally follow the anticipated cash flow requirements. Investment pools, money market mutual funds, and interest bearing accounts shall provide readily available funds generally equal to one month's anticipated cash flow needs, or a competitive yield alternative for short term fixed maturity investments. A singular repurchase agreement may be utilized if disbursements are allowed in the amount necessary to satisfy any expenditure request. This investment structure is

commonly referred to as a flexible repurchase agreement.

3.4.9.2.2.5 Diversification – Market conditions and the arbitrage regulations influence the attractiveness of staggering the maturity of fixed rate investments for bond proceeds and other construction and capital improvement funds. With bond proceeds, if investment rates exceed the applicable arbitrage yield, the BPUB is best served by locking in most investments. If the arbitrage yield cannot be exceeded, then concurrent market conditions will determine the attractiveness of diversifying maturities or investing in shorter and larger maturities. At no time shall the anticipated expenditure schedule be exceeded in an attempt to bolster yield with any of the BPUB's funds.

3.4.9.2.2.6 Yield – Achieving a positive spread to the applicable arbitrage yield is the desired objective for bond proceeds. Non-bond proceeds in the construction and capital project funds will target a rolling portfolio of six-month Treasury Bills.

3.4.9.3 Debt Service Funds and Debt Service Reserve Funds

3.4.9.3.1 The following are BPUB's accounts identified and designated in certain bond ordinances authorizing the issuance of bonds and other obligations.

3.4.9.3.1.1 Debt Service Fund

3.4.9.3.1.2 Debt Service Reserve Fund

3.4.9.3.2 Priorities addressed for Debt Service Funds and Debt Service Reserve Funds:

3.4.9.3.2.1 Suitability – Any investment authorized by the Investment Policy and any applicable bond provision is suitable for the Debt Service Fund.

3.4.9.3.2.2 Safety of Principal – All investments shall be of high quality securities with no perceived default risk. Market price fluctuations will however occur. By managing the Debt Service Fund's portfolio to not exceed the debt service

payment schedule the market risk of the overall portfolio will be minimized.

3.4.9.3.2.3 Marketability-Securities with active and efficient secondary markets are not necessary, as the event of an unanticipated cash requirement is not probable.

3.4.9.3.2.4 Liquidity – Debt service funds have predictable payment schedules. Therefore, investment maturities shall not exceed the anticipated cash flow requirements. Investment pools, money market mutual funds, and interest bearing accounts shall provide a competitive yield alternative for short term fixed maturity investments. A singular repurchase agreement may be utilized if disbursements are allowed in the amount necessary to satisfy any debt service payment. This investment structure is commonly referred to as a flexible repurchase agreement.

3.4.9.3.2.5 Diversification – Market conditions influence the attractiveness of fully extending maturity to the next “unfunded” payment date. Generally, if investment rates are trending down, the BPUB is best served by locking in most investments. If interest rates are flat or trending up, then concurrent market conditions will determine the attractiveness of extending maturity or investing in shorter alternatives. At no time shall the debt service schedule be exceeded in an attempt to bolster yield.

3.4.9.3.2.6 Yield – Attaining a competitive market yield for comparable security-types and portfolio restrictions is the desired objective. The yield of an equally weighted, rolling three months Treasury Bill portfolio shall be the minimum yield objective.

4.0 Definitions

4.1 Accrued Interest – The accumulated interest due on a bond as of the last interest payment made by the issuer.

4.2 Agency – A debt security issued by a federal or federally sponsored agency. Federal agencies are backed by the full faith and credit of the U.S. Government. Federally sponsored agencies (FSA's) are backed by each particular agency with a market perception that there is an implicit government guarantee. An example of federal

agency is the Government National Mortgage Association (GNMA). An example of a FSA is the Federal National Mortgage Association (FNMA).

- 4.3 Annual Comprehensive Financial Report (ACFR) – The official annual report for the BPUB. It includes basic financial statements prepared in conformity with Generally Accepted Accounting Principles (GAAP). It also includes supporting schedules necessary to demonstrate compliance with finance-related legal and contractual provision, extensive introductory material, and a detailed statistical section.
- 4.4 Ask Price – The price at which securities are offered.
- 4.5 Bid – The indicated price at which a buyer is willing to purchase a security or commodity.
- 4.6 Book Value – The value at which a security is carried on the inventory lists or other financial records of an investor. The book value may differ significantly from the security's current value in the market.
- 4.7 Broker – A party who brings buyers and sellers together. Brokers do not take ownership of the property being traded. They are compensated by commissions. They are not the same as dealers; however, the same firms that act as brokers in some transactions may act as dealer in other transactions.
- 4.8 Callable Bond – A bond issue in which all or part of its outstanding principal amount may be redeemed before maturity by the issuer under specified conditions.
- 4.9 Call Price – The price at which an issuer may redeem a bond prior to maturity. The price is usually at a slight premium to the bond's original issue price to compensate the holder for loss of income and ownership.
- 4.10 Cash Sale/Purchase – A transaction that calls for delivery and payment of securities on the same day that the transaction is initiated.
- 4.11 Certificate of Deposit (CD) – A time deposit with a specific maturity evidenced by a certificate. Large-denomination (over \$100,000) CD's are typically negotiable.
- 4.12 Collateralization – Process by which a borrower pledges securities, property, or other deposits for the purpose of securing the repayment of a loan and/or security.
- 4.13 Collateralized Mortgage Obligation (CMO) – A type of mortgage-backed security created by dividing the rights to receive the principal and interest cash flows from an underlying pool of mortgages in separate classes or tiers.
- 4.14 Commercial Paper – An unsecured short-term promissory note issued by corporations, with maturities ranging from 1 to 365 days. It is used primarily by corporations for short-term financing needs at a rate, which is generally lower than the prime rate.
- 4.15 Coupon Rate – The stated annual rate of interest payable on a coupon bond expressed as a percentage of the bond's face value. It is also known as the "interest rate."

