



GLEN SMITH – Mayor
 JOHNNY TRAN – Councilmember Place 1
 DONNA HARVEY SCHULMAN – Councilmember Place 2
 MARY CROCKER – Councilmember Place 3
 TROY LEWIS – Councilmember Place 4
 WAYNE DODD – Councilmember Place 5
 STEPHEN MCGOVERN – Councilmember Place 6

**CITY OF PALACIOS
 CITY COUNCIL REGULAR MEETING AGENDA
 January 28, 2020**

Notice is hereby given of a Regular Council Meeting of the Palacios City Council to be held at 7pm on January 28, 2020, in the Council Chambers of City Hall, 311 Henderson Avenue, Palacios, TX, for the purpose of considering the following items:

REGULAR COUNCIL MEETING 7PM

CALL TO ORDER

INVOCATION – Councilmember Schulman

PLEDGE OF ALLEGIANCE – Councilmember Crocker

PLEDGE TO TEXAS FLAG – Councilmember Crocker

PLEDGE TO PALACIOS FLAG – Councilmember Crocker

PROCLAMATION – Augie Roemer was elected as “Mayor for a Day” in the Lucky Strykes Dog Rescue Mayoral Race Fundraiser

VISITOR / CITIZEN FORUM

ADMINISTRATIVE REPORTS

1. Chamber Annual Banquet – February 20, 2020
2. City Manager’s Report – December 2019
3. Quarterly Pavilion Report

ITEMS TO BE CONSIDERED

1. Discuss and consider action to approve the Financial Statement as of December 31, 2019 as presented by City Treasurer, Tammy McDonald.
2. Discuss and consider action to approve the Quarterly Investment Report as of December 31, 2019 as presented by City Treasurer, Tammy McDonald.
3. Discuss and consider action to approve the Interlocal Agreement for Joint Election Services between the City of Palacios and Palacios ISD for the election on May 2, 2020.
4. Discuss and consider adopting Resolution 2020-R-2 approving and adopting a fraud prevention and detection policy for the city and providing for the effective date thereof.
5. Discuss and consider adopting Resolution 2020-R-3 approving and reaffirming a funds balance policy for the city in accordance with GASB Statement 54 Requirements; and providing for the effective date thereof.

6. Discuss and consider adopting Resolution 2020-R-4 adopting an investment policy and providing for the effective date thereof
7. Discuss and consider adopting Resolution 2020-R-5 approving and authorizing the City of Palacios to donate a lightbar from a vehicle going to auction to Midfield Volunteer Fire Department.
8. Discuss and consider action to approve the following consent agenda items:
Minutes of the January 14, 2020 Regular Council Meeting

EXECUTIVE SESSION

In accordance with Chapter 551, Government Code, (Open Meetings Law) the Council May go into Executive (closed) session in order to:

Consult with its attorney (551.071)

Discuss Real Estate transaction (551.072)

Deliberation regarding prospective gifts or donation (551.073)

Discuss personnel matters (551.074) - **Review applications for Municipal Court Judge**

Deliberation regarding security devices (551.076)

Discuss economic development negotiations (551.087)

ACTION ON EXECUTIVE SESSION

1. Appointment of Municipal Court Judge for a term of two years.
2. Discuss salary for Municipal Court Judge.

ADJOURN

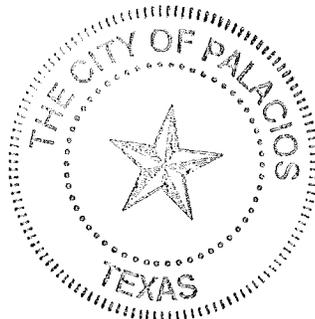
In compliance with the Americans with Disabilities Act, the City of Palacios will provide for reasonable accommodations for persons attending public meetings. To better serve attendees, requests should be received 24 hours prior to the meeting. Please contact City Hall, at 361.972.3605.

CERTIFICATION

I certify that a copy of the January 28, 2020 agenda of items to be considered by the City Council was posted on the City Hall bulletin board by 5:00 p.m. on January 24, 2020.

Clissa Mills

Clissa Mills, City Secretary



posted 1-24-2020
2:45pm
CM

HONORING AUGIE ROEMER
AS MAYOR FOR A YEAR

WHEREAS, Lucky Strykes Dog Rescue is a dog rescue organization in Palacios devoted to finding homes for large breed dogs; and

WHEREAS, Augie Roemer symbolizes that an animal that has been abandoned can complete a house to make it a home and become an essential part of the family, a true symbol of Lucky Strykes Dog Rescue's love and commitment to rescuing homeless large breed dogs; and

WHEREAS, The City of Palacios applauds the work of Lucky Strykes Dog Rescue in our community to find loving homes for rescued large breed dogs.

NOW, THEREFORE, by virtue of the authority vested in me as Mayor of the City of Palacios, Texas, I do hereby proclaim January 28, 2020 AS AUGIE ROEMER IS MAYOR FOR A YEAR; and on behalf of the City Council and citizens of Palacios, I encourage all of our citizens to join in recognizing this important occasion and I commend Mayor Augie Roemer for her outstanding work in the community to raise awareness for the Lucky Strykes Dog Rescue in Palacios.

IN WITNESS WHEREOF, I do hereby set my hand and cause the great seal of the City of Palacios, State of Texas to be affixed this 28th day of January, 2020.

Glen Smith, Mayor

ATTEST:

Clissa Mills, City Secretary

City Manager's
MONTHLY REPORT
December 2019

HURICANE HARVEY

- Grant Works submitted application for drainage and street improvements to GLO for Harvey CDBG-DR funds; GLO is reviewing application. City and Grant Works have responded to RFI's from GLO.

ADMINISTRATION

- Engineer has issued the contractor that the project is substantially completed for the IKE CDBG-DR grant for improvements to the WWTP.
- TxDOT Aviation Department for Palacios Airport Improvements Grant to repair Runway 13-31, taxiways, and terminal apron; TXDOT Aviation division is rebidding the project in January.
- Construction is 98% complete on the sidewalk project utilizing the Downtown Revitalization Grant from Texas Department of Agriculture. Lamp posts and handrails to be installed.
- City is signing contracts for the CDBG Waterline project and Engineer will issue a notice to proceed to the contractor.

PUBLIC WORKS

- Work Orders Completed: 4 water leaks, 2 sewer stoppage calls, 13 animal calls, and 33 miscellaneous work orders, 69 completed work orders; cleaned ditches, resetting culverts and cleaning out existing culverts; repaired potholes.
- Mowed RR Park and other city properties, water plants, and 14 lift stations.

AIRPORT

- Mowed and sprayed around buildings, runways, and hangers

POLICE

- Calls for Service 510
- Citations 73 Warnings 72 issued, and 21 arrests
- Cases Assigned 12, Cases Closed 141
- Traffic accidents 12

FIRE

- The new Fire Station is 95% complete. AEP installed meter for permanent power.

BUILDING PERMITS AND CODE ENFORCEMENT

- Permits - New construction 2, Remodel 5, Electrical 3, Plumbing 2, Mechanical 3, Gas 0, Roof 2, Leveling 0, Demo 2, Driveway 1, Misc. permits 1, Plan Reviews, & Consultations, and Inspections 36.
- Code Enforcement – Contacts 5, Letters 32, door hangers 3 and discussing the Demolition Program with homeowners

PAVILION RENTALS FISCAL YEAR 2020

THIS REPORTS IS ONLY FOR RENTAL INFORMATION. IT IS NOT AN ACCOUNTING.

