

**AGENDA FOR MEETING OF
THE CITY OF KERRVILLE, TEXAS
ECONOMIC IMPROVEMENT CORPORATION
Monday, August 15, 2011, 4:00 p.m.
Kerrville City Hall Council Chambers
800 Junction Highway, Kerrville, Texas**

1. CALL TO ORDER

2. INVOCATION

3. VISITORS FORUM

At this time, any person with business not scheduled on the agenda may speak to the corporation. No deliberation or action can be taken on these items because the Open Meetings Act requires an item be posted on an agenda 72 hours before the meeting. Visitors are asked to limit presentations to three minutes.

4. APPROVE MINUTES:

4A. Approve minutes from July 18, 2011.

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5. MONTHLY REPORTS:

5A. Monthly financials for July 2011.

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5B. EIC construction project status.

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6. CONSIDERATION AND ACTION:

6A. Authorize the execution of the Fiscal Year 2012 Administrative Services Contract with the City of Kerrville. (Wendele)

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6B. Authorize the execution of the EIC investment policy from Patterson and Associates. (Erwin)

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6C. Authorize the Economic Improvement Corporation to enter into a Purchase and Sale Agreement with KEDF for the purchase of approximately 86.71 acres located at 300 Peterson Farm Road. (Hayes)

6D. Provide direction to staff regarding joint City Council – EIC meeting held August 10, 2011. (Howard)

6E. Accept resignation from EIC Board Member, Bob Miller. (Miller)

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7. INFORMATION AND DISCUSSION:

7A. Update from the Hill Country Shooting Sports Center. (Burch)

7B. Update regarding the Kerrville Economic Development Corporation. (Appel)

The facility is wheelchair accessible and accessible parking spaces are available. Requests for accommodations or interpretive services must be made 48 hours prior to this event. Please contact the City Secretary's Office at 830-257-8000 for further information.

I do hereby certify that this notice of meeting was posted on the bulletin board at the city hall of the city of Kerrville, Texas, and said notice was posted on the following date and time: August 11, 2011 at 4:15 p.m. and remained posted continuously for at least 72 hours proceeding the scheduled time of the meeting.

Teri Kinsey
Deputy City Secretary, City of Kerrville, Texas

8. EXECUTIVE SESSION:

The EIC Board reserves the right to discuss any of the above items in executive closed session if they meet the qualifications in Sections 551.071 (consultation with attorney), 551.072 (deliberation regarding real property), 551.073 (deliberation regarding gifts), 551.074 (personnel matters), 551.075, 551.076 (deliberation regarding security devices) or 551.087 (deliberation regarding economic development negotiations) of Chapter 551 of the Government Code of the State of Texas.

Sections 551.071, 551.072 and 551.087:

- Consider proposal from Kerr Economic Development Foundation ("KEDF") for the Economic Improvement Corporation to enter into a Purchase and Sale Agreement with KEDF for the purchase of approximately 86.71 acres located at 300 Peterson Farm Road.
- Kerrville Economic Development Corporation's update on deliberations regarding commercial or financial information that the governmental body has received from a business prospect(s) that the governmental body seeks to have locate, stay, or expand in or near the territory of the governmental body and with which the governmental body is conducting economic development negotiations.

9. ACTION ON ITEMS DISCUSSED IN EXECUTIVE SESSION

10. ADJOURNMENT

The facility is wheelchair accessible and accessible parking spaces are available. Requests for accommodations or interpretive services must be made 48 hours prior to this event. Please contact the City Secretary's Office at 830-257-8000 for further information.

I do hereby certify that this notice of meeting was posted on the bulletin board at the city hall of the city of Kerrville, Texas, and said notice was posted on the following date and time: August 11, 2011 at 4:15 p.m. and remained posted continuously for at least 72 hours preceding the scheduled time of the meeting.