- 4.16 CUSIP Number –A nine-digit number established by the Committee on Uniform Securities Identification Procedures that is used to identify publicly traded securities. Each publicly traded security receives a unique CUSIP number when the security is issued.
- 4.17 Current Yield (Current Return) – A yield calculation determined by dividing the annual interest received on a security by the current market price of that security.
- 4.18 Dealer – A firm that buys and sells for its own account. Dealers have ownership, even if only for an instant, between a purchase from one party and a sale to another party. They are compensated by the spread between the price they pay and the price they receive. Dealers are not the same as brokers; however, the same firms that act as dealers in some transactions may act as brokers in other transactions.
- 4.19 Delivery Versus Payment (DVP) – A type of securities transaction in which the purchaser pays for the securities when they are delivered to either the purchaser or his/her custodian.
- 4.20 Diversification – A process of investing assets among a range of security types by sector, maturity, and quality rating.
- 4.21 Face Value – The principal amount due and payable to a bondholder at maturity (par value). Also, the amount on which coupon interest is computed.
- 4.22 Fair Value – The amount at which an investment could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.
- 4.23 Federal Credit Agencies – Agencies of the Federal government setup to supply credit to various classes of institutions and individuals, e.g. small business firms, students, farmers, farm cooperatives, and exporters.
- 4.24 Federal Deposit Insurance Corporation (FDIC) – A federal agency that insures bank deposits, currently up to \$250,000 per depositor.
- 4.25 Federal Farm Credit Banks (FFCB) – A government-sponsored corporation that was created in 1916 and is a nationwide system of banks and associations providing mortgage loans, credit, and related services to farmers, rural homeowners, and agricultural and rural cooperatives. The banks and associations are cooperatively owned, directly or indirectly, by their respective borrowers. The Federal Farm Credit System is supervised by the Farm Credit Administration, an independent agency of the U.S. government.
- 4.26 Federal Funds (Fed Funds) – Funds placed in Federal Reserve banks by depository institutions in excess of current reserve requirements. These depository institutions may lend fed funds to each other overnight or on a longer basis. They may also transfer funds among each other on a same-day basis through the Federal Reserve banking system. Fed Funds are considered immediately available funds.

- 4.27 Federal Home Loan Banks (FHLB) – Government-sponsored wholesale banks (currently twelve regional banks) which lend funds and provide correspondent banking services to member commercial bank, thrift institutions, credit unions and insurance companies. The mission of the FHLBs is to liquefy the housing related assets of its members who must purchase stock in their district Bank.
- 4.28 Federal Home Loan Mortgage Corporation (FHLMC or “Freddie Mac”) – A government-sponsored corporation that was created in July 1970 by the enactment of Title III of the Emergency Home Finance Act of 1970. Freddie Mac was established to help maintain the availability of mortgage credit for residential housing, primarily through developing and maintaining an active, nationwide secondary market in conventional residential mortgages.
- 4.29 Federal National Mortgage Association (FNMA or Fannie Mae) – FNMA, like GNMA, was chartered under the Federal National Mortgage Association Act in 1938. FNMA is a federal corporation working under the auspices of the Department of Housing and Urban Development (HUD). It is the largest single provider of residential mortgage funds in the United States. Fannie Mae is a private stockholder-owned corporation. FNMA securities are highly liquid and are widely accepted. FNMA assumes and guarantees that all security holders will receive timely payment of principal and interest.
- 4.30 Government Securities – An obligation of the U.S. Government, backed by the full faith and credit of the government. These securities are regarded as the highest quality of investment securities available in the U.S. securities market. See “Treasury Bills, Notes, and Bonds.”
- 4.31 Hedging – The buying and selling of fuel oil, natural gas, coal, nuclear fuel, and electric energy futures or options or similar contracts on those commodities and related transportation costs as a protection against loss due to price fluctuation.
- 4.32 Interest Rate – See “Coupon Rate.”
- 4.33 Internal Controls – An internal control structure designed to ensure that the assets of the entity are protected from loss, theft, or misuse. The internal control structure is designed to provide reasonable assurance that these objectives are met. The concept of reasonable assurance recognizes that 1) the cost of a control should not exceed the benefits likely to be derived and 2) the valuation of costs and benefits requires estimates and judgments by management.
- 4.34 Investment Policy – A concise and clear statement of the objectives and parameters formulated by an investor or investment manager for a portfolio of investment securities.
- 4.35 Liquidity – An asset that can be converted easily and quickly into cash.
- 4.36 Local Government Investment Pool (LGIP) – An investment by local governments in which their money is pooled as a method for managing local funds.