NAME	DATE	DAY OF WEEK	DEPOSIT	DEPOSIT REFUND	RENTAL FEE
INDIVIDUAL	5-Oct-19	SAT	\$500.00	YES	\$650.00
PCMC	17-Oct-19	THURSDAY	\$250.00	YES	\$150.00
INDIVIDUAL	19-Oct-19	FRI	\$250.00	YES	\$650.00
MCEDC	9-Dec-19	MON	\$100.00	yes	\$200.00
INDIVIDUAL	10-Dec-19	TUES	\$100.00	yes	\$550.00
PALACIOS VOLUNTEER FIRE DEPARTMENT	11-Jan-20	SATURDAY	\$250.00	yes	\$1,000.00
INDIVIDUAL	15 feb & 16 feb	sat/sun	\$500.00		\$550.00
MATAGORDA BIRDFEST	28-Mar-20	SATURDAY	\$250.00		\$650.00
INDIVIDUAL	11-Apr-20	SATURDAY	\$250.00		\$650.00
INDIVIDUAL	25-Apr-20	SATURDAY	\$250.00		\$650.00
DAY ON THE BAY	2-May-20	SATURDAY	\$250		\$550
INDIVIDUAL	15-May-20	FRI	\$500.00	YES	\$650.00
MATAGORDA COUNTY SOIL AND WATER	12-Jun-20	FRI	\$100.00		\$550.00
INDIVIDUAL	13-Jun-20	SAT	\$500.00		
INDIVIDUAL	17-18-19-JULY-20	FRI SAT SUN	\$250.00		\$1,400.00
INDIVIDUAL	10-Oct-20	SAT	\$500.00		\$650.00
TOTALS			\$4,800.00		\$8,850.00

City of Palacios
 Financial Statement
 As of December 31, 2019

General Fund

Percent of Year Complete 25%

Revenues	Budget	Y-T-D Actual	Percent of Budget
Property taxes	\$ 1,539,000	\$ 361,559	23%
Licenses & Permits	49,900	16,543	33%
Other Local Taxes	674,000	165,174	25%
Fines & Court Costs	95,000	19,106	20%
Miscellaneous	27,300	2,206	8%
Fund to Fund Transfers	150,600	37,650	25%
Leases & Contributions	165,900	33,051	20%
Recycling Revenues	12,800	1,409	11%
Park Reservation Fees	4,000	830	21%
Community Improv / Weedlots	10,500	3,451	33%
Total Revenues	\$ 2,729,000	\$ 640,979	23%

Expenditures

Council	\$ 27,650	\$ 6,317	23%
Elections	6,500	-	0%
Administration	604,300	171,489	28%
Legal	8,000	-	0%
Corporation Court	99,200	26,987	27%
Library	30,000	15,000	50%
Police Department	1,075,300	291,197	27%
Fire Department	45,000	2,201	5%
Recycle	43,800	8,035	18%
Swimming Pool	20,000	13,468	67%
Parks	130,100	31,866	24%
Streets	183,500	54,184	30%
Animal Control	30,350	8,826	29%

Special Items

Misc	-	-	0%
Unemployment	3,000	-	0%
Prop, GL, Wind Ins	100,800	49,306	49%
Comm. Improvement	500	-	0%
Transfer to Equip Fund	50,000	12,500	25%
Transfer to Equip Rep Fund	54,000	13,500	25%
Mayor's Contingency	3,000	719	24%
Hospital Assistance	10,000	-	0%
Dev. Agreement Rebate	96,500	-	0%
Tax Note Transfer	70,000	-	0%
CDBG	37,500	37,500	100%
Total Expenditures	\$ 2,729,000	\$ 743,094	27%

Revenue Over/ (Under)

Expenditures \$ - \$ (102,115)

City of Palacios
 Financial Statement
 As of December 31, 2019

Water Fund

Percent of Year Complete 25%

Revenues	Budget	Y-T-D Actual	Percent of Budget
Water & Sewer	\$ 1,637,900	\$ 374,214	23%
Service & Penalty Charges	\$ 58,500	\$ 11,390	19%
Garbage	-	11,547	0%
Miscellaneous	5,600	1,626	29%
Total Revenues	\$ 1,702,000	\$ 398,776	23%

Expenditures			
Water Department	\$ 667,600	\$ 184,130	28%
Sewer	236,300	77,928	33%
Special Items	798,100	126,999	16%
Total Expenditures	\$ 1,702,000	\$ 389,057	23%

Revenue Over/ (Under) Expenditures	\$ -	\$ 9,719
-----------------------------------------------	------	----------

City of Palacios
 Financial Statement
 As of December 31, 2019

Airport Fund

Percent of Year Complete 25%

	Budget	Y-T-D Actual	Percent of Budget
Revenues			
Fuel Sales	\$ 12,000	\$ 4,819	40%
Hangar Rent & Tiedowns	6,300	950	15%
PISD School Barn Lease	150	-	0%
Golf Assoc Lease	100	-	0%
T Hangar Lease	6,000	1,050	18%
Farming Lease	1,800	1,800	100%
Grazing Lease	27,300	21,938	80%
Interest Income	-	4	0%
Misc Receipts	-	-	0%
TxDot Reimbursement	5,000	\$ -	0%
Total Revenues	\$ 58,650	\$ 30,560	52%
 Ependitures			
Airport	\$ 40,750	\$ 5,111	13%
Special Items	17,900	8,061	45%
Total Expenditures	\$ 58,650	\$ 13,172	22%
 Revenue Over/ (Under)			
Expenditures	\$ -	\$ 17,388	

City of Palacios
Financial Statement
As of December 31, 2019

Equipment Fund

Percent of Year Complete 25%

	Budget	Y-T-D Actual	Percent of Budget
Revenues	\$ 155,000	\$ 40,022	26%
Expenditures	\$ 155,000	\$ 19,991	13%
Revenue Over/ (Under) Expenditures	\$ -	\$ 20,031	

City of Palacios
 Financial Statement
 As of December 31, 2019

Hotel/Motel Tax Fund

Percent of Year Complete 25%

	Budget	Y-T-D Actual	Percent of Budget
Revenues	\$ 31,100	\$ 17,907	58%
Expenditures	\$ 31,000	\$ 2,500	8%
Revenue Over/ (Under) Expenditures	\$ 100	\$ 15,407	

City of Palacios
Financial Statement
As of December 31, 2019

Economic Development Fund

Percent of Year Complete 25%

	Budget	Y-T-D Actual	Percent of Budget
Revenues	\$ 184,300	\$ 56,195	30%
Expenditures	\$ 180,300	\$ 75,127	42%
Revenue Over/ (Under) Expenditures	\$ 4,000	\$ (18,932)	

CITY OF PALACIOS, TEXAS
QUARTERLY INVESTMENT REPORT
FOR THE QUARTER ENDED DECEMBER 31, 2019

The investment portfolio detailed in the attached report includes all investment transactions made during the above referenced period. The investment portfolio and all related transactions comply with the investment policy of the City of Palacios, Texas and the Public Funds Investment Act of the State of Texas.