Teri Kinsey
Deputy City Secretary, City of Kerrville, Texas

**CITY OF KERRVILLE, TEXAS
ECONOMIC IMPROVEMENT CORPORATION**

**REGULAR MEETING
July 18, 2011**

On Monday, July 18, 2011, the meeting of the directors of the City of Kerrville, Texas Economic Improvement Corporation, was called to order at 4:00 p.m. by Gregg Appel, President, in the City Hall Council Chambers, 800 Junction Highway, Kerrville, Texas.

Members Present:

Gregg Appel, President
Kenneth Early, Vice President
Tony Roberts, Secretary
Rex Boyland (*arrived at 4:25 pm*)
Larry Howard
Stacie Keeble
Robert Miller

Members Absent:

None

Staff Present:

Todd Parton, City Manager
Mike Hayes, City Attorney
Mindy Wendele, Director of Business Programs
Mike Erwin, Director of Finance
Teri Kinsey, Deputy City Secretary

2. **INVOCATION:** Given by President Gregg Appel.

3. **VISITORS FORUM:** No one spoke

4. **APPROVE MINUTES:**

4A. Approve minutes from June 20, 2011.

Mr. Howard moved to approve the June 20, 2011 minutes; Mr. Early seconded; motion passed 6-0.

5. **MONTHLY REPORTS:**

5A. Monthly financials for June 2011.

Mr. Howard moved to approve the June 2011 financials as presented; Ms. Keeble seconded; motion passed 6-0.

5B. EIC construction project status.

Mr. Miller moved to approve the June 2011 construction status report as presented; Mr. Early seconded, motion passed 6-0.

6. **CONSIDERATION AND ACTION:**

6A. Consideration of funding agreement request from Kerr County Commissions' Court for \$4.6M, for the Ag Complex improvement and expansion.

It was the consensus of the EIC Board not to take any action on Kerr County's funding request, the IRT siting they could not make a recommendation based on the information provided under the economic development standards as outlined in the funding request application. It was also stated that the amount requested is in excess of an amount that would be spent on a quality of life project as well. It was

suggested by the Board to possibly add the Exhibit Center to the City's/EIC's list of priorities in conjunction with the Economic Development Strategic Plan.

6B. Consider and approve the FY12 budget.

The Board discussed possibly moving the fund balance and/or reallocating money into different categories, it was decided that this would create additional steps in the approval process with city council and would not be of any benefit.

Mr. Howard moved to approve the FY12 budget as presented; Mr. Roberts seconded, motion passed 7-0.

7. INFORMATION AND DISCUSSION:

7A. Update from the Hill Country Shooting Sports Center.

Jack Burch was unable to attend the July 18, 2011 meeting; this item was rescheduled for August 15, 2011.

7B. Update from Ray Watson, Director of the Kerrville Economic Development Corporation.

Ray Watson presented his quarterly update to the EIC Board and stated the main goals now of the KEDC were to complete the strategic plan and come up with a prioritized list of proposed projects. A meeting with state personnel will be scheduled, along with the President of the Chamber of Commerce, to give a presentation for uses of 4B revenues in September; the EIC Board was invited to attend as well. KEDC was also working on the following; speaking with hotels to possibly bring in a convention/conference type facility, meeting with groups handling the Target facility; the Harper Road and Guadalupe Street projects; and a new website with marketing material.

7C. Presentation of the Investment Policy and Economic Development Strategic Plan.

Mike Erwin reviewed the original investment policy submitted by Patterson and Associates and advised the Board that city council had not taken any action on the revised version submitted by the EIC Investment Policy Committee at the April 12, 2011 council meeting. Mr. Erwin requested that EIC approve the original draft of the investment policy at the August meeting and resubmit to city council for their approval. Board members asked what the differences were between the original draft and the EIC revised draft. Mike Erwin explained that the main difference was in the strategy, it was suggested that EIC would only keep 110% of the estimated expenditures for the next month in a checking account. The other change was that it put a benchmark on the investment manager, to earn more than 10% than a 6 month tea bill rate, making there a performance level on the investments. The EIC Board ask that the following changes be made: page 2, paragraph 5, change "Executive Director" to whatever is appropriate for EIC and add language in the Administrative Services Contract to reflect banking services and the investment manager.