- 4.37 Mark-to-market – The process whereby the book value or collateral value of a security is adjusted to reflect its current market value.
- 4.38 Market Risk – The risk that the value of a security will rise or decline as a result of changes in market conditions.
- 4.39 Market Value – Current market price of a security.
- 4.40 Master Repurchase Agreement – A written contract covering all future transactions between the parties to repurchase agreements that establish each party’s rights in the transactions. A master agreement will often specify, among other things, the right of the buyer to liquidate the underlying securities in the event of default by the seller.
- 4.41 Maturity Date – The date on which payment of a financial obligation is due. The final stated maturity is the date on which the issuer must retire a bond and pay the face value to the bondholder. See “Weighted Average Maturity.”
- 4.42 Money Market Mutual Fund – Mutual funds that invest solely in money market instruments (short-term debt instruments, such as Treasury bills, commercial paper, bankers’ acceptances, repos and federal funds).
- 4.43 Mortgage-Backed Securities (MBS) – Securities composed of, or collateralized by, loans that are themselves collateralized by liens on real property.
- 4.44 Mutual Fund – An investment company that pools money and can invest in a variety of securities, including fixed-income securities and money market instruments. Mutual funds are regulated by the Investment Company Act of 1940 and must abide by the Securities and Exchange Commission (SEC) disclosure guidelines.
- 4.45 Net Asset Value – The market value of one share of an investment company, such as a mutual fund. This figure is calculated by totaling a fund’s assets, which includes securities, cash and any accrued earnings, subtracting this from the fund’s liabilities and dividing this total by the number of shares outstanding. This is calculated once a day based on the closing price for each security in the fund’s portfolio.
$$\frac{[(\text{Total assets}) - (\text{Liabilities})]}{(\text{Number of shares outstanding})}$$
- 4.46 No Load Fund – A mutual fund that does not levy a sales charge on the purchase of its shares.
- 4.47 Offer – An indicated price at which market participants are willing to sell a security or commodity. Also referred to as the “Ask Price.”
- 4.48 Par – Face value or principal value of a bond, typically \$1,000 per bond.
- 4.49 Premium – The amount by which the price paid for a security exceeds the security’s par value.

- 4.50 Primary Dealer – A group of government securities dealers that submit daily reports of market activity and positions and monthly financial statements to the Federal Reserve Bank of New York and are subject to its informal oversight. Primary dealers include Securities and Exchange Commission (SEC)-registered securities broker-dealers, banks, and a few unregulated firms.
- 4.51 Principal – The face value or par value of a debt instrument. Also may refer to the amount of capital invested in a given security.
- 4.52 Prudent Person Rule – An investment standard outlining the fiduciary responsibilities of public funds investors relating to investment practices.
- 4.53 Qualified Representative – A person who holds a position with and is authorized to act on behalf of a business organization (as defined by the Act).
- 4.54 Repurchase Agreement (repo or RP) – An agreement of one party to sell securities at a specified price to a second party and a simultaneous agreement of the first party to repurchase the securities at a specified price or at a specified later date. The difference between the selling price and the repurchase price provides the interest income to the party that provided the funds. Every transaction where a security is sold under an agreement to be repurchased is a repo from the seller/borrower's point of view and a reverse repo from the buyer/lender's point of view.
- 4.55 Reverse Repurchase Agreement (Reverse Repo) – An agreement of one party to purchase securities at a specified price from a second party and a simultaneous agreement by the first party to resell the securities at a specified price to the second party on demand or at a specified date.
- 4.56 Rule 2a-7 of the Investment Company Act – Applies to all money market mutual funds and mandates such funds to maintain certain standards, including the maintenance of net asset value determined in accordance with Rule 2a-7.
- 4.57 Safekeeping – Holding of assets (e.g., securities) by a financial institution.
- 4.58 Secondary Market – A market made for the purchase and sale of outstanding issues following the initial distribution.
- 4.59 Securities and Exchange Commission (SEC) – Agency created by Congress to protect investors in securities transactions by administering securities legislation.
- 4.60 SEC Rule 15C3-I – See Uniform Net Capital Rule.
- 4.61 Treasury Bills – Short-term U.S. government non-interest bearing debt securities with maturities of no longer than one year and issued in minimum denominations of \$10,000. Auctions of three- and six-month bills are weekly, while auctions of one-year bills are monthly. The yields on these bills are monitored closely in the money markets for signs of interest rate trends.

- 4.62 Treasury Notes – Intermediate U.S. government debt securities with maturities of one to 10 years and issued in denominations ranging from \$1,000 to \$1 million or more.
- 4.63 Treasury Bonds – Long-term U.S. government debt securities with maturities of ten years or longer and issued in minimum denominations of \$1,000. Currently, the longest outstanding maturity for such securities is 30 years.
- 4.64 Uniform Net Capital Rule – SEC Rule 15C3-1 outlining capital requirements for broker/dealers.
- 4.65 Weighted Average Maturity (WAM) – The average maturity of all the securities that comprise a portfolio. According to SEC rule 2a-7, the WAM for SEC registered money market mutual funds may not exceed 90 days and no one security may have a maturity that exceeds 397 days.
- 4.66 Yield – The current rate of return on an investment security generally expressed as a percentage of the security's current price.
- 4.67 Yield-to-call (YTC) – The rate of return that an investor earns from a bond assuming the bond is redeemed (called) prior to its nominal maturity date.
- 4.68 Yield-to-maturity – The rate of return yielded by a debt security held to maturity when both interest payments and the investor's potential capital gain or loss are included in the calculation of return.
- 4.69 Zero-Coupon Securities – Security that is issued at a discount and makes no periodic interest payments. The rate of return consists of a gradual accretion of the principal of the security and is payable at par upon maturity.

5.0 Roles and Responsibilities

- 5.1 The Board will:
 - 5.1.1 Adopt the Policy;
 - 5.1.2 Review and approve this Policy and Policy amendments annually generally based upon BPUB staff recommendations; and
 - 5.1.3 Review the investment strategy, Section 3.4, for each of the BPUB's fund-types.
- 5.2 Investment Officers will:
 - 5.2.1 Consist of the Chief Financial Officer, Controllers and Treasury & Accounting Manager.
 - 5.2.2 Authorize to deposit, withdraw, invest, transfer, execute documentation, and otherwise manage the BPUB's funds according to this Policy.