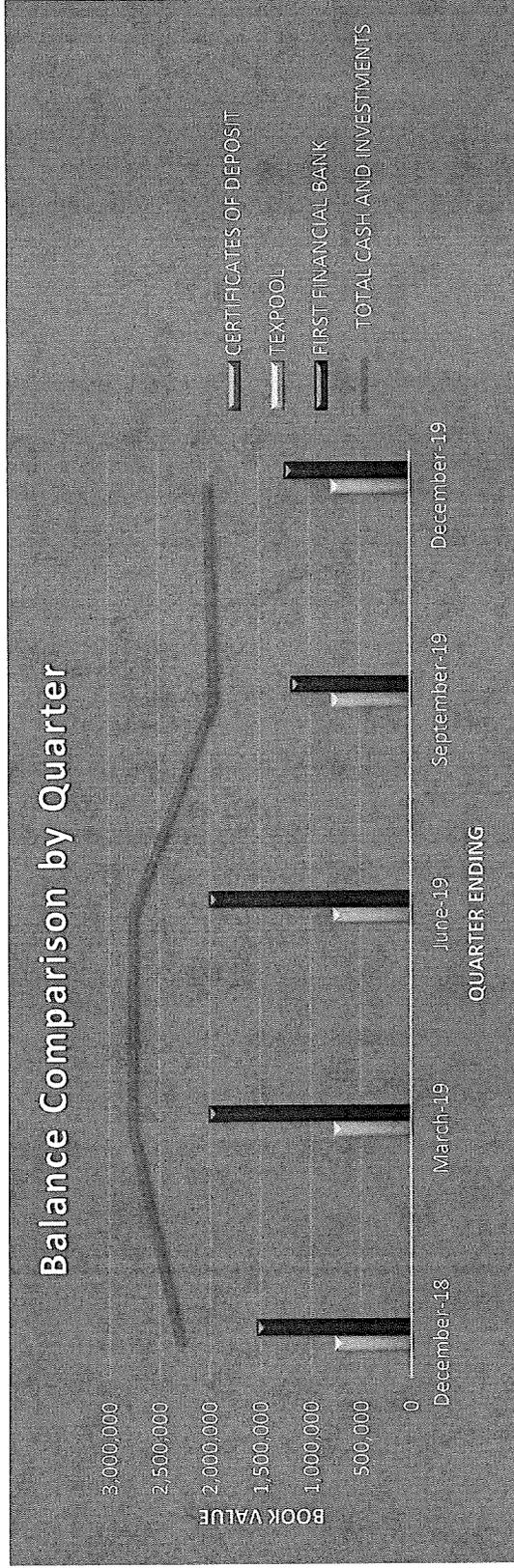
Investment Officer: Tammy McDonald
Tammy McDonald, City Treasurer

Date: 1/28/2020

CITY OF PALACIOS, TEXAS
Quarterly Investment Report
As of December 31, 2019

Balance Comparison by Quarter

INVESTMENT BALANCES BY TYPE	Book Value 12/31/2018	Book Value 3/31/2019	Book Value 6/30/2019	Book Value 9/30/2019	Book Value 12/31/2019
CERTIFICATES OF DEPOSIT	\$ -	\$ -	\$ -	\$ -	\$ -
TEXPOOL	\$ 768,201	\$ 772,758	\$ 777,401	\$ 781,802	\$ 781,802
FIRST FINANCIAL BANK	\$ 1,539,101	\$ 2,008,522	\$ 2,000,387	\$ 1,185,160	\$ 1,241,916
TOTAL CASH AND INVESTMENTS	\$ 2,307,302	\$ 2,781,280	\$ 2,777,788	\$ 1,966,962	\$ 2,023,718



THE STATE OF TEXAS

§

§

§

COUNTY OF MATAGORDA

INTERLOCAL AGREEMENT FOR
JOINT ELECTIONS SERVICES

This Interlocal Agreement ("Agreement") is made and entered into pursuant to the Interlocal Cooperation Act (Texas Government Code, Title 7, Chapter 791) by and between the City of Palacios, hereinafter referred to as "City", having its principal place of business at 311 Henderson Street, Palacios, Matagorda County, Texas, 77465, and Palacios Independent School District, hereinafter referred to as "District", having its principal place of business at 1209 Twelfth Street, Palacios, Matagorda County, Texas 77465.

WITNESS

WHEREAS, the parties will each hold an election on May 2, 2020 to elect members of their respective governing bodies; and

WHEREAS, the boundaries of the City are located entirely within the boundaries of the District so that all eligible voters in the City election will also be eligible voters in the District election; and

WHEREAS, the parties have determined that it is in the public interest of the inhabitants of the City and the District that this contract be made and entered into for the purpose of voter convenience and public economy in connection with the May 2, 2020 election through the sharing of election equipment, costs, election officials, precinct polling locations, and election ballots where appropriate;

NOW THEREFORE, City and District in consideration of the mutual promises and covenants contained in this agreement do agree as follows:

ARTICLE 1. LEGAL AUTHORITY

Each party warrants that it possesses adequate legal authority to enter into this Agreement. The governing body of each party has authorized its respective signatory official(s) to enter into this Agreement and bind each party to the terms of this Agreement and any subsequent amendments thereto.

ARTICLE 2. APPLICABLE LAW

City and District agree to conduct all activities under this Agreement in accordance with all applicable rules, regulations, ordinances, and laws in effect or promulgated during the terms of this Agreement.

ARTICLE 3. WHOLE AGREEMENT

This Agreement and attachments as provided therein, if any, constitute the complete agreement between the parties hereto, and supersedes any and all oral and written agreements between the parties relating to matter herein. Except as otherwise provided herein, Agreement cannot be modified without written consent of the parties.

ARTICLE 4. APPOINTMENT OF ELECTION OFFICER

The City agrees that the Election Officer appointed by the District shall also be the City's Election Officer and is authorized to perform and supervise the duties and responsibilities of the Election Officer for the City Election.

The City Secretary shall also be appointed as Early Voting Clerk and is authorized to perform and supervise the duties and responsibilities of the Election Officer for the City Election.

ARTICLE 5. DUTIES AND SERVICES OF DISTRICT

The District's Election Officer shall procure and prepare the lists of registered voters, voting booths, and personnel as required to conduct early voting and regular voting. The parties agree that the polling place for both early voting and the regular election shall be the Palacios Independent School District Administration Building.

ARTICLE 6. DUTIES AND SERVICES OF CITY

The City shall pay half of the total amount of lease fees on Voting Machines for early voting and Election Day, and shall supply the ballots and supplies needed to conduct early voting and election day voting for the City election.

ARTICLE 7. COST OF SERVICES

The City shall pay one-half of all expenses incurred during early election and election day activities on May 2, 2020. Included expenses will be one-half of the pay for election judges, clerks, and the cost of any additional day supplies attributable to the City's election. Should City not require an election for city officers, the City shall not be responsible for any costs for early voting or for the regular election. Should the District not require an election for district officers, the City shall compensate District for all personnel expenses associated with conducting City early voting and regular election voting at the polling site located at the District offices. Alternatively, the City may appoint and use its own election officials and clerks, at its own cost.

ARTICLE 8. CHANGES AND AMENDMENTS

Any alterations, additions, or deletions to the terms of this Agreement which are required by changes in federal and state law or regulations are automatically incorporated into this Agreement without written amendment hereto, and shall become effective on the date designated by such law or regulations.

ARTICLE 9. TERMINATION

Either party reserves the right to cancel or terminate this Agreement upon thirty (30) days written notice by certified mail to the other party, provided that at the time of cancellation the other party still has time to comply with the requirements of the Texas Election Code for conduct of the election.

ARTICLE 10. TERM AGREEMENT

The term of this Agreement shall only be for the May 2, 2020 election and any runoff elections regarding the City positions.

ARTICLE 11. SEVERABILITY

All parties agree that should any provision of this Agreement be determined to be invalid or unenforceable, such determination shall not affect any other term of this Agreement, which shall continue in force and effect.

Effective as of the date of signing of duplicate originals by the parties hereto as follows:

CITY OF PALACIOS

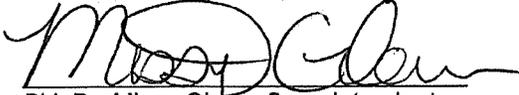
BY: Glen Smith, Mayor

DATE:

ATTEST:

David Kocurek, City Manager

PALACIOS INDEPENDENT SCHOOL DISTRICT



BY: Dr. Missy Glenn, Superintendent

1/15/2020
DATE:

RESOLUTION NO. 2020-R-02

A RESOLUTION OF THE CITY OF PALACIOS, TEXAS, APPROVING AND ADOPTING A FRAUD PREVENTION AND DETECTION POLICY FOR THE CITY; AND PROVIDING FOR THE EFFECTIVE DATE THEREOF.

WHEREAS, City Council has determined that the following policy regarding the prevention and detection of fraud within the city organization will provide additional help to the City in insuring that City funds are appropriately managed and used for the benefit of the citizens of Palacios, and

WHEREAS, the purpose of this resolution is to assist the City Council and the city administration in establishing and maintaining an ethical and honest business environment for all City employees, elected officials, customers, and residents of Palacios; NOW THEREFORE

BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF PALACIOS, TEXAS:

SECTION 1: City Council approves and adopts the Fraud Prevention and Detection Policy attached hereto and marked as Exhibit "A".

