



**KENEDY 4B CORPORATION AGENDA
FEBRUARY 28, 2022 – 6:00 P.M.
CITY AUDITORIUM IN THE RUHMAN C. FRANKLIN MUNICIPAL BUILDING
303 W. MAIN ST., KENEDY, TX 78119**

Notice is hereby given that the Kenedy 4B Corporation will convene to hold a regular meeting on the 28th of February 2022, at 6:00 p.m. at which time business will be conducted in accordance with Texas Government Code 551 as follows:

1. Call meeting to order and announce a quorum is present.
 2. Public comments.
 3. Discussion and approval of the regular meeting minutes for January 24, 2022.
 4. Discussion and possible action to approve the January 2022 Financial Report.
 5. Discussion and possible action to approve bills for the month of February 2022.
 6. Discussion and possible action to amend the Kenedy 4B Investment Policy.
 7. Discussion on filling Don Staggs remaining term till May 11, 2023.
 8. Items to consider for placement on future agendas.
 9. Adjourn.
-

Special Accommodations

This facility is wheelchair accessible and accessible parking spaces are available. Requests for accommodations or interpretive services must be made 48 hours prior to this meeting. Please contact the City Secretary's office at (830) 583-2230 or FAX (830) 583-2063 or email citysecretary@kenedytx.gov for further information. Braille is not available.

The Kenedy 4B Corporation of the City of Kenedy reserves the right to convene in Executive Session in accordance with the Texas Open Meetings Act, Texas Government Code: Section 551.071 (Consultations with Attorney), Section 551.072 (Deliberations about Real Property), Section 551.076 (Deliberations about Security Devices), or Section 551.087 (Deliberations Regarding Economic Development Negotiations) on any of the above items.

Certification

I, Ruby Mowles, certify that the above notice of this Kenedy 4B Corporation Meeting was posted at the front doors to the City Hall, 303 W. Main St., Kenedy, Texas on the 24th day of February, 2022 by 3:10 p.m.





Ruby Mowles, City Secretary

KENEDY 4B CORPORATION AGENDA
Regular Meeting: Monday, February 28, 2022

AGENDA ITEM: 3

Discussion and approval of the regular meeting minutes for January 24, 2022.

SUBMITTED BY: City Secretary Ruby Beaven



KENEDY 4B CORPORATION MINUTES
JANUARY 24, 2022 – 6:00 P.M.
CITY AUDITORIUM IN THE RUHMAN C. FRANKLIN MUNICIPAL BUILDING
303 W. MAIN ST., KENEDY, TX 78119

MEMBERS PRESENT:

Gary Richards, President
 Felipe Leal, Vice President
 Leslie Wynn, Treasurer
 Cindy Saenz, Secretary
 Walter (Trey) Hill III, Investment Officer

MEMBERS ABSENT:

Lajuana Kasprzyk, Director
 Don Staggs, Director

CITY PRESENT:

Ruby Mowles City Secretary
 Parks & Streets Director Joe Hernandez

CITY ABSENT:

1. Call meeting to order and announce a quorum is present.

President Richards called the meeting to order at 6:01 p.m. and announced a quorum was present.

2. Public comments.

No public comments.

3. Discussion and approval of the regular meeting minutes for November 22, 2021.

It was noted that Item seven (7) of the minutes needed to be changed to state:

Motion: Director Kasprzyk made a motion to set the ~~minimum~~ maximum at \$50,000 to...

Motion: Treasurer Wynn made a motion to approve the minutes with one amendment as noted. The motion was seconded by Secretary Saenz. Motion carried with all present voting in favor.

4. Discussion and possible action to approve the December 2021 Financial Report.

Motion: Treasurer Wynn made a motion to approve the December 2021 Financial Report. Motion was seconded by Vice President Leal. Motion carried with all present voting in favor.

5. Discussion and possible action to approve bills for the month of January 2022.

Motion: Secretary Saenz made a motion to approve the bills for the month of January 2022. Motion was seconded by Investment Officer Hill. Motion carried with all present voting in favor.

6. Discussion and possible action to establish a quarterly bank transfer(s) from the checking account to TexPool.

Investment Officer Hill discussed possibly establishing a quarterly bank transfer setup.

Discussion was held among the Board about investments and interest accrual.

Motion: Investment Officer Hill made the motion to take no action. Motion was seconded by Treasurer Wynn. Motion carried with all present voting in favor.

7. Discussion and possible action to approve the chain link fence repair work for the baseball field at Joe Gulley Park in the amount of \$6,400.

Parks & Streets Director Joe Hernandez addressed the Board stating the wind had blown down the high school baseball fence line along the centerfield, higher portion of the fence line. Hernandez stated the contractor has installed the fence on the wrong side of the poles. Hernandez discussed the estimates to repair the damage.

Treasurer Wynn recommended the project be completed with galvanized tie wire in place of aluminum.

Motion: Vice President Leal made the recommendation to approve the chain link fence repair work for the baseball field at Joe Gulley Park in the amount of \$6,400. Motion seconded by Treasurer Wynn. Motion carried with all present voting in favor.

8. Discussion and possible action to approve the chain link fence repair work for the Veterans Memorial area at Joe Gulley Park in the amount of \$2,600.

Parks & Streets Director Joe Hernandez addressed the Board stating the estimate is for a 40-foot section of wrought iron fence for the Veterans Memorial. This fencing was removed for the bathroom project and this is to re-install.