The EIC/City Council Joint Meeting is scheduled for August 10, 2011 from 8:30 am to 12:30 pm.

The strategic plan, which was presented by Todd Parton, included; 110 projects over the next 5 years, totaling approximately \$7.4M in costs, incentives by the city that would entice businesses to Kerrville, and an overall basis and vision for the community. Three key issues that were taken into consideration when drafting the

Economic Strategy are Kerrville's Municipal Plan, the EDSP from 2008, and the Water/Wastewater Plan. Mr. Parton also outlined the Scope of Place, Quality of Place and Core Infrastructure for the City of Kerrville and the findings. Mr. Parton explained that Kerrville's economic development strategy should be scheduled to accommodate short-term, medium-term, and long-term objectives and reviewed a number of projects and what their economic impact would be on the city. It was Mr. Parton's recommendation that no more than 50% of 4B revenues to debt service that exceeds 10 years, which will accommodate larger-scale projects while preserving a substantial amount of operating capital each year.

8. EXECUTIVE SESSION:

The EIC Board reserves the right to discuss any of the above items in executive closed session if they meet the qualifications in Sections 551.071 (consultation with attorney), 551.072 (deliberation regarding real property), 551.073 (deliberation regarding gifts), 551.074 (personnel matters), 551.075, 551.076 (deliberation regarding security devices) or 551.087 (deliberation regarding economic development negotiations) of Chapter 551 of the Government Code of the State of Texas.

9. ACTION ON ITEMS DISCUSSED IN EXECUTIVE SESSION: None

10. ADJOURNMENT:

Mr. Howard moved to adjourn the meeting; Mr. Roberts seconded; motion passed 7-0. The meeting adjourned at 6:24 PM.

APPROVED: August 15, 2011

Gregg Appel, President

Teri Kinsey, Deputy City Secretary

CITY OF KERRVILLE
Economic Improvement Corporation
EIC Capital Projects Fund

Cash Balance as of July 1, 2011		\$	1,073,197
Revenues:			
Transfer In	\$	-	
Total Revenues/Transfer In	\$	-	
Expenses:			
Services			
Special Services			
Hill Country Shooting Sports Center		17,808	
Harper Road Utility Extension	\$	113,246	
Salvation Army Center	\$	9,331	
Hill Country Home Opportunity	\$	1,266	
	\$	141,651	
Capital Outlay			
Capital Outlay Total			-
Transfer Out			
Total Expenses	\$	141,651	
Revenue Over (Under) Expenditures			\$ (141,651)
Ending Cash Balance as of July 31, 2011			\$ 931,546

CITY OF KERRVILLE
Economic Improvement Corporation
Sales Tax Improvement Fund

Cash Balance as of July 1, 2011		\$ 2,674,534
Deposits:		
Sales Tax	\$ 190,696	
Interest Revenue	\$ 545	
Transfer In		
	<hr/>	
	\$ 191,242	
Expenses:		
Office Supplies		
Disclosure Notice		
Administrative Service Fee	\$ 6,250	
Special Services - Category 1		
Special Services - Category 2	\$ -	
Transfer for Debt Service	\$ 42,083	
Total Expenses	<hr/>	
	\$ 48,333	
Revenues Over (Under) Expenditures		<hr/>
		\$ 142,909
Ending Cash Balance as of July 31, 2011		<u><u>\$ 2,817,442</u></u>

City of Kerrville
Economic Improvement Corporation
Sales Tax Improvement Fund - Revenue and Expense Statement
For the month ending July 31, 2011

	Annual Budget	Current Period	Y-T-D Actual	% of Budget	Budget Balance
BEGINNING CASH BALANCE	\$ 2,228,924		\$ 2,228,924		
REVENUE:					
Sales and Use Tax	\$ 2,250,000	\$ 190,696	\$ 1,937,541	86.11%	\$ 312,459
Interest	\$ -	\$ 545	\$ 9,376	#DIV/0!	\$ (9,376)
Transfer In			\$ 9,188		
TOTAL REVENUE	\$ 2,250,000	\$ 191,242	\$ 1,956,105	86.94%	\$ 303,083