SECTION 2: That this resolution shall become effective from and after the date of its passage.

PASSED, APPROVED, and ADOPTED on this the 27th day of January, 2020.

CITY OF PALACIOS, TEXAS

GLEN SMITH, Mayor

ATTEST:

CLISSA MILLS, City Secretary

CITY OF PALACIOS

FRAUD PREVENTION AND DETECTION POLICY

EFFECTIVE DATE: January 27, 2020

INTRODUCTION

The City of Palacios is committed to the deterrence, detection and correction of misconduct and dishonesty to prevent fraud. Like all organizations, the City of Palacios is faced with the risks of misconduct relating to fraud. As with all business exposures, the City must be prepared to manage these risks and their potential impact in a professional manner.

Our goal is to establish and maintain an ethical and honest business environment for all City employees, elected officials, customers, and residents of our community. To maintain such an environment requires the active assistance of every city employee and our elected officials.

City employees, especially supervisors and department heads, must be aware of the circumstances, or "red flags", which lead to fraud and share in the commitment to prevent and detect fraud. For the purpose of this administrative procedure, fraud and intentional waste are referred to as "fraud".

This Fraud Prevention and Detection Policy is being established to facilitate the development of controls, which will aid in the detection and prevention of fraud against the City, to provide guidelines and to assign responsibility for the reporting of fraud and conducting of investigations regarding fraud, and to promote consistent behavior in the prevention and detection of fraud.

BACKGROUND

Studies have shown that "red flags" of fraud within an organization were ignored by the organization in almost 50% of the frauds reported. "Downsizing" and repositioning of an organization increases the risk of fraud. Internal controls are the best method of preventing fraud. Poorly written or poorly enforced internal controls allow most fraud to occur.

Fraud occurs for the following reasons (note: there were multiple reasons in some cases):

- Poor internal controls
- Management override of internal controls
- Type of organization (industry with high risk of fraud)
- Collusion between employees and third parties
- Poor or non-existent ethical standards
- Lack of control over managers by their supervisors

The most frequently cited "red flags" of fraud are:

- Changes in an employee's lifestyle, spending habits or behavior
- Poorly written or poorly enforced internal controls, policies and procedures
- Irregular/unexplained variances in financial information
- Inventory shortages
- Failure to take action on results of internal/external audits or reviews
- Unusually high expenses or purchases
- Frequent complaints from customers
- Missing files
- Ignored employee comments concerning possible fraud

Perpetrators of fraud typically live beyond their reasonably available means. Other indicators of fraud include the borrowing of small amounts of money from co-workers, collectors or creditors appearing at the place of business, excessive use of telephone to stall creditors, falsifying records, refusing to leave custody of records during the day, working excessive overtime, refusing vacations, and excessively rewriting records under the guise of neatness.

The following internal controls help prevent fraud:

- Adherence to all organizational procedures, especially those concerning documentation and authorization of transactions
- Physical security over assets such as locking doors and restricting access to certain areas
- Proper training of employees
- Independent review and monitoring of tasks
- Separation of duties so that no one employee is responsible for a transaction from start to finish

- Clear lines of authority
- Rotation of duties in positions more susceptible to fraud
- Ensuring that employees take regular vacations
- Regular independent audits of areas susceptible to fraud

SCOPE OF POLICY

This policy applies to any fraud, or suspected fraud, involving employees, department heads, officials, as well as consultants, vendors, contractors, and any other parties with a business relationship with the City of Palacios.

Any investigative activity required will be conducted without regard to the suspect's length of service, position/title or relationship to the City.

PURPOSE

The purpose of this document is to communicate the City's policy regarding deterrence and investigation of suspected misconduct and dishonesty by employees and others, and to provide specific instructions regarding appropriate actions in case of suspected violations. As applicable to this policy, the definition of what constitutes fraud and the outline of the rules and procedures to follow when fraud is suspected applies to all employees, department heads and elected officials.

POLICY

Department heads are responsible for the detection and prevention of fraud, misappropriations, and other inappropriate conduct within their office. Each department head must be familiar with the types of improprieties that might occur within his or her area of responsibility, and be alert for any indication of irregularity. Any fraud that is detected or suspected must be reported immediately to the City Manager in writing.

For the purpose of this policy, fraud may be reported to the City Manager for review and investigation. If the investigation leads to the conclusion that fraud has resulted in City property loss, the jurisdiction that prosecutes, either the County Attorney or District Attorney, shall be determined as a matter of law. This policy does not prohibit a 'whistle blower' from contacting any law enforcement agency with jurisdictional authority directly. (example: Police Department, Sheriff's office, Texas Rangers, etc.)

Fraud, for the purposes of these administrative procedures, is defined within this policy and as a matter of law is defined for criminal prosecution in the Texas Penal Code, Title 7, Chapter 32 Fraud.

RESPONSIBILITIES

Employees: It is the responsibility of every employee to immediately report **suspected** misconduct, dishonesty or fraud to their supervisor or to the department head. However, if the employee has reason to suspect that the department head may also be involved; the employee should contact the City Manager directly. Every employee shall cooperate with administrative investigations pursuant to this administrative procedure. The employee shall not discuss the matter with anyone other than his/her supervisor, City Manager or as directed by the investigating agency. Failure to report suspected fraud could result in disciplinary action or possibly termination.

Supervisors: Supervisors must be aware of what can go wrong in their area of authority. Supervisors must put into place and maintain effective monitoring, review and control procedures that will prevent acts of impropriety. When subordinates make supervisors aware of such potential acts, the supervisor must immediately report such act to the City Manager.

The supervisor shall not attempt to investigate the suspected fraud. Due to the important yet sensitive nature of the suspected violations, effective professional follow-up is critical. Supervisors, while appropriately concerned about "getting to the bottom" of such issues, should not in any circumstances perform any investigative or other follow-up steps on their own. **Concerned but uninformed managers represent one of the greatest threats to proper incident handling.** All relevant matters, including suspected by unproven matters, should be referred immediately to the City Manager or the investigating agency.

Once a potential act has been reported it becomes part of an on-going investigation, therefore, supervisors shall not discuss the matter with anyone other than the City Manager, or as directed by the investigating agency.

Any reprisal against an employee or other reporting individual because that individual, in good faith, reported a violation is strictly forbidden, and such individual falls under the protection of the Whistle Blower Act.

PROCEDURES

Record Security: A successful audit/investigation can only be performed if the documentation relating to an alleged fraud is available for review in its original form. Therefore, once a suspected fraud is reported, a supervisor shall take immediate action to prevent the theft, alteration, or destruction of relevant records. Such actions include, but are not necessarily limited to, removing the records and placing them in a secure location, limiting access to the location where the records currently

exist, and preventing the individual suspected of committing the fraud from having access to the records. Once a potential act has been reported, the relevant records shall not be destroyed under any previously adopted records retention policy.

Contacts/Protocols: The City Manager, or his designee, shall coordinate the investigation with the appropriate law enforcement officials.

Confidentiality: All participants in a fraud investigation shall keep the details and results of the investigation confidential except as expressly provided in this administrative procedure. However, the City Manager may discuss the investigation with any person if such discussion would further the investigation.

Personnel Actions: If a suspicion of fraud is substantiated by the audit investigation, disciplinary action shall be taken in conformance with the City's Personnel Policies and Procedures. A false and vindictive allegation of fraud is a violation of this administrative procedure. All violations of this administrative procedure, including violations of the confidentiality provisions, shall result in disciplinary actions up to and including termination.

Retaliation: It is a violation of this administrative procedure for any individual to be discriminated against for reporting fraud or for cooperating, giving testimony, or participating in an audit investigation, proceeding, or hearing. Such an individual falls under the protection of the Whistle Blower Act.