Motion: Treasurer Wynn made the motion to approve the chain link fence repair work for the Veterans Memorial area at Joe Gulley Park in the amount of \$2,600. Motion was seconded by Secretary Saenz. Motion carried with all present voting in favor.

9. Discussion and possible action to obtain a list of property owner(s) and square footage/general shape of buildings downtown to develop an action plan.

Treasurer Wynn inquired if the list was done.

President Richards explained that the information was on the Karnes County Appraisal District website but was having issues retrieving the information from the sight.

Discussion was held among the Board on how to retrieve the information.

Motion: Vice President Leal made the motion to place this agenda item on the next agenda. Motion was seconded by Treasurer Wynn. Motion carried with all present voting in favor.

10. Items to consider for placement on future agendas.

Discussion and possible action to approve the Joe Gulley Park Sports Complex complete fence repair.

11. Adjourn.

Motion: Treasurer Wynn made a motion to adjourn at 6:41 p.m. Motion seconded by Secretary Saenz. Motion carried with all present voting in favor.

APPROVED:

Gary Richards, President

ATTEST:

Ruby Mowles, City Secretary

KENEDY 4B CORPORATION AGENDA
Regular Meeting: Monday, February 28, 2022

AGENDA ITEM: 4

Discussion and possible action to approve the January 2022 Financial Report.

SUBMITTED BY: City Manager William Linn

CITY OF KENEDY
BALANCE SHEET
AS OF: JANUARY 31ST, 2022

15 -KENEDY 4B CORPORATION

ACCOUNT #	ACCOUNT DESCRIPTION	BALANCE	
ASSETS			
=====			
15-00-101.01	KENEDY 4B CORP - CHECKING	151,829.76	
15-00-120.01	TEXPOOL - 4B CORPORATION	<u>5,153,566.27</u>	
			<u>5,305,396.03</u>
TOTAL ASSETS			5,305,396.03
			=====
LIABILITIES			
=====			
15-00-201.01	ACCOUNTS PAYABLE	<u>10,000.00</u>	
TOTAL LIABILITIES			<u>10,000.00</u>
EQUITY			
=====			
15-00-290.01	FUND BALANCE - KENEDY 4B CORP	<u>5,073,130.52</u>	
TOTAL BEGINNING EQUITY		<u>5,073,130.52</u>	
TOTAL REVENUE		362,001.33	
TOTAL EXPENSES		<u>139,735.82</u>	
TOTAL REVENUE OVER/(UNDER) EXPENSES		<u>222,265.51</u>	
TOTAL EQUITY & REV. OVER/(UNDER) EXP.			<u>5,295,396.03</u>
TOTAL LIABILITIES, EQUITY & REV.OVER/(UNDER) EXP.			5,305,396.03
			=====

CITY OF KENEDY
REVENUE & EXPENSE REPORT (UNAUDITED)
AS OF: JANUARY 31ST, 2022

15 -KENEDY 4B CORPORATION
FINANCIAL SUMMARY

33.33% OF YEAR COMP.

	CURRENT BUDGET	CURRENT PERIOD	YEAR TO DATE ACTUAL	% OF BUDGET	BUDGET BALANCE
<u>REVENUE SUMMARY</u>					
ALL REVENUE	<u>2,389,167.00</u>	<u>103,851.20</u>	<u>362,001.33</u>	<u>15.15</u>	<u>2,027,165.67</u>
TOTAL REVENUES	<u>2,389,167.00</u>	<u>103,851.20</u>	<u>362,001.33</u>	<u>15.15</u>	<u>2,027,165.67</u>
	=====	=====	=====	=====	=====
<u>EXPENDITURE SUMMARY</u>					
KENEDY 4B CORPORATION	<u>2,388,400.00</u>	<u>10,000.00</u>	<u>139,735.82</u>	<u>5.85</u>	<u>2,248,664.18</u>
TOTAL EXPENDITURES	<u>2,388,400.00</u>	<u>10,000.00</u>	<u>139,735.82</u>	<u>5.85</u>	<u>2,248,664.18</u>
	=====	=====	=====	=====	=====
REVENUES OVER/(UNDER) EXPENDITURES	767.00	93,851.20	222,265.51	(221,498.51)

CITY OF KENEDY
REVENUE & EXPENSE REPORT (UNAUDITED)
AS OF: JANUARY 31ST, 2022

15 -KENEDY 4B CORPORATION

33.33% OF YEAR COMP.

REVENUES	CURRENT BUDGET	CURRENT PERIOD	YEAR TO DATE ACTUAL	% OF BUDGET	BUDGET BALANCE
<u>SALES TAX</u>					
15-00-303.01 SALES TAX REVENUE	516,667.00	50,126.87	201,777.66	39.05	314,889.34
TOTAL SALES TAX	516,667.00	50,126.87	201,777.66	39.05	314,889.34
<u>FINES & MISCELLANEOUS REV</u>					
15-00-305.01 OIL & GAS ROYALTIES	370,500.00	53,577.13	159,664.16	43.09	210,835.84
TOTAL FINES & MISCELLANEOUS REV	370,500.00	53,577.13	159,664.16	43.09	210,835.84
<u>OTHER REVENUE</u>					
15-00-308.05 INTEREST EARNED	2,000.00	147.20	559.51	27.98	1,440.49
TOTAL OTHER REVENUE	2,000.00	147.20	559.51	27.98	1,440.49
<u>FUND REVENUE</u>					
15-00-370.20 UTILIZATION-PRIOR YR FUND	1,500,000.00	0.00	0.00	0.00	1,500,000.00
TOTAL FUND REVENUE	1,500,000.00	0.00	0.00	0.00	1,500,000.00
 TOTAL REVENUES	 2,389,167.00	 103,851.20	 362,001.33	 15.15	 2,027,165.67
	=====	=====	=====	=====	=====

CITY OF KENEDY
REVENUE & EXPENSE REPORT (UNAUDITED)
AS OF: JANUARY 31ST, 2022

15 -KENEDY 4B CORPORATION
KENEDY 4B CORPORATION

33.33% OF YEAR COMP.