- 5.2.3 Designate one Investment Officer to deposit, withdraw, or transfer funds out of or into an investment pool or money market mutual funds in order to meet daily operating needs of the BPUB.
- 5.2.4 Attend training in accordance to Section 2256.008 of the Act.
- 5.2.5 Perform their duties in accordance with the adopted Policy and internal procedures.
- 5.2.6 Act as custodians of the public trust.
- 5.2.7 Provide quarterly investment reports to the Board.

6.0 Procedures

6.1 Identifying Authorized Investments for Policy/Procedures

Investments described below are authorized by the Act and this Policy as eligible securities. Bond proceeds may be further restricted by applicable bond documentation:

- 6.1.1 Obligations of Governmental Entities. Except for the items listed in 6.2 below, the following are authorized investments:
 - 6.1.1.1 Obligations, including letters of credit, of the United States or its agencies and instrumentalities, including the Federal Home Loan Banks;
 - 6.1.1.2 Direct obligations of the State of Texas or its agencies and instrumentalities;
 - 6.1.1.3 Other obligations, the principal and interest on which are unconditionally guaranteed or insured by, or backed by the full faith and credit of, the State of Texas or the United States or their respective agencies and instrumentalities including obligations that are fully guaranteed or issued by the Federal Deposit Insurance Corporation or by the explicit full faith and credit of the United States;
 - 6.1.1.4 Obligations of states, agencies, counties, cities, and other political subdivisions of any state having been rated as to investment quality by a nationally recognized investment rating firm and having received a rating of not less than “A” or its equivalent;
 - 6.1.1.5 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;
 - 6.1.1.6 Bonds issued, assumed, or guaranteed by the State of Israel;

6.1.1.7 Interest-bearing banking deposits that are guaranteed or insured by:

6.1.1.7.1 The Federal Deposit Insurance Corporation or its successor;
or

6.1.1.7.2 The National Credit Union Share Insurance Fund
or its successor; and

6.1.1.8 Interest-bearing banking deposits other than those described by 6.1.1.7
if:

6.1.1.8.1 The funds invested in the banking deposits are invested
through:

6.1.1.8.1.1 A broker with a main office or branch office in
this state that the BPUB selects from a list the
Board or designated investment committee of
the BPUB adopts as required by Section
2256.025 of the Act; or

6.1.1.8.1.2 A depository institution with a main office or
branch office in this state that the BPUB selects.

6.1.1.8.2 The broker or depository institution selected as described by
6.1.1.8.1 arranges for the deposit of the funds in the banking
deposits in one or more federally insured depository
institutions, regardless of where located, for the BPUB's
account;

6.1.1.8.3 The full amount of the principal and accrued interest of the
banking deposits is insured by the United States or an
instrumentality of the United States; and

6.1.1.8.4 The BPUB appoints as its custodian of the banking deposits
issued for its account:

6.1.1.8.4.1 The depository institution selected as described
by 6.1.1.8.1.2;

6.1.1.8.4.2 An entity described by Section 2257.041(d) of
the Act; or

6.1.1.8.4.3 A clearing broker dealer registered with the
Securities and Exchange Commission and
operating under Securities and Exchange
Commission Rule 15c3-3.

6.1.2 Certificate of Deposit

- 6.1.2.1 Certificates of deposit issued by a depository institution that has its main office or a branch office located in Texas that are:
 - 6.1.2.1.1 Guaranteed or insured by the Federal Deposit Insurance Corporation or its successors or the National Credit Union Share Insurance Fund or its successor;
 - 6.1.2.1.2 Secured by obligations that are described by Section 6.1.1.1 – 6.1.1.8 above, which are intended to include all direct federal agency or instrumentality issued mortgage-backed securities, but excluding those mortgage-backed securities of the nature described in Section 6.2.1.1 – 6.2.1.4 below, that have a market value of not less than the principal amount of the certificates;
 - 6.1.2.1.3 Secured in any other manner and amount provided by law for deposits of the BPUB; and
 - 6.1.2.1.4 Governed by a Depository Agreement as described in Section 6.4.1 below that complies with federal and state regulation to properly secure a pledged security interest.
- 6.1.2.2 An investment in certificates of deposit made according to the following conditions is also an authorized investment:
 - 6.1.2.2.1 Certificates of deposit are invested by the BPUB through (a) a broker that has its main office or a branch in Texas and is selected from a list adopted by the BPUB as required by Section 2256.025 of the Act, or (b) a depository institution that has its main office or branch office in Texas;
 - 6.1.2.2.2 The broker or depository institution arranges for the deposit of the funds in certificates of deposit in one or more federally insured depository institutions, wherever located, for the account of the BPUB;
 - 6.1.2.2.3 The depository institution is authorized to offer services through the Intra-Fi Network Deposits.
 - 6.1.2.2.4 The full amount of the principal and accrued interest of each of the certificates of deposit must be insured by the United States or an instrumentality of the United States;
 - 6.1.2.2.5 The BPUB appoints:
 - 6.1.2.2.5.1 The depository institution selected by the BPUB under 6.1.2.2.1 herein;

- 6.1.2.2.5.2 A state or national bank that is designated by the comptroller as a state depository, has its main office or a branch office in Texas, and has a capital stock and permanent surplus of \$5 million or more;
- 6.1.2.2.5.3 The Texas Treasury Securities Safekeeping Trust Company;
- 6.1.2.2.5.4 A Federal Reserve Bank or a branch of a Federal Reserve Bank;
- 6.1.2.2.5.5 A federal home loan bank;
- 6.1.2.2.5.6 A financial institution authorized to exercise fiduciary powers that is designated by the Texas Comptroller as a custodian pursuant to Section 404.031(e), as amended, Texas Government Code; or
- 6.1.2.2.5.7 A clearing broker-dealer registered with the Securities and Exchange Commission and operating pursuant to Securities and Exchange Commission Rule 15c3-3 that shall act as custodian for the BPUB for the certificates of deposit.