	Annual Budget	Current Period	Y-T-D Actual & Encumbrance	% of Budget	Budget Balance
EXPENDITURES:					
Administrative					
Advertising	\$ -		\$ 257	-	\$ (257)
Transfer to Debt Service Fund	\$ 505,000	\$ 42,083	\$ 420,833	83.33%	\$ 84,167
Economic Development Governing Body	\$ 225,000		\$ 225,000	100.00%	\$ -
Annual Disclosure Fee			\$ 3,500		\$ (3,500)
Administrative Services Fee	\$ 75,000	\$ 6,250	\$ 62,500	83.33%	\$ 12,500
Total Administrative	\$ 805,000	\$ 48,333	\$ 712,090	88.46%	\$ 92,910
Category I - Business Development					
Hill Country Shooting Center			\$ 494,838	100.00%	\$ (494,838)
Commercial Improve Pilot Program			\$ 50,000	100.00%	\$ (50,000)
USDA			\$ 110,659		
Unspecified	\$ 781,000	\$ -		0.00%	\$ 781,000
Total Category I	\$ 781,000	\$ -	\$ 655,497	100.00%	\$ 236,162
Category II - Quality of Life					
Schreiner University Project	\$ -	\$ -		#DIV/0!	\$ -
Hill Country Home Opportunity Program	\$ -			100.00%	\$ -
Category II Unspecified	\$ 82,000			0.00%	\$ 82,000
Total Category II	\$ 82,000	\$ -	\$ -	0.00%	\$ 82,000
Category III - Public Infrastructure					
Unspecified Projects	\$ 82,000			0.00%	\$ 82,000
Total Category III	\$ 82,000	\$ -	\$ -	0.00%	\$ 82,000
Contingency	\$ 500,000			0.00%	\$ 500,000
TOTAL EXPENDITURES	\$ 2,250,000	\$ 48,333	\$ 1,367,587	60.78%	\$ 993,072
NET REVENUES TO EXPENDITURES	\$ -	\$ 142,909	\$ 588,518		

ENDING CASH BALANCE: July 31, 2011 Budget Actual
\$ 2,228,924 \$ 2,817,442

	Pro Forma				
	2011	2012	2013	2014	2015
Beginning Cash Balance	\$ 2,228,924	\$ 2,252,924	\$ 3,612,374	\$ 4,993,537	\$ 6,822,180
Revenue					
Sales Tax	\$ 2,250,000	\$ 2,272,500	\$ 2,295,225	\$ 2,318,177	\$ 2,341,359
Interest	\$ 24,000	\$ 25,200	\$ 26,460	\$ 27,783	\$ 29,172
Total Revenue	\$ 2,274,000	\$ 2,297,700	\$ 2,321,685	\$ 2,345,960	\$ 2,370,531
Expense					
KEDF-USDA	\$ 131,000	\$ 131,000	\$ 131,000	\$ 32,000	
Promo (ED Gov)	\$ 225,000	\$ 227,250	\$ 229,523	\$ 231,818	\$ 234,136
Administrative Services-City	\$ 75,000	\$ 75,000	\$ 75,000	\$ 75,000	\$ 75,000
Commercial Improvement Program	\$ 50,000				
Other/Unspecified	\$ 1,264,000	\$ -	\$ -	\$ -	\$ -
Debt Service Transfer	\$ 505,000	\$ 505,000	\$ 505,000	\$ 178,500	
Total Expenditure	\$ 2,250,000	\$ 938,250	\$ 940,523	\$ 517,318	\$ 309,136
Revenue over Expense	\$ 24,000	\$ 1,359,450	\$ 1,381,163	\$ 1,828,643	\$ 2,061,395
Ending Cash Balance	\$ 2,252,924	\$ 3,612,374	\$ 4,993,537	\$ 6,822,180	\$ 8,883,575