DEPARTMENTAL EXPENDITURES	CURRENT BUDGET	CURRENT PERIOD	YEAR TO DATE ACTUAL	% OF BUDGET	BUDGET BALANCE
SALARIES & OTHER					
15-00-510.03 LEGAL FEES	2,000.00	0.00	0.00	0.00	2,000.00
15-00-510.04 BOOKKEEPING -CITY OF KENED	12,000.00	1,000.00	4,000.00	33.33	8,000.00
15-00-510.09 HOLIDAY PARTY	600.00	0.00	475.98	79.33	124.02
TOTAL SALARIES & OTHER	14,600.00	1,000.00	4,475.98	30.66	10,124.02
OPERATING EXPENSES					
15-00-520.10 OPERATING SUPPLIES	1,500.00	0.00	0.00	0.00	1,500.00
TOTAL OPERATING EXPENSES	1,500.00	0.00	0.00	0.00	1,500.00
MISCELLANEOUS SERVICES					
15-00-530.05 ADVERTISING	1,000.00	0.00	0.00	0.00	1,000.00
15-00-530.10 TRAINING	9,800.00	0.00	689.89	7.04	9,110.11
15-00-530.12 WEB SITE DEVELOPMENT	11,000.00	0.00	0.00	0.00	11,000.00
TOTAL MISCELLANEOUS SERVICES	21,800.00	0.00	689.89	3.16	21,110.11
GENERAL EXPENDITURES					
CAPITAL PROJECTS					
15-00-570.02 COMPLEX SECURITY FENCE	0.00	9,000.00	9,000.00	0.00	(9,000.00)
TOTAL CAPITAL PROJECTS	0.00	9,000.00	9,000.00	0.00	(9,000.00)
BUILDING & STRUCT. EXP.					
15-00-580.04 BENCHES	0.00	0.00	69.95	0.00	(69.95)
15-00-580.09 GULLEY PARK-GAZEBO/BRIDGE	5,000.00	0.00	0.00	0.00	5,000.00
15-00-580.10 GULLEY PARK-GAZEBO LANDSCA	40,000.00	0.00	1,600.00	4.00	38,400.00
15-00-580.11 GULLEY PARK-WINDMILL REP	600.00	0.00	0.00	0.00	600.00
15-00-580.12 GULLEY PARK-ASPHALT WALK T	97,200.00	0.00	0.00	0.00	97,200.00
TOTAL BUILDING & STRUCT. EXP.	142,800.00	0.00	1,669.95	1.17	141,130.05
JOHNNY BEAR FIELD					
15-00-582.00 JOHN. BEAR FD-DUGOUT/PIT L	17,500.00	0.00	0.00	0.00	17,500.00
15-00-582.50 JOHNNY BEAR FD SCOREBOARD	2,000.00	0.00	0.00	0.00	2,000.00
TOTAL JOHNNY BEAR FIELD	19,500.00	0.00	0.00	0.00	19,500.00
ST MARY'S PARK					
15-00-581.00 ST. MARY'S PARK WALKING TR	35,000.00	0.00	0.00	0.00	35,000.00
TOTAL ST MARY'S PARK	35,000.00	0.00	0.00	0.00	35,000.00
OTHER PROJECTS					
15-00-584.00 OTHER CAPITAL PROJECTS	1,500,000.00	0.00	0.00	0.00	1,500,000.00
TOTAL OTHER PROJECTS	1,500,000.00	0.00	0.00	0.00	1,500,000.00
CAPITAL PURCHASES					
15-00-590.03 TICKET BOOTH	30,000.00	0.00	0.00	0.00	30,000.00
TOTAL CAPITAL PURCHASES	30,000.00	0.00	0.00	0.00	30,000.00

2-24-2022 12:21 PM

CITY OF KENEDY
REVENUE & EXPENSE REPORT (UNAUDITED)
AS OF: JANUARY 31ST, 2022

PAGE: 4

15 -KENEDY 4B CORPORATION
KENEDY 4B CORPORATION

33.33% OF YEAR COMP.

DEPARTMENTAL EXPENDITURES	CURRENT BUDGET	CURRENT PERIOD	YEAR TO DATE ACTUAL	% OF BUDGET	BUDGET BALANCE
<u>GEN FUND TRSFR & EXP</u>					
15-00-610.01 GRANT EXPENSES	109,000.00	0.00	0.00	0.00	109,000.00
15-00-610.03 HEB SALES TAX REBATE AGREE	28,000.00	0.00	0.00	0.00	28,000.00
15-00-610.04 SPORTS COMPLEX-BOND P & I	486,200.00	0.00	123,900.00	25.48	362,300.00
TOTAL GEN FUND TRSFR & EXP	623,200.00	0.00	123,900.00	19.88	499,300.00
<hr/>					
TOTAL KENEDY 4B CORPORATION	2,388,400.00	10,000.00	139,735.82	5.85	2,248,664.18
<hr/>					
TOTAL EXPENDITURES	2,388,400.00	10,000.00	139,735.82	5.85	2,248,664.18
	=====	=====	=====	=====	=====
REVENUES OVER/(UNDER) EXPENDITURES	767.00	93,851.20	222,265.51	(221,498.51)

*** END OF REPORT ***

KENEDY 4B CORPORATION
NOTES TO FINANCIAL STATEMENTS
JANUARY 31, 2022

Note 1. Reporting Entity:

Kenedy 4B Corporation is a nonprofit corporation created by the City in 1998 pursuant to the provisions of the *Development Corporation Act of 1979*, as amended (which was originally enacted as Article 5190.6, V.A.T.C.S., and was subsequently codified and now appears in Chapters 501 - 505 of the Texas Local Government Code - collectively, the "Act").