6.1.3 Direct Repurchase Agreements

- 6.1.3.1 To the extent authorized by Section 2256.011 of the Act, fully collateralized direct repurchase agreements with a defined termination date that are placed with a primary government securities dealer, as defined by the Federal Reserve, or financial institution doing business in the State of Texas, and are secured by a combination of cash and obligations, including letters of credit, of the United States or its agencies and instrumentalities and commercial paper, which are pledged in the BPUB's name and deposited with the BPUB or a third party selected and approved by the BPUB.

6.1.4 Commercial Paper

- 6.1.4.1 Commercial paper with a stated maturity date of 365 days or less from the date of its issuance and is rated not less than "A-1" or "P-1" or an equivalent rating by at least two nationally recognized credit rating agencies or one nationally recognized credit rating agency and is fully secured by an irrevocable letter of credit issued by a bank organized and existing under the laws of the United States or any state.

6.1.5 Mutual Funds

6.1.5.1 Money market mutual funds registered with and regulated by the United States Securities & Exchange Commission that comply with federal Securities and Exchange Commission Rule 2a-7 promulgated under the Investment Company Act of 1940, that fully invests dollar-for-dollar all the BPUB's funds without sales commissions or loads that complies with Rule 2a-7, and provides the BPUB with the prospectus and other information required by the Securities Exchange Act of 1934 or the Investment Company Act of 1940.

6.1.5.2 Mutual funds registered with the United States Securities and Exchange Commission with an average weighted maturity of less than two years; and either

6.1.5.2.1 Has a duration of one year or more and is invested exclusively in obligations approved by the Act; or

6.1.5.2.2 Has a duration of less than one year and the investment portfolio is limited to investment grade securities, excluding asset-backed securities.

6.1.6 Investment Pools

6.1.6.1 Eligible investment pools organized and operating in compliance with the Act, that have been authorized by resolution or ordinance of the Board, whose investment philosophy and strategy are consistent with this Policy and the BPUB's ongoing investment strategy, and provide information required by the Act.

6.1.6.2 An investment pool may invest its funds in a public funds investment pool that uses amortized cost or fair value accounting.

6.1.6.3 A public funds investment pool that uses amortized cost or fair value accounting must mark its portfolio to market daily, and, to the extent reasonably possible, stabilize at a \$1.00 net asset value, when rounded and expressed to two decimal places. If the ratio of the market value of the portfolio divided by the book value of the portfolio is less than 0.995 or greater than 1.005, the governing body of the public funds investment pool must take action as the body determines necessary to eliminate or reduce to the extent reasonably practicable any dilution or unfair result to existing participants, including a sale of portfolio holdings to attempt to maintain the ratio between 0.995 and 1.005.

6.1.6.4 All investment pools must be continuously rated no lower than AAA or AAA-m or equivalent rating by at least one nationally recognized rating service.

6.1.6.5 In addition to the requirements of its investment policy and any other forms of reporting, a public funds investment pools that uses amortized

cost must report yield to its investors in accordance with regulations of the Securities and Exchange Commission applicable to reporting by money market funds.

6.1.6.6 If the investment pool operates an Internet website, the information in a disclosure instrument or report as described in the Act and must be posted on the website.

6.1.6.7 To maintain eligibility to receive funds from and invest funds on behalf of BPUB, an investment pool must make available to the BPUB an annual audited financial statement of the investment pool in which the BPUB has funds invested.

6.1.6.8 If an invested pool offers fee breakpoints based on fund balances invested, the investment pool in advertising investment rates must either include all levels of return based on the breakpoints provided or state the lowest possible level of return based on the smallest level of funds invested.

6.1.6.9 The BPUB expressly allows money market mutual funds and eligible investment pools, authorized by the Board to invest to the fully extent permissible but within the limitations provided by the Act.

6.1.7 Bankers' Acceptance

6.1.7.1 Bankers' Acceptances issued by a domestic bank, which are eligible for collateral for borrowing from the Federal Reserve Bank may be purchased if the following conditions are met as outlined in Section 2256.012 of the Act:

6.1.7.1.1 The maturity is no greater than 270 days.

6.1.7.1.2 Acceptance will be liquidated in full at maturity.

6.1.7.1.3 The short-term paper of the issuer is rated at least "A-1", "P-1", or an equivalent rating by at least one nationally recognized credit rating agency.

6.1.8 Hedging Contracts

6.1.8.1 Hedging contracts and related security and insurance agreements in relation to fuel oil, natural gas, coal, nuclear fuel, and electric energy to protect against loss due to price fluctuations. "Hedging" means the buying and selling of fuel oil, natural gas, coal, nuclear fuel, and electric energy futures or options or similar contracts on those commodities and related transportation costs as protection against loss due to price fluctuations. A hedging transaction must comply with the regulations of the Commodity Futures Trading Commission and the Securities and Exchange Commission.

6.2 Identifying Investments not Authorized for Policy/Procedures

6.2.1 Obligations of Governmental Entities

- 6.2.1.1 Obligations whose payments represent the coupon payments on the outstanding principal balance of the underlying mortgage-backed security collateral and pays no principal (Interest Only CMO);
- 6.2.1.2 Obligations whose payments represent the principal stream of cash flow from the underlying mortgage-backed security collateral and bears no interest (Principal only CMO);
- 6.2.1.3 Collateralized mortgage obligations that have a stated final maturity date of greater than 10 years; and
- 6.2.1.4 Collateralized mortgage obligations the interest rate of which is determined by an index that adjust opposite to the changes in the market index (Inverse Floater CMO).