Media Issues - If the media becomes aware of an audit investigation, the appropriate supervisor shall refer the media to the City Manager. The alleged fraud and audit investigation shall not be discussed with the media other than through the City Manager's Office.

WHISTLE BLOWER ACT

A whistleblower is an employee who, in good faith, reports a violation of law by the public employer or another public employee to an appropriate law enforcement authority. The Texas Whistleblower Act protects Whistle blowing employees. In accordance with the Government Code, Title 5, Chapter 554, no supervisor, department head or elected official, or person acting on behalf of such, may "suspend or terminate the employment of, or take other adverse personnel action against, a public employee who in good faith reports a violation of law by the employing governmental entity or by another public employee."

For the purpose of this policy, "other adverse personnel action against" a person reporting suspected fraud is defined as:

- Suspension or termination of employment
- Dismissing or threatening to dismiss an employee
- Disciplining or suspending or threatening to discipline or suspend an employee
- Imposing any penalty upon an employee
- Intimidating or coercing an employee

The Whistleblowers Act is predicated on the "good faith report" of a violation of the law and does not require showing that the employee acted with absence of malice. Employee malice does not negate the Whistleblower Act's protection if the employee's report of violation was honestly believed and objectively reasonable. Actual violation of the law is not required before the whistleblower receives protection of the Whistleblower Act; rather all that is required is that the employee has an objectively reasonable belief that a violation has occurred. Also, the employee is not required to prove that he or she was free from involvement in violation of law to show "good faith report" of violation of law under the Whistleblower Act.

However, an employee does not act in good faith, when his report of a violation of law is based entirely on unsubstantiated rumor and innuendo.

FALSE ACCUSATIONS

All employees must take great care in dealing with suspected dishonest or fraudulent activities to avoid:

- Incorrect accusations
- Treating employees unfairly
- Making statements that could lead to claims of false accusations or other offenses

Employees, supervisors or department heads that make false accusations may be subject to disciplinary action, up to and including termination of employment. Further, knowingly making a false statement that is material to a criminal investigation to a peace officer, or to any employee of a law enforcement agency that is authorized by the agency to conduct the investigation and that the actor knows is conducting the investigation, is a misdemeanor offense under the Texas Penal Code and could lead to criminal prosecution.

REPORTING FRAUD

As stated above any suspicions of fraud, waste or abuse including but not limited to illegal acts, such as theft, fraud, kickbacks, price fixing, or conflicts of interest by city employees, officials or its contractors should be reported to the City Manager in writing. This should be done in writing, if possible on the Fraud, Abuse and Waste Complaint Form that is

attached at the end of this document. This form will also be published on the City's website and can be mailed to the following:

City Manager
PERSONAL AND CONFIDENTIAL
311 Henderson
Palacios, Texas 77465

If the report is about suspect fraud, waste or abuse involving the City Manager, the report should be addressed to the Mayor at the same address. The Mayor will then consult with the whole City Council as the response to such report. To report fraud, waste and abuse please describe your concern in detail. Provide the names of all individuals involved, including any other witnesses. Give the dates and times the incident(s) occurred and where it happened. State whether there is any supporting documentation such as license plate numbers, invoice numbers, transaction numbers, case numbers, check numbers or other document numbers. Copies of the supporting documentation can be sent in with the complaint form. Please identify yourself on the complaint form and give a phone number where it would be appropriate to call, so that the City Manager can follow-up on your concerns and complete a full investigation.

This reporting procedure is not intended for reporting improper activities by City, State or Federal employees (unless related to specific City activity) or by private parties not related to the City of Palacios government.

DEFINITION OF FRAUD

Fraud, for the purposes of these administrative procedures, is defined within this policy and as a matter of law is defined for criminal prosecution in the Texas Penal Code, Title 7, Chapter 32 Fraud.

Fraud generally involves a willful or deliberate act with the intention of obtaining an unauthorized benefit, such as money or property, by deception or other unethical means. For the purposes of this Policy, the definition has been broadened to include:

- An intentional or deliberate act
- To deprive the City or a person of something of value or gain an unfair benefit
- Using deceptive, false suggestions, suppressions of truth, or other unfair means which are believed or relied upon
- Intentional waste or abuse of City funds, property or time

A fraudulent act may be an illegal, unethical, improper or dishonest act including, but not limited to:

- Embezzlement
- Misappropriation, misapplication, destruction, removal, or concealment of property
- Forgery, alteration or falsification of documents/records (including but not limited to checks, time sheets, contracts, other financial records, court documents, or electronic files)
- Improprieties in handling or reporting of money or financial transactions
- Authorizing or receiving payment for goods not received or services not performed
- Authorizing or receiving payments for hours not worked
- Serious abuse of City time such as unauthorized time away from work or excessive use of City time for personal business
- Theft or unauthorized removal of City records, City property or the property of other persons (to include the property of employees, supervisors, consumers, clients, customers or visitors)
- Willful destruction or damage of City records, City property or the property of other persons (to include the property of employees, supervisors, consumers, clients, customers, inmates or visitors)
- Neglecting or subverting job responsibilities in exchange for an actual or promised reward
- False claims by employees, department heads, elected officials, vendors as well as consultants, contractors, and any other parties with a business relationship with the City of Palacios
- Theft of any assets including, but not limited to money or tangible property
- Inappropriate use of computer systems, including hacking and software piracy
- Bribery, rebate or kickbacks
- Conflict of interest
- Misrepresentation of fact

DISPOSITION OF INVESTIGATION

If the investigation leads to the conclusion that fraud has resulted in City property loss, the City Manager shall report such loss to City Council. The City Manager shall vigorously enforce the laws of the State of Texas against person or persons who defraud the City and seek full restitution from such person or persons for any property loss.

Upon completion of the investigation and all legal and personnel actions, the investigative offices will return records to the appropriate department.

QUESTIONS OR CLARIFICATIONS RELATED TO THIS POLICY

All questions or other clarifications of this policy and its related responsibilities should be addressed to the City Manager who shall be responsible for the administration, revision, interpretation, and application of this policy.

RESOLUTION NO. 2020-R-03

A RESOLUTION OF THE CITY OF PALACIOS, TEXAS, APPROVING AND REAFFIRMING A FUNDS BALANCE POLICY FOR THE CITY IN ACCORDANCE WITH GASB STATEMENT 54 REQUIREMENTS; AND PROVIDING FOR THE EFFECTIVE DATE THEREOF.

WHEREAS, the Governmental Accounting Standards Board (“GASB”) has adopted Statement 54, a new standard for governmental fund balance reporting and governmental fund type definitions that became effective in governmental fiscal year starting after October 1, 2010; and

WHEREAS, the Palacios City Council (“Council”) elected to implement GASB54 requirements, and to apply such requirements to its financial statements beginning with the October 1, 2012 - September 30, 2013 fiscal year and has followed this policy in all subsequent fiscal years; and

WHEREAS, the Council affirms its implementation of GASB54 requirements by reapproving them by this resolution, and committing to following this policy in this and future fiscal year, unless subsequently amended; NOW THEREFORE,

BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF PALACIOS, TEXAS:

SECTION 1: That the City Council hereby approves and reaffirms the following policy and authorizes the City Manager to update the City’s Financial Management Policies accordingly:

FUND BALANCE POLICY

Purpose. The following policy has been adopted by the City Council of the City of Palacios (“the City”) in order to address the implications of Governmental Accounting Standards Board (“GASB”) Statement No. 54, *Fund Balance Reporting and Governmental Fund Definitions*. The policy is created in consideration of unanticipated events that could adversely affect the financial condition of the City and jeopardize the continuation of necessary public services. This policy will ensure that the City maintains adequate fund balances and reserves in order to:

- α. Provide sufficient cash flow for daily financial needs,
- β. Secure and maintain investment grade bond ratings,
- χ. Offset significant economic downturns or revenue shortfalls, and
- δ. Provide funds for unforeseen expenditures related to emergencies.