Note 2. Summary of significant accounting policies:

The Kenedy 4B Corporation is governed by a board appointed by the City Council. Although they are legally separate from the City, the Kenedy 4B Corporation is reported as if they are a part of the City's primary government on its audited annual financial report because their primary purpose is to provide services to the citizens of the City. As a governmental type fund funds are accounted for on a spending or "current financial resources" measurement focus and the modified accrual basis of accounting. Accordingly, only current asset and current liabilities are included on the Balance Sheets. The Statement of Revenues, Expenditures and Changes in Fund Balance present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Under modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period. Accordingly, revenues are recorded when received in cash. Expenditures are recorded in the accounting period in which they related fund liability is incurred or spent.

The Kenedy 4B Corporation is used to collect sales tax monies to promote new business activity in the City.

Note 3. Capital assets

Capital (fixed) assets are recorded on the financial statements of the City of Kenedy.

Mineral Rights: The following is a list of mineral rights for the Kenedy 4B Corporation as listed at appraised value per the Karnes County Appraisal District and are 2021 Certified Values:

• Young Gas Unit 1 w No B1H	\$ 9,570
• Young Gas Unit 1 w No B2H	9,520
• Kenedy Corp Gas Unit 1w B3H	16,820
• Kenedy Corp Gas Unit 1w B4H	17,290
• Young Gas Unit 1 w No A1H	42,480
• Young Gas Unit 1w No A2H	25,790
• Young Guns Unit 1A3H	4,410
• Young Gas Unit 1w No A4H	31,080
• Young Gas Unit 1w No A5H	59,410
• Young Gas Unit 1 w No C3H	35,200
• Young Gas Unit 1 w C2H	36,420
• Young Gas Unit 1 w No C1H & C4H	<u>7,240</u>
	295,230

KENEDY 4B CORPORATION
NOTES TO FINANCIAL STATEMENTS
JANUARY 31, 2022

Note 4. Contractual Obligations

A. Project Funding Agreement re: Financing a New Sports Activity Complex. Entered into in Connection with the issuance of City of Kenedy Combination Tax and Revenue Certificates of Obligation Series 2019: This agreement was signed and dated July 1, 2019. The bonds were issued in the name of the City of Kenedy on August 1, 2019.

Terms of Agreement. The term of this Agreement shall become effective from the date on which the City issues and delivers the City Sports Complex COs and shall terminate one business day after the Corporation has transferred to the City sufficient funds to pay the final annual debt service payment on the City Sports Complex COs (or any bonds or obligations issued in the future to refund the City's Sports Complex COs). Interest on the certificates will be payable May 1 and November 1 of each year and principal is due May 1 of each year.

Fiscal Year Ended	Debt Service Requirements, Series 2019 Combination Tax and Revenue Bonds		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
<u>30-Sep</u>			
2022	240,000.00	247,000.00	487,000.00
2023	250,000.00	237,400.00	487,400.00
2024	260,000.00	227,400.00	487,400.00
2025	270,000.00	217,000.00	487,000.00
2026	280,000.00	206,200.00	486,200.00
2027	295,000.00	195,000.00	490,000.00
2028	305,000.00	183,200.00	488,200.00
2029	315,000.00	171,000.00	486,000.00
2030	330,000.00	158,400.00	488,400.00
2031	345,000.00	145,200.00	490,200.00
2032	355,000.00	131,400.00	486,400.00
2033	370,000.00	117,200.00	487,200.00
2034	385,000.00	102,400.00	487,400.00
2035	400,000.00	87,000.00	487,000.00
2036	420,000.00	71,000.00	491,000.00
2037	435,000.00	54,200.00	489,200.00
2038	450,000.00	36,800.00	486,800.00
2038	470,000.00	18,800.00	488,800.00
	<u>6,175,000.00</u>	<u>2,606,600.00</u>	<u>8,781,600.00</u>

KENEDY 4B CORPORATION
NOTES TO FINANCIAL STATEMENTS
JANUARY 31, 2022

Note 4. Contractual Obligations (Continued)

- B. **Development Agreement – HEB Grocery Company, LP** The Kenedy 4B Corporation has the following agreement to reimburse HEB Grocery Company, LP. The total Cost Reimbursement available to HEB for the Public Improvements under the terms of this Agreement shall not exceed one hundred and fifty thousand dollars (\$150,000). The 4B Corporation shall reimburse HEB for its expenses for the Public Improvements up to the Maximum Reimbursement Amount. Annually throughout the Term of this Agreement, 4B Corporation shall pay to HEB one hundred percent (100%) of the Increased Sales Tax Revenues (as defined below) generated at the Property, up to the Maximum Reimbursement Amount. For purposes of this Agreement, *“Increased Sales Tax Revenues” shall mean for any given calendar year the difference between the (x) Sales Tax Revenues minus (y) the Sales Tax Base Line Amount.* As of May 31, 2021 the 4B Corporation has paid HEB a cumulative amount of \$117,882.12 which leaves an unpaid balance of \$ 32,117.88.