6.2.2 Mutual Funds

The BPUB may not invest in the following mutual funds described in Section 6.1.5.2 above:

- 6.2.2.1 in the aggregate more than 15% of its monthly average fund balance (excluding bond proceeds, reserves, other funds held for debt service);
- 6.2.2.2 any portion of bond proceeds, reserves and funds held for debt service;
- 6.2.2.3 The BPUB may not invest its funds or funds under its control, including bond proceeds and reserves and other funds held for debt service, in any one mutual fund described above in an amount that exceeds 10% of the total assets of that mutual fund.

6.3 Setting Investment Parameters for Policy/Procedure

6.3.1 Investment Objectives and Protection of Principal

- 6.3.1.1 The BPUB shall seek to control the risk of loss on securities by investing only in the safest types of securities as defined in this Policy; by collateralization as required by law; and through portfolio diversification by maturity and type.
- 6.3.1.2 The purchase of individual securities shall be executed “delivery versus payment” (DVP) through the BPUB’s safekeeping agent. By so doing, the BPUB’s funds are not released until the BPUB has received, through the safekeeping agent, the securities purchased.

6.3.2 Diversification by Investment Type

6.3.2.1 Diversification by investment type shall be established by the following maximum percentages of investment type to the total BPUB's investment portfolio at the time of each investment transaction:

6.3.2.1.1	U.S. Treasury Bills/Notes/Bonds	75%
6.3.2.1.2	U.S. Agencies & Instrumentalities	75%
6.3.2.1.3	Depository Bank	75%
6.3.2.1.4	Certificates of Deposit	35%
6.3.2.1.5	Money Market Mutual Funds	75%
6.3.2.1.6	Eligible Investment Pools	75%
6.3.2.1.7	Repurchase Agreements	25%
6.3.2.1.8	Commercial Paper	35%
6.3.2.1.9	States, Counties, Cities & Other	25%
6.3.2.1.10	Bankers' Acceptances	15%

6.3.2.2 Bond proceeds may be invested in a single security or investment if the Board determines that such an investment is necessary to comply with federal arbitrage restrictions or to facilitate arbitrage record keeping and calculation.

6.3.3 Diversification by Investment Maturity; Maturity Limitations

6.3.3.1 To the extent possible, the BPUB shall attempt to match its investments with the anticipated cash flow requirements.

6.3.3.2 The BPUB will not directly invest in securities maturing more than five (5) years from the date of purchase.

6.3.3.3 Maturity guidelines by fund are as follows: (Investment transactions made prior to the adoption of this Policy are not subject to these guidelines).

6.3.3.3.1 Operating Funds – The weighted average days to maturity for the operating fund portfolio shall be less than 270 days and the maximum allowable maturity shall be two years.

6.3.3.3.2 Construction and Capital Improvement Funds – The investment maturity of construction and capital improvement funds shall generally be limited to the anticipated cash flow requirement or the “temporary period,” as defined by federal tax law. During the temporary period, bond proceeds may be invested at an unrestricted yield. After the expiration of the temporary period, bond proceeds subject to yield restriction shall be invested considering the anticipated cash flow requirements of the funds and market conditions to achieve compliance with the applicable federal regulations. The maximum maturity for all construction or capital improvement funds shall be five years.

6.3.3.3.3 Debt Service Funds – Debt Service Funds shall be invested to ensure adequate funding for each consecutive debt service payment. The Investment Officers shall invest in such manner as not to exceed an “unfunded” debt service date with the maturity of any investment. An unfunded debt service date is defined as a coupon or principal payment date that does not have cash or investment securities available to satisfy this payment.

6.3.4 Ensuring Liquidity

6.3.4.1 Liquidity shall be achieved by anticipating cash flow requirements, by investing in securities with active secondary markets, and by investing in eligible money market mutual funds and local government investment pools.

6.3.4.2 A security may be liquidated to meet unanticipated cash requirements, to redeploy cash into other investments expected to outperform current holdings, or otherwise to adjust the portfolio.

6.4 Selection of Banks, Dealers, Investment Advisors for Policy/Procedure

6.4.1 Depository Agreements

6.4.1.1 Consistent with the requirements of state law, the BPUB requires all bank deposits to be federally insured or collateralized with eligible securities.

6.4.1.2 Financial institutions serving as the BPUB’s depositories will be required to sign a Depository Agreement with the BPUB.

6.4.1.3 The collateralization portion of the agreement shall define the BPUB’s rights to the collateral in case of default, bankruptcy, or closing, shall identify the independent collateral custodian, and shall establish a perfected security interest in compliance with federal and state regulations, including:

- 6.4.1.3.1 The agreement must be in writing;
- 6.4.1.3.2 The agreement must be executed by the depository and the BPUB contemporaneously with the acquisition of the asset;
- 6.4.1.3.3 The agreement must be approved by the Board or the designated committee of the Depository and a copy of the meeting minutes must be delivered to the BPUB; and
- 6.4.1.3.4 The agreement must be part of the depository's "official record" continuously since its execution.
- 6.4.1.4 At least every three years with an option to extend an additional 2 one (1) year period, a Financial Institution shall be selected through the BPUB's banking services procurement process, which includes a formal request for proposals (RFP).
- 6.4.1.5 The financial institution must comply with all requirements of the PFIA and Texas Local Government Code and will be determined by competitive bid and evaluation of bids based on several criteria such as credit worthiness, financial stability of the bank, cost of banking service, and other service or technology related criteria.
- 6.4.2 Investment Advisors and Brokers (Dealers)
 - 6.4.2.1 The Board of the BPUB may contract with an investment management firm registered under the Investment Advisers Act of 1940 (15 U.S.C. Section 80b-1 et seq.) or with the State Securities Board to provide for the investment and management of its public funds or other funds under its control.
 - 6.4.2.2 A contract may not be for a term longer than two years. The Board must make a renewal or extension of the contract by resolution.
 - 6.4.2.3 Investment Advisors shall adhere to the spirit, philosophy and specific terms of this Policy and shall invest within the same "Standard of Care" as provided in Section 6.8 herein.
 - 6.4.2.4 Investment Brokers shall adhere to the spirit and philosophy of this policy and shall avoid recommending or suggesting transactions outside that "Standard of Care."
 - 6.4.2.5 The Investment Officers as defined in Section 5.3.1 will perform selection of Investment Advisors and Investment Brokers.
 - 6.4.2.6 The Investment Officers will establish criteria to evaluate Investment Advisors and Investment Brokers including:

- 6.4.2.6.1 Adherence to the BPUB policies and strategies,
 - 6.4.2.6.2 Investment performance and transaction pricing within accepted risk constraints,
 - 6.4.2.6.3 Responsiveness to the BPUB's request for services, information and open communication,
 - 6.4.2.6.4 Understanding of the inherent fiduciary responsibility of investing public funds, and
 - 6.4.2.6.5 Similarity in philosophy and strategy with the BPUB's objectives.
- 6.4.2.7 Selected Investment Advisors and Investment Brokers shall be presented a written copy of this Policy.
- 6.4.2.8 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 shall execute a written instrument substantially in the form attached hereto as Appendix 8.1 which provides that the registered principal has:
- 6.4.2.8.1 Received and thoroughly reviewed this Policy; and
 - 6.4.2.8.2 Acknowledged that the organization has implemented reasonable procedures and controls in an effort to preclude imprudent investment transactions conducted between the BPUB and the organization that are not authorized by the BPUB's Policy, except to the extent that this authorization is dependent on an analysis of the makeup of the BPUB's entire portfolio or requires an interpretation of subjective investment standards.
- 6.4.2.9 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.
- 6.4.2.10 All Investment Brokers, 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 this Policy and that reasonable procedures and controls have been implemented to preclude investment transactions that are not authorized by this Policy.
- 6.4.2.11 The BPUB shall not enter into an investment transaction with a dealer prior to receiving the written instrument described above.

6.4.2.12 The Board shall at least annually review, revise, and adopt a list of qualified Investment Brokers that are authorized to engage in investment transactions with the BPUB.

6.4.3 Competitive Bids

6.4.3.1 The Investment Officer(s) shall solicit competitive bids from at least three brokers or financial institutions for any investment transaction except for transactions with money market mutual funds and local government investment pools, which are deemed to be made at prevailing market rates.

6.4.3.2 Investment transactions may be done orally, but followed by electronic confirmation.

6.4.3.3 Written confirmation shall be received from the financial institution or broker/dealer.

6.4.3.4 For those situations where it may be impractical or unreasonable to receive three bids for a transaction, due to a rapidly changing market environment or to secondary market availability, documentation of a competitive market survey of comparable securities or an explanation of the specific circumstances must be included with the daily bid sheet.

6.4.3.5 All bids received must be documented and filed for auditing purposes.

6.5 Safekeeping of Securities and Collateral for Policy/Procedure

6.5.1 Safekeeping

6.5.1.1 The BPUB shall contract with a bank or banks for the safekeeping of securities either owned by the BPUB as a part of its investment portfolio or as custodian for its depository agreements.

6.5.2 Depository Collateralization

6.5.2.1 All collateral securing bank deposits must be held by a third-party banking institution acceptable to and under contract with the BPUB or by the Federal Reserve Bank.

6.5.3 Allowable Collateral

6.5.3.1 Eligible securities for collateralization of deposits are defined by the Public Funds Collateral Act, as amended, Chapter 2257 Texas Government Code, and meet the constraints of this policy.

6.5.4 Collateral Levels

6.5.4.1 The market value of the principal portion of collateral pledged for certificates of deposit must at all times be equal to or greater than 102% of the par value of the deposit plus accrued interest less the applicable level of FDIC insurance.

6.5.5 Monitoring Collateral Adequacy

6.5.5.1 The BPUB shall require monthly reports with market values of pledge securities from all financial institutions with which the BPUB has collateralized deposits. The Investment Officer(s) will monitor adequacy of collateralization levels to verify market values and total collateral positions.

6.5.6 Additional Collateral

6.5.6.1 If the collateral pledged for a deposit falls below 102% of the par value of the deposit plus accrued interest and less FDIC insurance, the institution holding the deposit will be notified by an Investment Officer and will be required to pledge additional securities no later than the end of the next succeeding business day.

6.5.7 Security Substitution

6.5.7.1 Collateralized deposits often require substitution of securities.

6.5.7.2 Any financial institution requesting substitution must contact an Investment Officer for approval and settlement. The substituted security's value will be calculated and substitution approved if the substitution maintains a pledged value equal to or greater than the required security level.

6.5.7.3 An Investment Officer must provide written notification of the decision to the bank or the custodian holding the security prior to any security release.

6.5.7.4 Substitution is allowable for all transactions, but should be limited, if possible to minimize potential administrative problems and transfer expense.

6.5.7.5 The Investment Officers may limit substitution and assess appropriate fees if substitution becomes excessive or abusive.

6.6 Training for Policy and Procedures

6.6.1 The BPUB shall provide periodic training in investments for the investment personnel through courses and seminars offered by professional organizations and associations in order to insure the quality and capability of the BPUB's investment personnel making investment decisions in compliance with the Act.