CITY OF KERRVILLE
Economic Improvement Corporation
Sales Tax Debt Service Fund

Cash Balance as of July 1, 2011		\$ 322,583
Revenues:		
Transfer from Sales Tax Improvements Fund	\$ 42,083	
Total Deposits	<u>\$ 42,083</u>	
Expenses:		
Paying Agent Fee	\$ -	
Bond Principal	\$ -	
Bond Interest	\$ -	
Total Expenses	<u>\$ -</u>	
Revenues Over (Under) Expenditures:		<u>\$ 42,083</u>
Ending Cash Balance as of July 31, 2011		<u><u>\$ 364,666</u></u>

CITY OF KERRVILLE
Economic Improvement Corporation
Sales Tax Debt Service Fund
Revenue and Expense Statement
For the month ending July 31, 2011

	Annual Budget	Current Period	Y-T-D Actual	% of Budget	Budget Balance
BEGINNING CASH BALANCE	\$ 411,596		\$ 411,596		
REVENUE:					
Transfer from Sales Tax Improvement Fund	\$ 505,000	\$ 42,083	\$ 420,833	83.33%	\$ 84,167
Return of Equity - Park Lane Extension	\$ -			100.00%	\$ -
TOTAL REVENUE	\$ 505,000	\$ 42,083	\$ 420,833	83.33%	\$ 84,167
	Annual Budget	Current Period	Y-T-D Actual	% of Budget	Budget Balance
EXPENDITURES:					
Series 1999 Sales Tax Bond Debt Service	\$ 425,000	\$ -	\$ 425,000	100%	\$ -
Series 1999 Sales Tax Bond Interest Expense	\$ 73,859	\$ -	\$ 41,764	57%	\$ 32,095
Paying Agent Fees	\$ 1,000	\$ -	\$ 1,000	100%	\$ -
First Southwest Continuing Disclosure Fee	\$ -	\$ -	\$ -	-	\$ -
TOTAL EXPENDITURES	\$ 499,859	\$ -	\$ 467,764	93.58%	\$ 32,095
ENDING CASH BALANCE: July 31, 2011	Budget \$ 416,737		Actual \$ 364,666		

	Pro Forma				
	2011	2012	2013	2014	2015
Beginning Cash Balance	\$ 411,596	\$ 413,237	\$ 414,671	\$ 416,671	\$ 95
Revenue					
Transfer from Sales Tax Improvement Fund	\$ 505,000	\$ 505,000	\$ 505,000	\$ 84,200	\$ -
Total Revenue	\$ 505,000	\$ 505,000	\$ 505,000	\$ 84,200	\$ -
Expenditures:					
Series 1999 Sales Tax Bond Debt Principal	\$ 425,000	\$ 445,000	\$ 465,000	\$ 485,000	\$ -
Series 1999 Sales Tax Bond Debt Interest	\$ 73,859	\$ 54,066	\$ 33,248	\$ 11,276	\$ -
Paging Agent Fees	\$ 1,000	\$ 1,000	\$ 1,000	\$ 1,000	\$ -
Continuing Disclosure Fee	\$ 3,500	\$ 3,500	\$ 3,500	\$ 3,500	\$ -
Total Expenditure	\$ 503,359	\$ 503,566	\$ 502,748	\$ 500,776	\$ -
Revenue over expenditures	\$ 1,641	\$ 1,434	\$ 2,252	\$ (416,576)	\$ -
Ending Cash Balance	\$ 413,237	\$ 414,671	\$ 416,923	\$ 95	\$ 95