KENEDY 4B CORPORATION AGENDA
Regular Meeting: Monday, February 28, 2022

AGENDA ITEM: 5

Discussion and possible action to approve bills for the month of February 2022.

SUBMITTED BY: City Manager William Linn

INVOICE DATE	INVOICE #	VENDOR/PAYEE		DESCRIPTION	AMOUNT OF INVOICE
1/31/2022	220	CITY OF KENEDY		ACCOUNTING SERVICES - JANUARY 2022	1,000.00
				REIMBURSE CITY FOR THE FOLLOWING INVOICES:	
				JUAN B. FELIX -BRACE FENCE AT KIESLING SPORTS COMPLEX	6,400.00
				JUAN B. FELIX-VETERANS MEMORIAL AREA REINSTALLING FENCE	2,600.00
				TOTAL ALL UNPAID INVOICES	10,000.00

DATE: January 31, 2022
INVOICE # 220

Kenedy 4B Corporation
303 W. Main St.
Kenedy, Tx. 78119
(830) 583-2230

REMIT TO: CITY OF KENEDY
303 W. Main St.
Kenedy, Tx. 78119
phone (830) 583-2230
fax (830) 583-2063

[illegible]

January /19/ 2022

Juan B. Felix Felix

411 mixon st.

Kenedy, Texas 78119

(210) 848.7221

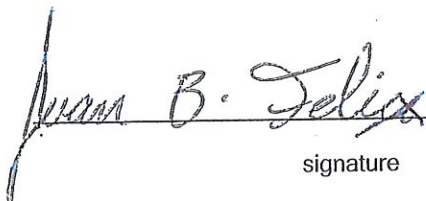
WORK FOR THE BASEBALL FIELD

DESCRIPTION :

Straining out the pipes and putting a brace. Labor and all the materials that I need to accomplish the job included in total price.

ENTERED FEB 01 2022 gm

Total \$ 6,400.00


signature





January /19/ 2022

Juan B. Felix Felix

411 mixon st.

Kenedy, Texas 78119

(210) 848.7221

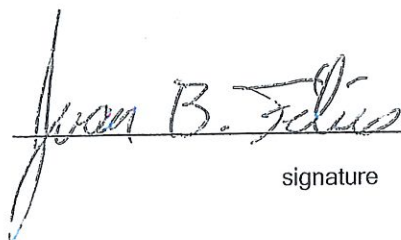
WORK IN VETERANS MEMORIAL AREA

DESCRIPTION :

Located in the Kenedy park; reinstalling the fence. Labor and all materials needed to acomplish the job will be included in the total price.

Total \$ 2,600.00

ENTERED FEB 09 2022


signature





KENEDY 4B CORPORATION AGENDA
Regular Meeting: Monday, February 28, 2022

AGENDA ITEM: 6

Discussion and possible action to amend the Kenedy 4B Investment Policy.

SUBMITTED BY: President Gary Richards

KENEDY 4B INVESTMENT POLICY

INTRODUCTION

The purpose of this document is to set forth specific investment policy and strategy guidelines for the Kenedy 4B Corporation in order to achieve the goals of safety, liquidity, yield, and public trust for all investment activity. The 4B Corporation Board shall review and adopt, by resolution, its investment strategies and policy not less than annually. The resolution shall include a record of changes made to either the investment policy or strategy. This policy serves to satisfy the statutory requirement (specifically the Public Funds Investment Act, Article 342a-2 V.T.C.S. (the "Act") to define, adopt and review a formal investment strategy and policy.

INVESTMENT STRATEGY

The 4B Corporation maintains portfolios, which utilize four specific investment strategy considerations, designed to address the unique characteristics of the fund groups represented in the portfolios:

A. Investment strategies for operating funds and commingled pools containing operating funds have as their primary objective to assure that anticipated cash flows are matched with adequate investment liquidity. The secondary objective is to create a portfolio structure, which will experience minimal volatility during economic cycles. This may be accomplished by purchasing high quality, short- to medium-term securities which will complement each other in a ladder or barbell maturity structure. The dollar weighted average maturity of 365 days or less will be calculated using the stated final maturity date of each security.

B. Investment strategies for debt service funds shall have as the primary objective the assurance of investment liquidity adequate to cover the debt service obligation on the required payment date. Securities purchased shall not have a stated final maturity date which exceeds the debt service payment date.

C. Investment strategies for debt service reserve funds shall have as the primary objective the ability to generate a dependable revenue stream to the appropriate debt service fund from securities with a low degree of volatility. Securities should be of high quality and, except as may be required by the bond ordinance specific to an individual issue, of short to intermediate-term maturities. Volatility shall be further controlled through the purchase of securities carrying the highest coupon available, within the desired maturity and quality range, without paying a premium, if at all possible.

D. Investment strategies for special projects or special purpose fund portfolios will have as their primary objective to assure that anticipated cash flows are matched with adequate investment liquidity. These portfolios should include at least 10% in highly liquid securities to allow for flexibility and unanticipated project outlays. The stated final maturity dates of securities held should not exceed the estimated project completion date.