This policy and the procedures promulgated under it supersede all previous regulations regarding the City’s fund balance and reserve policies.

Fund type definitions. The following definitions will be used in reporting activity in governmental funds across the City. The City may or may not report all fund types in any given reporting period, based on actual circumstances and activity.

The general fund is used to account for all financial resources not accounted for and reported in other funds.

Special revenue funds are used to account and report the proceeds of *specific revenue sources* that are *restricted* or *committed* to expenditures for *specific purposes*, other than debt service or capital projects.

Debt service funds are used to account for all financial resources restricted, committed or assigned to expenditures for principal and interest.

Capital projects funds are used to account for all financial resources restricted, committed or assigned to expenditures for the acquisition or construction of capital assets.

Fund balance reporting in governmental funds. Fund balance will be reported in governmental funds under the following categories using the definitions provided by GASB Statement No. 54:

Nonspendable fund balance

Definition - includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

Amounts not in spendable form include: inventories and prepaid items, some general fund long-term loans (including advances to other funds) and some general fund property held for resale.

An example of an amount that is legally or contractually required to remain intact is the principal of a permanent fund.

Restricted Fund Balance

Definition- includes amounts that can be used only for specific purposes stipulated by the constitution, external resource providers or through enabling legislation.

Committed fund balance

Definition – includes amounts that can be used only for the specific purposes determined by a formal action of the City Council.

Authority to Commit – Commitments will only be used for specific purposes pursuant to a formal action of the City Council. A majority vote is required to approve a commitment and a majority vote is required to remove a commitment.

Assigned fund balance

Definition – includes amounts intended to be used by the City for specific purposes, but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed.

Authority to Assign – The City Council delegates to the City Manager or his/her designee the authority to assign amounts to be used for specific purposes. Such assignments cannot exceed the available (spendable, unrestricted, uncommitted) fund balance in any particular fund.

Unassigned fund balance

Definition – includes the residual classification for the City's general fund and includes all spendable amounts not contained in the other classifications. In other funds, the unassigned classification should be used only to report a deficit balance resulting from overspending for specific purposes for amounts that have been restricted, committed, or assigned.

Operational guidelines. The following guidelines address the classification and use of fund balance in governmental funds:

Classifying fund balance amounts – Fund balance classifications depict the nature of the net resources that are reported in a governmental fund. An individual governmental fund may include nonspendable resources and amounts that are restricted, committed or assigned, or any combination of those classifications. The general fund may also include an unassigned amount.

Encumbrance reporting – Encumbering amounts for specific purposes for resources that have already been restricted, committed or assigned, should not result in separate display of encumbered amounts. Encumbered amounts for specific purposes for amounts that have not been previously restricted, committed or assigned, will be classified as committed or assigned, as appropriate, based on the definitions and criteria set forth in GASB Statement No. 54.

Prioritization of fund balance use – When an expenditure is incurred for purposes where both restricted and unrestricted (committed, assigned or unassigned) amounts are available, it shall be the policy of the City to consider restricted amounts to have been reduced first. When an expenditure is incurred for purposes where amounts in any of the unrestricted fund balances classifications could be used, it shall be the policy of the City that committed amounts will be reduced first, followed by assigned amounts and then unassigned amounts.

Minimum unassigned fund balance – The City will maintain a minimum unassigned fund balance in its General Fund ranging from fifteen percent (15%) to twenty percent (20%) of the subsequent year's budgeted expenditures and outgoing transfers. This minimum fund balance is to protect against cash-flow shortfalls related to timing of projected revenue receipts and to maintain a budget stabilization commitment.

Replenishing deficiencies – when fund balance falls below the minimum fifteen percent (15%) range, the City will replenish shortages/deficiencies using the budget strategies and timeframes described below.

The following budgetary strategies shall be utilized by the City to replenish funding deficiencies:

- The City will reduce recurring expenditures to eliminate any structural deficit;
- The City will increase revenues or pursue other funding sources; or
- Some combination of the two options above.

Minimum fund balance deficiencies shall be replenished with the following time periods:

- Deficiency resulting in a minimum fund balance between twelve and a half percent (12.5%) and fifteen percent (15%), shall be replenished over a period not to exceed one year.
- Deficiency resulting in a minimum fund balance between ten percent (10%) and twelve and a half percent (12.5%) shall be replenished over a period not to exceed one and a half years.

Surplus fund balance – Should unassigned fund balance of the General Fund ever exceed the maximum twenty percent (20%) range, the City will consider such fund balance surpluses for one-time expenditures that are nonrecurring in nature and which will not require additional future expense outlays for maintenance, additional staffing or other recurring expenditures.

Implementation and review. Upon adoption of this policy, the City Manager is authorized to establish any standards and/or procedures that may be necessary for its implementation. The City Manager shall review this policy at least annually and make any recommendations for changes to the City Council.

SECTION 2: That this resolution shall become effective from and after the date of its passage.

PASSED, APPROVED, and ADOPTED on this the 27th day of January, 2020.

CITY OF PALACIOS, TEXAS

GLEN SMITH, Mayor

ATTEST:

CLISSA MILLS, City Secretary

RESOLUTION NO. 2020-R-04

A RESOLUTION OF THE CITY OF PALACIOS, TEXAS, ADOPTING AN INVESTMENT POLICY AND PROVIDING FOR THE EFFECTIVE DATE THEREOF.

WHEREAS, Texas Municipalities are required to review their investment policies not less than annually pursuant to Chapter 2256 of the Texas Government Code, also known as the Public Funds Investment Act; and

WHEREAS, the administration has submitted to City Council for its review the City's investment policy and any recommended changes, and such policy and recommendations are attached hereto; and

WHEREAS, City Council has reviewed the attached policy and determined it should be approved as the City's investment policy; **NOW THEREFORE**,

BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF PALACIOS, TEXAS:

SECTION 1. That the City of Palacios Investment Policy, a copy of which is attached hereto as Exhibit "A" is hereby approved and adopted as the investment policy of the City of Palacios.

SECTION 2. This Resolution shall become effective immediately after its approval and adoption.

PASSED, APPROVED AND ADOPTED on this 28th day of January, 2020.

CITY OF PALACIOS, TEXAS

GLEN SMITH, Mayor

CLISSA MILLS, City Secretary

CITY OF PALACIOS, TEXAS

INVESTMENT POLICY

I. POLICY STATEMENT

It is the policy of the City of Palacios that the administration of its funds and the investment of those funds shall be handled as its highest public trust. Investments shall be made in a manner which will provide the maximum security of principal invested through limitations and diversification while meeting the daily cash flow needs of the City and conforming to all applicable state statutes governing the investment of public funds.

It is the intent of the City to be in complete compliance with local law and the Texas Public Funds Investment Act (the Act), Chapter 2256 of the Texas Government Code. The earnings from investments will be used in a manner that best serves the interest of the City.

II. SCOPE

This investment policy applies to all the financial assets and funds of the City. The City merges its funds into one pooled investment fund for investment purposes to provide efficiency and maximum investment opportunity. These funds are defined in the City's Comprehensive Annual Financial Report (CAFR).

And any new funds created by the City unless specifically exempted by the City Council and this policy.

III. OBJECTIVES AND STRATEGY

It is the policy of the City that all funds shall be managed and invested with four primary objectives, listed in order of their priority: safety, liquidity, diversification and yield. Investments are to be chosen in a manner which promotes diversity by market sector, credit and maturity. The choice of high-grade government investments and high-grade, money market instruments are designed to assure the marketability of those requirements. The maximum weighted average maturity of the overall portfolio may not exceed one (1) year.

Safety of Principal

Safety of principal is the foremost object of the City. Investments of the City shall be undertaken in a manner that seeks to insure the preservation of capital in the overall portfolio.

Liquidity

The City's investment portfolio will be based on a cash flow analysis of needs and will remain sufficiently liquid to enable and meet all operating requirements which might be reasonably anticipated.