- 6.6.2 The Investment Officers shall attend an investment training session within 12 months of taking office and no less often than once every state fiscal biennium and shall receive not less than 10 hours of instruction relating to investment responsibilities.
- 6.6.3 The investment training session shall be provided by an “independent source” approved by the Board. For purposes of this Policy, an “independent source” from which investment training shall be obtained shall include a professional organization, an institute of higher learning, or any other sponsor than a business organization with whom the BPUB may engage in an investment transaction. See Appendix 8.2 for qualified and approved training sources.
- 6.6.4 The training must include education in investment controls, security risks, strategy risks, market risks, diversification of investment portfolio, and compliance with the “Act.”
- 6.7 Prudent Investment Management for Policy and Procedures
 - 6.7.1 In determining whether an Investment Officer has exercised prudence with respect to an investment decision, the investment of all funds over which the Investment Officer had responsibility, rather than the prudence of a single investment shall be considered.
 - 6.7.2 Investment Officers acting in good faith and in accordance with these practices and procedures shall be relieved of personal liability.
- 6.8 Standard of Care for Policy and Procedures
 - 6.8.1 The standard of care used by the BPUB shall be the “prudent person rule” and shall be applied in the context of managing the overall portfolio within the applicable legal constraints.
 - 6.8.2 Section 2256.006(a) of the Act states:
 - 6.8.2.1 “Investments shall be made with judgment and care, under prevailing circumstances then prevailing, that a person of prudence, discretion and intelligence would exercise in the management of the person’s own affairs, not for speculation, but for investment, considering the probable safety of capital and the probable income to be derived. Investment of funds shall be governed by the following investment objectives, in order of priority: (1) preservation and safety of principal; (2) liquidity; and (3) yield.”
 - 6.8.3 Standard of Ethics for Policy and Procedures
 - 6.8.3.1 The Investment Officers shall act as custodians of the public trust avoiding any transaction, which might involve a conflict of interest, the

appearance of a conflict of interest, or any activity that might otherwise discourage public confidence.

6.8.3.2 Investment Officers shall refrain from personal business activity that could conflict with proper execution of the investment program, or which could impair their ability to make impartial investment decisions.

6.8.3.3 Investment Officers shall file with the Texas Ethics Commission and the BPUB's statement disclosing any personal business relationship with an organization seeking to sell investments to the BPUB or any relationship within the second degree by affinity or consanguinity to an individual seeking to sell investments to the BPUB.

6.8.3.4 For the purposes of this subsection, an Investment Officer has a personal business relationship with a business organization if:

6.8.3.4.1 The Investment Officer owns 10% 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 organization.

6.8.3.4.2 Funds received by the Investment Officer from the business organization exceed 10% of the Investment Officer's gross income for the previous year; or

6.8.3.4.3 The Investment Officer 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 Officer.

6.9 Effect of Loss of Required Rating for Policy and Procedures

6.9.1 An investment that requires a minimum rating under the Act does not qualify as an authorized investment during the period the investment does not have the minimum rating.

6.9.2 All prudent measures that are consistent with this Policy shall be taken to liquidate an investment that does not have the minimum rating.

6.10 Establishment of Internal Controls for Policy and Procedures

6.10.1 The Investment Officers will maintain a system of internal controls over the investment activities of the BPUB and ensure that the assets of the BPUB are protected from loss, theft, or misuse.

6.10.2 An annual process of independent review by an external auditor to assure compliance with policies and procedures should be required.

6.10.3 The internal controls shall address the following points:

6.10.3.1 Control of collusion,

6.10.3.2 Separation of transaction authority from accounting and record keeping,

6.10.3.3 Custodial safekeeping,

6.10.3.4 Avoidance of physical delivery of securities whenever possible and address control requirements for physical delivery where necessary,

6.10.3.5 Clear delegation of authority to subordinate staff members,

6.10.3.6 Written confirmation of transactions for investments and wire transfers,

6.10.3.7 Development of a wire transfer agreement with the depository bank or third-party custodian.

6.11 Performance Standards for Policy and Procedures

6.11.1 The investment portfolio will be managed in accordance with the parameters specified within this Policy.

6.11.2 “Weighted Average Yield to Maturity” shall be the performance measurement standard for the portfolio.

6.12 Reporting for Policy and Procedures

6.12.1 Investment performance will be monitored and evaluated by the Investment Officers.

6.12.2 Month-end market prices on each security are obtained from a dependable, recognized source (e.g. Bloomberg, Wall Street Journal, etc.). BPUB’s approved dealers provide these prices.

6.12.3 The Investment Officers will provide a quarterly comprehensive report signed by all Investment Officers to the Board.

6.12.4 This investment report shall:

6.12.4.1 Describe in detail the investment position of the BPUB on the date of the report;

6.12.4.2 Contain a summary of each pooled fund group that states the reporting period beginning book and market value; and fully accrued interest for the reporting period of each pooled fund group;

- 6.12.4.3 State the book value and market value of each separately invested asset at the end of the reporting period by the type of asset and fund type invested;
 - 6.12.4.4 State the maturity date of each separately invested asset that has a maturity date;
 - 6.12.4.5 State the fund or account for which each individual investment was purchased; and
 - 6.12.4.6 State the compliance of the investment portfolio with the BPUB Policy and Strategy and the Act.
- 6.12.5 The BPUB, in conjunction with its annual financial audit, shall perform a compliance audit of management controls on investments and adherence to this Policy and Investment Strategy Statement.
- 6.12.6 If the BPUB invests in other than money market mutual funds, investment pools, or accounts offered by its depository bank in the form of certificates of deposit, or money market accounts or similar accounts, the quarterly reports prepared by the Investment Officers shall be formally reviewed in conjunction with the annual financial audit at least annually by an external auditor, and the result of the review shall be reported to the Board by that auditor.