INVESTMENT POLICY

I. SCOPE

This investment policy applies to all financial assets of the 4B Corporation. These funds are accounted for in the City's Comprehensive Annual Financial Report (CAFR) and include:

- * General Fund
- * Special Revenue Funds
- * Debt Service Funds
- * Capital Projects Funds
- * Proprietary Funds
- * All Other Funds

II. OBJECTIVES

The 4B Corporation shall manage and invest its cash with four objectives, listed in order of priority: Safety, Liquidity, Yield, and Public Trust. The safety of the principal invested always remains the primary

objective. All investments shall be designed and managed in a manner responsive to the public trust and consistent with State and Local law.

The 4B Corporation shall maintain a comprehensive cash management program that includes collection of accounts receivable, vendor payment in accordance with invoice terms, and prudent investment of available cash. Cash management is defined as the process of managing monies in order to insure maximum cash availability and maximum yield on short-term investment of pooled idle cash.

Safety

The primary objective of the 4B's investment activity is the preservation of capital in the overall portfolio. Each investment transaction shall be conducted in a manner to avoid capital losses, whether they are from securities defaults or erosion of market value.

Liquidity

The 4B's investment portfolio shall be structured such that the 4B Corporation is able to meet all obligations in a timely manner. This shall be achieved by matching investment maturities with forecasted cash flow requirements and by investing in securities with active secondary markets.

Yield

The 4B's cash management portfolio shall be designed to regularly exceed the average rate of return on U.S. Treasury Bills at a maturity level comparable to the 4B's weighted average maturity in days. The investment program shall seek to augment returns above this threshold consistent with risk limitations identified herein and prudent investment policies.

Public Trust

Participants in the 4B's investment process shall act responsibly as public trust custodians. Investment officials shall avoid transactions which might impair public confidence in the 4B's ability to govern effectively.

III. RESPONSIBILITY AND CONTROL

Investment Committee

The 4B board shall meet at least quarterly to determine operational strategies and to monitor results. The 4B board shall include in its deliberation such topics as: performance reports, economic outlook, portfolio diversification, maturity structure, potential risk to the 4B's funds, authorized brokers and dealers, and the target rate of return on the investment portfolio.

Delegation of Authority and Training

Authority to manage the 4B's investment program is derived from a 4B board resolution. The 4B Investment Officer is designated as the 4B Corporation's investment officer and is responsible for investment decisions and activities. The Investment Officer shall establish written procedures for the operation of the investment program, consistent with the investment policy. Within 12 months after assuming duties, the investment officer shall attend at least one training session at least once every two years and receive 10 hours of training that relates to the officer's responsibility under the Act. Training from an independent source shall be approved or endorsed by either the Government Finance Officers Association of Texas, the Government Treasurers Organization of Texas, the Texas Municipal League, or the North Central Texas Council of Governments. 13

Internal Controls

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

Accordingly, the Investment Officer shall establish a process for annual independent review by an external auditor to assure compliance with policies and procedures. The results of this review shall be reported to the 4B board and City Council. The internal controls shall address the following points:

- A. Control of collusion.
- B. Transaction authority separated from accounting and record keeping.
- C. Custodial safekeeping.
- D. Avoidance of physical delivery securities.
- E. Clear delegation of authority to subordinate staff members.
- F. Written confirmation for telephone (voice) transactions for investments and wire transfers.
- G. Development of a wire transfer agreement with the depository bank or third party custodian.

Prudence

The standard of prudence to be applied by the investment officer shall be the "prudent investor" rule, which 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 probable income to be derived." In determining whether an investment officer has exercised prudence with respect to an investment decision, the determination shall be made taking into consideration:

- A. The investment of all funds, or funds under the 4B's control, over which the officer had responsibility rather than a consideration as to the prudence of a single investment.
- B. Whether the investment decision was consistent with the written investment policy of the 4B Corporation.

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

Ethics and Conflicts of Interest

Kenedy 4B Corporation board members involved in the investment process shall refrain from personal business activity that could conflict with proper execution of the investment program, or which could impair the ability to make impartial investment decisions. Kenedy 4B board members shall disclose to the 4B board any material financial interests in financial institutions that conduct business with the 4B Corporation and they shall further disclose positions that could be related to the performance of the 4B's portfolio. Kenedy 4B Corporation members shall subordinate their personal financial transactions to those of the 4B board, particularly with regard to timing of purchases and sales.

A 4B investment officer who has a personal business relationship with an organization seeking to sell investment to the 4B Corporation shall file a statement disclosing that personal business interest. An investment officer who is related within the second degree by affinity or consanguinity to an individual seeking to sell an investment to the 4B Corporation shall file a statement disclosing that relationship. A statement required under this subsection must be filed with the Texas Ethics Commission and the governing body of the entity.

IV. REPORTING

Quarterly Reporting

The Investment Officer shall submit a signed quarterly investment report that summarizes current market conditions, economic developments and anticipated investment conditions. The report shall summarize investment strategies employed in the most recent quarter, and describe the portfolio in terms of investment securities, maturities, risk characteristics, and shall explain the total investment return for the quarter.

Annual Report

Within 60 days of the end of the fiscal year, the Investment Officer shall present an annual report on the investment program and investment activity. This report may be presented as a component of the fourth quarter report to the 4B board, City Manager and City Council.