Diversification

Diversification of the portfolio will include diversification by maturity and market sector.

Yield

The City's investment portfolio shall be designed with the objective of attaining a market rate of return, taking into account the City's risk constraints and the cash flow needs of the portfolio. "Market rate of return" may be defined as the average yield of the current 91 Day U.S. Treasury Bill.

Effective cash management is recognized as essential to good fiscal management. Cash management is defined as the process of managing monies in order to ensure maximum cash availability/flow. The City shall maintain a comprehensive cash management program which includes collection of accounts receivable, prudent investment of its available cash, disbursement of payments in accordance with invoice terms and the management of banking services.

IV. LEGAL LIMITATIONS, RESPONSIBILITIES AND AUTHORITY

Direct specific investment parameters for the investment of public funds in Texas are found in the Public Funds Investment Act, Chapter 2256, Texas Government Code, (the "Act"). The Public Funds Collateral Act, Chapter 2257, Texas Government Code, specifies collateral requirements for all public funds deposits. All investments will be made in accordance with these statutes.

V. DELEGATION OF INVESTMENT AUTHORITY

The City Treasurer acting on behalf of the City is designated as the Investment Officer of the City and is responsible for investment management decisions and activities. All participants in the investment process shall seek to act responsibly as custodians of the public trust.

The Investment Officer shall be responsible for all transactions undertaken and shall establish a system of controls to regulate the activities of subordinate officials and staff. The Investment Officer may designate a staff person as a liaison/deputy in the event circumstances require timely action and the Investment Officer is not available.

No officer or designee may engage in an investment transaction except as provided under the terms of this Policy and the procedures established.

The City Treasurer shall attend at least one investment training session within 12 months after taking such position. The City Treasurer shall attend eight hours of training every two years thereafter, with the first such two-year period beginning on the first day of the City fiscal year after the year in which the Investment Officer takes the initial training.

VI. PRUDENCE

The standard of prudence to be used in the investment function shall be the “prudent person” standard and shall be applied in the context of managing the overall portfolio. This standard states;

“Investments shall be made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion, and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the expected income to be derived.”

Limitation of Personal Liability

The investment Officer and those delegated investment authority under this Policy, when acting in accordance with the written procedures and this Policy and in accord with the Prudent Person Rule, shall be relieved of personal responsibility and liability in the management of the portfolio provided that deviations from expectations for a specific security’s credit risk or market price change or portfolio shifts are reported in a timely manner and that appropriate action is taken to control adverse market effects.

VII. INTERNAL CONTROLS

The Investment Officer shall establish a system of written internal controls which will be reviewed annually with the independent auditor of the City. The controls shall be designed to prevent loss of public funds due to fraud, employee error, misrepresentation by third parties, unanticipated market changes, or imprudent actions by employees of the City. Cash flow forecasting is designed to protect and sustain cash flow requirements of the City.

Any security requiring a minimum rating by the Public Funds Investment Act and this Policy shall not be authorized during the time that the security does not hold at least the minimum rating. The Investment Officer will monitor, on at least a weekly basis, the credit rating and should that rating fall below accepted levels; the Investment Officer will immediately advise the City Manager of the loss of rating and the possible loss of principal. The City Manager and Investment Officer shall take all prudent measures consistent with this policy to liquidate any investment that does not have at least the minimum required rating.

The Investment Officer shall monitor, on no less than a weekly basis, the status and ownership of all banks issuing brokered CDs owned by the City based upon information from the FDIC. If any bank has been acquired or merged with another bank in which

brokered CDs are owned, the Investment Officer shall immediately liquidate any brokered CD in an amount above the FDIC insurance level.

VIII. AUTHORIZED INVESTMENTS

Acceptable investments under this policy shall be limited to the instruments listed below and as further defined and described by the Public Funds Investment Act.

- A. Obligations of the United States Government, its agencies and instrumentalities, and government sponsoring enterprises, not to exceed two years to stated maturity, excluding collateralized mortgage obligations (CMOs);
- B. Fully insured or collateralized certificates of deposit from a bank doing business in the State of Texas, not to exceed one year to stated maturity, guaranteed or insured by the FDIC or its successor or as collateralized by this policy;
- C. Commercial paper rated A-1/P-1 or the equivalent by at least two nationally recognized rating agencies not to exceed 180 days to stated maturity;
- D. Repurchase agreement and reverse repurchase agreements as defined by the Public Funds Investment Act, not to exceed 180 days to stated maturity, provided an executed PSA Master Repurchase Agreement is on file with the City and the counterparty bank or primary dealer;
- E. SEC registered money market mutual funds as defined by the Act.
- F. AAA-rated, constant dollar Texas Local Government Investment Pools as defined by the Public Funds Investment Act;
- G. FDIC insured brokered certificates of deposit securities from a bank in any US state, delivered versus payment, to the City's safekeeping agent, not to exceed one year to maturity invested through either 1) a broker that has its main office or a branch office in Texas and is selected from the list adopted by the City pursuant to Texas Government Code Section 2256.025; or a depository institution that has its main office or branch office in Texas and has been selected by the City pursuant to this policy. Before purchase, the Investment Officer must verify the FDIC status of the bank on fdic.gov (bankfind) to assure that the bank is FDIC insured; and,

No additional security will be eligible for investment by the City until this policy has been amended and the amended version approved by the City Council. *Exceptions* to investment maturities may be approved by council in order to meet debt service requirements

Competitive Bidding Requirement

All securities, including certificates of deposit, will be purchased or sold after three (3) offers/bids are taken to verify that the City is receiving fair market value/price for the investment.

Delivery versus Payment

All security transactions, including collateral for repurchase agreements, entered into by the City, shall be conducted on a delivery versus payment (DVP) basis. Funds shall not be released until receipt of the security by the City's approved custodian.

IX. AUTHORIZED FINANCIAL DEALERS AND INSTITUTIONS

The City Council will review the list of authorized broker/dealers annually. The Investment Officer will obtain and maintain information on each broker/dealer.

Securities broker/dealers not affiliated with a bank shall be required to be classified as reporting dealers affiliated with the New York Federal Reserve as primary dealers or regional broker/dealers who report to and are audited by Finra and the SEC and meet other criteria as determined by the Investment Officer. A list of no more than five (5) authorized broker/dealers will be established and maintained. The firms on the list must supply the following documents to be maintained by the Finance Department:

- audited financial statement for the most recent period,
- proof of certification by the National Association of Securities Dealers (NASD),
- proof of current registration with the State Securities Commission, and

Every broker/dealer and bank with which the City transacts business will be provided a copy of this Investment Policy to assure that they are familiar with the goals and objectives of the investment program. A representative of the firm will be required to return a signed certification stating the Policy has been received and reviewed and that controls are in place to assure that only authorized securities are sold to the City.

X. DIVERSIFICATION AND MATURITY LIMITATIONS

It is the policy of the City to diversify its investment portfolio. Invested funds shall be diversified to minimize risk or loss resulting from over-concentration of assets in a specific maturity, specific issuer, or specific class of securities. Diversification strategies shall be established and periodically reviewed. At a minimum, diversification standards by security type and issuer shall be:

Security Type	Max % of Portfolio
US Obligations	not to exceed 80%
US Agencies/Instrumentalities	not to exceed 80%
-MB Securities	not to exceed 50%
Certificates of Deposits	not to exceed 40%
Commercial Paper	not to exceed 25%
Repurchase Agreements	not to exceed 40%
Money Market Funds	100%
Local Government Investment Pools	100%

The Investment Officer shall be required to diversify maturities. The Investment Officer, to the extent possible, will attempt to match investment with anticipated cash flow requirements. Matching maturities with cash flow dates will reduce the need to sell securities prior to maturity, thus reducing market risk.

Unless matched to a specific requirement, the Investment Officer may not invest more than 20% of the portfolio for a period greater than one (1) year.

XI. SAFEKEEPING AND COLLATERALIZATION

The laws of the State and prudent treasury management require that all purchased securities be bought on a delivery versus payment (DVP) basis and be held in safekeeping by either the City, an independent third party financial institution, or the City's designated depository.

All safekeeping arrangements shall be designated by the Investment Officer and an agreement of the terms executed in writing. The third party custodian shall be required to issue safekeeping receipts to the City listing each specific security, rate, description, maturity, cusip number, and other pertinent information. Each safekeeping receipt will be clearly marked that the security is held for the City or pledged to the City.

All securities pledged to the City for time or demand deposits shall be held by an independent third party bank doing business in Texas. The safekeeping bank may not be within the same holding company as the bank where the securities are pledged. The bank is responsible for monitoring collateral.

Collateralization

Collateralization shall be required on all deposits including certificates of deposit over the FDIC insurance coverage of \$250,000, and repurchase agreements. In order to anticipate market changes and provide a level of additional security for all funds, the collateralization level required will be 102% of the market value of time and demand deposits plus any certificates of deposits at all times. The bank will be responsible for monitoring and maintaining collateral margins on a daily basis. Collateral will be held by an independent third party safekeeping agent.

XII. PERFORMANCE EVALUATION AND REPORTING

The Investment Officer shall submit quarterly reports to the City Council and Mayor containing sufficient information to permit an informed outside reader to evaluate the performance of the investment program and consistent with statutory requirements.

XIII. DEPOSITORIES

The City shall designate one banking institution through a formal request for proposal (RFP) in accordance with the Texas Local Government Code Chapter 105, subchapter B as its central banking services provider at least every five years. This institution will be used for normal banking services including disbursements, collections, and safekeeping securities. The depository/collateral agreement will be executed in compliance with the Financial Institutions Resource and Recovery Act (FIRREA) and approved by the bank board or loan committee by resolution. Other banking institutions from which the City may purchase certificates of deposit will also be designated after they provide their latest audited financial statements to the City.

XIV. INVESTMENT POLICY ADOPTION BY CITY

The City's investment policy shall be adopted by the City Council. The policy and strategies shall be reviewed on an annual basis by the Council. A written resolution approving said review and changes to the policy from the review will be passed and recorded by the Council.

GLEN SMITH, MAYOR
CITY OF PALACIOS, TEXAS

ATTEST:

Clissa Mills, City Secretary

RESOLUTION NO. 2020-R-5

**A RESOLUTION OF THE CITY OF PALACIOS, TEXAS,
APPROVING AND AUTHORIZING THE CITY OF
PALACIOS TO DONATE A LIGHTBAR FROM A VEHICLE
GOING TO AUCTION TO MIDFIELD VOLUNTEER FIRE
DEPARTMENT.**

WHEREAS, the City of Palacios is a Local Government; and

WHEREAS, the City of Palacios may donate items to other City or County services; and

WHEREAS, the City of Palacios has a lightbar taken off a vehicle which is going to auction and the lightbar will not be reused; and

WHEREAS, the Midfield Volunteer Fire Department has need of a lightbar for one of their emergency vehicles; and

WHEREAS, the City of Palacios and the Midfield Volunteer Fire Department have agreed that the City is willing to donate this item and the Fire Department is willing to accept the donation;
NOW, THEREFORE

BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF PALACIOS, TEXAS:

SECTION 1: The recitals set forth in the preamble to this resolution are adopted as the findings of fact and conclusions of the City Council of the City.

SECTION 2: The City Council approves and authorizes the donation of one lightbar from a vehicle going to auction to be given to Midfield Fire Department.

SECTION 3: This resolution shall become effective after its approval and adoption.

PASSED, APPROVED, and ADOPTED on first reading this 28th day of January, 2020.

CITY OF PALACIOS, TEXAS

GLEN SMITH, Mayor

DAVID KOCUREK, City Manager



GLEN SMITH – Mayor
JOHNNY TRAN –Councilmember Place 1
DONNA HARVEY SCHULMAN– Councilmember Place 2
MARY CROCKER – Councilmember Place 3
TROY LEWIS – Councilmember Place 4
WAYNE DODD – Councilmember Place 5
STEPHEN MCGOVERN – Councilmember Place 6

**CITY OF PALACIOS
CITY COUNCIL REGULAR MEETING MINUTES
January 14, 2020**

COUNCIL WORKSHOP AT 6PM

A council workshop was held to discuss the City of Palacios’ goals for 2020. Mayor Glen Smith, Council, and City Manager, David Kocurek discussed the following overall goals: Improve internal and external communications, improve the overall appearance of Palacios, secure and administer additional grants for infrastructure improvements, continue working with the MCEDC and PEDC to attract new business to Palacios, and continue to work toward advancement of the Palacios CIP, Public Works, and infrastructure improvements.

Mayor Glen Smith adjourned the workshop at 6:50 pm.

REGULAR COUNCIL MEETING 7PM

- CALL TO ORDER** – Mayor Glen Smith at 7 pm
- INVOCATION** – Councilmember Lewis
- PLEDGE OF ALLEGIANCE** – Councilmember McGovern
- PLEDGE TO TEXAS FLAG** – Councilmember McGovern
- PLEDGE TO PALACIOS FLAG** – Councilmember McGovern

VISITOR / CITIZEN FORUM

1. Patricia Loving discussed the resignation of Robert Garrett from the Planning and Zoning Commission and the appointment of DC Dunham to the Planning and Zoning Commission.
2. Chip Woolf said that he is glad Council is setting goals.

ADMINISTRATIVE REPORTS

1. Update on Downtown Revitalization Project
2. January 15, 2020 is the first day to file an application for a place on the ballot for the May 2, 2020 General Election
3. Chamber Annual Banquet – February 20, 2020

ITEMS TO BE CONSIDERED

1. Discuss and consider adopting Resolution 2020-R-1 ordering a General Election to be held May 2, 2020 to elect the position of Mayor and three Council Members, once each for Place 1, Place 2, and Place 6.
Councilmember Tran motioned to approve Resolution 2020-R-1
Councilmember McGovern seconded
There was no opposition
With no opposition, the motion carried
2. Discuss and consider approving the Application for a Residential Tax Abatement submitted by Timothy and Sophia Dixon for the property located at 3101 Camp Hulen Dr., Palacios, Texas 77465.
Councilmember Tran motioned to approve the Application for a Residential Tax Abatement submitted by Timothy and Sophia Dixon for the property located at 3101 Camp Hulen Dr., Palacios, Texas 77465
Councilmember Dodd seconded
There was no opposition
With no opposition, the motion carried
3. Discuss and consider accepting the resignation of Robert Garrett from the Planning and Zoning Commission.
Mayor Glen Smith motioned to accept the resignation of Robert Garrent from the Planning and Zoning Commission
Councilmember McGovern seconded
There was no opposition
With no opposition, the motion carried
4. Discuss and consider appointing D.C. Dunham to the Planning and Zoning Commission.
Councilmember Dodd motioned to appoint DC Dunham to the Planning and Zoning Commission
Councilmember Tran seconded
There was no opposition
With no opposition, the motion carried
5. Discuss and consider action to approve the following consent agenda items:
Minutes of the December 10, 2019 Regular Council Meeting
Councilmember Lewis motion to approve the consent agenda items
Councilmember Crocker seconded
There was no opposition
With no opposition, the motion carried

EXECUTIVE SESSION - There was no executive session

In accordance with Chapter 551, Government Code, (Open Meetings Law) the Council
May go into Executive (closed) session in order to:

Consult with its attorney (551.071)

Discuss Real Estate transaction (551.072)

Deliberation regarding prospective gifts or donation (551.073)

Discuss personnel matters (551.074)

Deliberation regarding security devices (551.076)

Discuss economic development negotiations (551.087)

ADJOURN

Councilmember McGovern motioned to adjourn the meeting at 7:15 pm

Councilmember Dodd seconded

There was no opposition

With no opposition, the motion carried

Glen Smith, Mayor

Clissa Mills, City Secretary