Methods

The quarterly investment report shall include a succinct management summary that provides a clear picture of the current investment portfolio status and transactions made over the last quarter. This management summary will be prepared in a manner that will allow the 4B board to ascertain whether investment activities during the reporting period have conformed to the investment policy. The report will be prepared in compliance with generally accepted accounting principles. The report will be provided to the 4B board. The report will include the following:

- A. A listing of individual securities held at the end of the reporting period. This list will include the name of the fund or pooled group fund for which each individual investment was acquired.
- B. Unrealized gains or losses resulting from appreciation or depreciation by listing the beginning and ending book and market value of securities for the period. Market values shall be obtained from financial institutions or portfolio reporting services independent from the broker/dealer from which the security was purchased.
- C. Additions and changes to the market value during the period.
- D. Fully accrued interest for the reporting period.
- E. Average weighted yield to maturity of portfolio on entity investments as compared to applicable benchmarks.
- F. Investment listings by maturity date.
- G. The percentage of the total portfolio which each type of investment represents.
- H. Compliance statement of the 4B's investment portfolio with State Law and the investment strategy and policy approved by the 4B board.

V. INVESTMENT PORTFOLIO

Active Portfolio Management

The 4B board shall pursue an active versus a passive portfolio management philosophy. Securities may be sold before they mature if market conditions present an opportunity for the 4B Corporation to benefit from the trade. The investment officer will routinely monitor the portfolio contents, the available markets, and the relative value of competing instruments, and will adjust the portfolio accordingly.

Investments

Assets of the 4B Corporation may be invested in the following instruments; provided, however, that at no time shall assets of the 4B Corporation be invested in any instrument or security not authorized for investment under the Act, as the Act may from time to time be amended. The 4B Corporation is not required to liquidate investments that were authorized investments at the time of purchase.

I. Authorized

- A. Obligations of the United States of America, its agencies and instrumentalities, which have a liquid market with a readily determinable market value.
- B. Direct obligations of the State of Texas and agencies thereof.
- C. Other obligations, the principal of and interest on which are unconditionally guaranteed by the State of Texas or United States of America.

D. Obligations of the States, agencies thereof, Counties, Cities, and other political subdivisions of any state having been rated as investment quality by a nationally recognized investment rating firm, and having received a rating of not less than "A" or its equivalent.

E. Certificates of Deposit of state and national banks domiciled in Texas, guaranteed or insured by the Federal Deposit Insurance or its successor or secured by obligations described in A through D above, which are intended to include all direct agency or instrumentality issued mortgage backed securities rated AAA by a nationally recognized rating agency, or by Article 2529b-1, V.T.C.S., and that have a market value of not less than the principal amount of the certificates.

F. Fully collateralized direct repurchase agreements with a defined termination date secured by obligations of the United States or its agencies and instrumentalities pledged with a third party, selected by the Finance Director, other than an agency for the pledgor. Repurchase agreements must be purchased through a primary government securities dealer, as defined by the Federal Reserve, or a bank domiciled in Texas. A Master Repurchase Agreement must be signed by the bank/dealer prior to investment in a repurchase agreement.

G. Joint pools of political subdivisions in the State of Texas which invest in instruments and follow practices allowed by current law. Investment in such pools shall be limited to 15% of the 4B's entire portfolio. A pool must be continuously rated no lower than AAA or AAA-m or at an equivalent rating by at least one nationally recognized rating service.

II. Not Authorized

The 4B Corporation's authorized investments options are more restrictive than those allowed by State law. State law specifically prohibits investment in the following investment securities.

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

B. Obligations whose payment represents the principal stream of cash flow from the underlying mortgage-backed security collateral and bears no interest.

C. Collateralized mortgage obligations that have a stated final maturity date of greater than 10 years.

D. Collateralized mortgage obligations the interest rate of which is determined by an index that adjusts opposite to the changes in a market index.

Holding Period

The 4B Corporation intends to match the holding periods of investment funds with liquidity needs of the 4B Corporation. In no case will the average maturity of investments of the 4B Corporation's operating funds exceed one year. The maximum final stated maturity of any investment shall not exceed five years. Investments in all funds shall be managed in such a way that the market price losses resulting from interest rate volatility would be offset by coupon income and current income received from the volume of the portfolio during a twelve month period.

Risk and Diversification

The 4B Corporation recognizes that investment risks can result from issuer defaults, market price changes or various technical complications leading to temporary illiquidity. Risk is controlled through portfolio diversification that shall be achieved by the following general guidelines:

A. Risk of issuer default is controlled by limiting investments to those instruments allowed by the Act, which are described herein.

B. Risk of market price changes shall be controlled by avoiding over-concentration of assets in a specific maturity sector, limitation of average maturity of operating funds investments to one year, and avoidance of over-concentration of assets in specific instruments other than U.S. Treasury Securities and Insured or Collateralized Certificates of Deposits.

C. Risk of illiquidity due to technical complications shall be controlled by the selection of securities dealers as described herein.

VI. SELECTION OF BANKS AND DEALERS

Depository

At least every three years a Depository shall be selected through the City's banking services procurement process, which shall include a formal request for proposal (RFP). In selecting a depository, the creditworthiness of institutions shall be considered, and the Director of Finance shall conduct a comprehensive review of prospective depositories credit characteristics and financial history.

Certificates of Deposit

Banks seeking to establish eligibility for the 4B Corporation's competitive certificate of deposit purchase program shall submit for review annual financial statements, evidence of federal insurance and other information as required by the Investment Officer.

Securities Dealers

For government securities brokers and dealers, the 4B Corporation shall select only dealers reporting to the Market Reports Division of the Federal Reserve Board of New York, also known as the "Primary Government Security Dealers", unless a comprehensive credit and capitalization analysis reveals that other firms are adequately financed to conduct public business. Only brokers and dealers with an office in the City shall be selected. Investment officials shall not knowingly conduct business with a firm with whom public entities have sustained losses on investments. All securities dealers shall provide the 4B Corporation with references from public entities that they are currently serving. The 4B board shall adopt and annually review a list of qualified brokers authorized to engage in investment transactions with the entity.

All financial institutions and broker/dealers who desire to become qualified bidders for investment transactions must supply the following as appropriate:

audited financial statements

proof of National Association of Securities Dealers (NASD) certification

proof of state registration

completed broker/dealer questionnaire

certification of having read the Kenedy 4B Corporation's investment policy signed by a qualified representative of the organization

acknowledgment that the organization has implemented reasonable procedures and controls in an effort to preclude imprudent investment activities arising out of investment transactions conducted between the 4B Corporation and the organization

Qualified representative means a person who holds a position with a business organization, who is authorized to act on behalf of the business organization, and who is one of the following:

A. For a business organization doing business that is regulated by or registered with a securities

commission, a person who is registered under the rules of the National Association of Securities Dealers;

B. For a state or federal bank, a savings bank, or a state or federal credit union, a member of the loan committee for the bank or branch of the bank or a person authorized by corporate resolution to act on behalf of and bind the banking institution; or

C. For an investment pool, the person authorized by the elected official or board with authority to administer the activities of the investment pool to sign the certification on behalf of the investment pool.

Investment Pools

A thorough investigation of the pool is required prior to investing, and on a continual basis. All investment pools must supply the following information in order to be eligible to receive funds:

the types of investments in which money is allowed to be invested

the maximum average dollar-weighted maturity allowed, based on the stated maturity date, of the pool

the maximum stated maturity date any investment security within the portfolio has

the objectives of the pool

the size of the pool

the names of the members of the advisory board of the pool and the dates their terms expire the

custodian bank that will safekeep the pool's assets

whether the intent of the pool is to maintain a net asset value of one dollar and the risk of market price fluctuation

whether the only source of payment is the assets of the pool at market value or whether there is a secondary source of payment, such as insurance or guarantees, and a description of the secondary source of payment

the name and address of the independent auditor of the pool

the requirements to be satisfied for an entity to deposit funds in and withdraw funds from the pool and any deadlines or other operating policies required for the entity to invest funds in and withdraw funds from the pool

the performance history of the pool, including yield, average dollar-weighted maturities, and expense ratios

a description of interest calculations and how interest is distributed, and how gains and losses are treated

An annual review of the financial condition and registration of qualified bidders will be conducted by the Finance Director.

VII. SAFEKEEPING AND CUSTODY

Insurance or Collateral

All deposits and investments of 4B Corporation funds other than direct purchases of U.S. Treasuries or Agencies shall be secured by pledged collateral. In order to anticipate market changes and provide a level of security for all funds, the collateralization level will be 102% of market value of principal and accrued interest on the deposits or investments less an amount insured by the FDIC or FSLIC. Evidence of the pledged collateral shall be maintained by the Investment Officer or a third party financial institution. Repurchase agreements shall be documented by a specific agreement noting the collateral pledge in each agreement. Collateral shall be reviewed weekly to assure that the market value of the pledged securities is adequate.

Safekeeping Agreement

Collateral pledged to secure deposits of the 4B Corporation shall be held by a safekeeping institution in accordance with a Safekeeping Agreement which clearly defines the procedural steps for gaining access to the collateral should the 4B Corporation determine that the 4B Corporation's funds are in jeopardy. The safekeeping institution, or Trustee, shall be the Federal Reserve Bank or an institution not affiliated with the firm pledging the collateral. The safekeeping agreement shall include the signatures of authorized representatives of the 4B Corporation, the firm pledging the collateral, and the Trustee.

Collateral Defined

The 4B Corporation shall accept only the following securities as collateral:

A. FDIC and FSLIC insurance coverage.

B. A bond, certificate of indebtedness, or Treasury Note of the United States, or other evidence of indebtedness of the United States that is guaranteed as to principal and interest by the United States.

C. Obligations, the principal and interest on which, are unconditionally guaranteed or insured by the State of Texas.

D. A bond of the State of Texas or of a county, city or other political subdivision of the State of Texas having been rated as investment grade (investment rating no less than "A" or its equivalent) by a nationally recognized rating agency with a remaining maturity of ten (10) years or less.

Subject to Audit

All collateral shall be subject to inspection and audit by the 4B Investment Officer or the City's independent auditors.

Delivery vs. Payment

Treasury Bills, Notes, Bonds, Repurchase Agreements and Government Agencies' securities shall be purchased using the delivery vs. payment method. That is, funds shall not be wired or paid until verification has been made that the correct security was received by the Trustee. The security shall be held in the name of the 4B Corporation or held on behalf of the 4B Corporation. The Trustee's records shall assure the notation of the 4B Corporation's ownership of or explicit claim on the securities. The original copy of all safekeeping receipts shall be delivered to the 4B Corporation.

VIII. INVESTMENT POLICY ADOPTION

The Kenedy 4B Corporation's investment policy shall be adopted by resolution of the 4B Corporation board. The policy shall be reviewed for effectiveness on an annual basis by the 4B Corporation board and any modifications will be recommended for approval to the 4B board. The 4B Corporation shall review these investment policies and strategies not less than annually.