CITY OF KERRVILLE
 Economic Improvement Corporation
 SALES TAX REVENUE ANALYSIS

	Actual FY 2008	Actual FY 2009	Actual FY 2010	Approved FY 2011	Actual FY 2011	Difference Projected vs Actual	% of Projected Variance
October	\$ 194,330	\$ 195,050	\$ 179,735	\$ 173,552	\$ 184,602	\$ 11,050	6.37%
November	\$ 219,398	\$ 218,565	\$ 188,879	\$ 216,981	\$ 207,677	\$ (9,304)	-4.29%
December	\$ 195,398	\$ 202,043	\$ 170,981	\$ 173,554	\$ 169,550	\$ (4,004)	-2.31%
January	\$ 187,236	\$ 190,881	\$ 170,645	\$ 158,281	\$ 195,030	\$ 36,749	23.22%
February	\$ 251,426	\$ 239,208	\$ 236,837	\$ 261,777	\$ 241,320	\$ (20,457)	-7.81%
March	\$ 194,946	\$ 200,569	\$ 163,136	\$ 150,622	\$ 169,754	\$ 19,132	12.70%
April	\$ 168,423	\$ 259,861	\$ 160,461	\$ 153,072	\$ 157,729	\$ 4,657	3.04%
May	\$ 234,014	\$ 228,262	\$ 203,235	\$ 214,787	\$ 234,742	\$ 19,955	9.29%
June	\$ 193,637	\$ 181,835	\$ 182,429	\$ 168,623	\$ 186,441	\$ 17,818	10.57%
July	\$ 200,625	\$ 183,253	\$ 179,622	\$ 170,721	\$ 190,696	\$ 19,975	11.70%
August	\$ 230,443	\$ 219,318	\$ 221,711	\$ 228,210			
September	\$ 213,253	\$ 189,718	\$ 186,321	\$ 180,144			
Total	\$ 2,483,129	\$ 2,508,562	\$ 2,243,991	\$ 2,250,324	\$ 1,937,542	\$ 95,572	5.19%

CITY OF KERRVILLE
Economic Improvement Corporation
EIC Capital Projects Fund

Cash Balance as of July 1, 2011		\$ 1,073,197
Revenues:		
Transfer In	\$ -	
Total Revenues/Transfer In	<u>\$ -</u>	
Expenses:		
Services		
Special Services		
Hill Country Shooting Sports Center	17,808	
Harper Road Utility Extension	\$ 113,246	
Salvation Army Center	\$ 9,331	
Hill Country Home Opportunity	<u>\$ 1,266</u>	
	<u>\$ 141,651</u>	
Capital Outlay		
Capital Outlay Total		-
Transfer Out		
Total Expenses	\$ 141,651	
Revenue Over (Under) Expenditures		<u>\$ (141,651)</u>
Ending Cash Balance as of July 31, 2011		<u><u>\$ 931,546</u></u>

CITY OF KERRVILLE
Economic Improvement Corporation
Sales Tax Improvement Capital Projects Fund

Project Status Summary
For the month ending July 31, 2011

YEAR(S) FUNDED	PROJECTS	Funding Agreement	EIC Funding Agreement Commitment	EIC Funded To Date	Non-EIC Funding	Total Funded	Project Expenses to Date	Project Balance	EIC Future Allocation Balance
2006/07	Harper Highway Utility Extension	FA 2008-013	\$ 2,850,000	\$ 2,850,000	\$ 302,396	\$ 3,152,396	\$ 2,726,384	\$ 426,012	-
2007/08	Salvation Army Kroc Center	FA 2008-011	\$ 500,000	\$ 500,000		\$ 500,000	\$ 447,979	\$ 52,021	-
2008/09	Alamo Workforce	FA 2009-03	\$ 109,887	\$ 109,887		\$ 109,887	\$ 108,394	\$ 1,493	0
2008/09	KEDF USDA Payment*	FA 2008-08	\$ 525,000	\$ 210,627		\$ 210,627	\$ 210,627	\$ (0)	314,373
2009/10	Hill Country Home Opportunity	FA 2010-02	\$ 150,000	\$ 150,000		\$ 150,000	\$ 15,482	\$ 134,518	-
2009/10	Commercial Improvement Program		\$ 100,000	\$ 100,000		\$ 100,000	\$ 20,000	\$ 80,000	-
2010/11	Commercial Improvement Program		\$ 50,000	\$ 50,000		\$ 50,000	\$ -	\$ 50,000	-
2010/11	Hill Country Shooting Center	FA 2010-03	\$ 494,838	\$ 494,838		\$ 494,833	\$ 316,070	\$ 178,763	-
TOTALS			\$ 4,779,725	\$ 4,465,352	\$ 302,396	\$ 4,767,743	\$ 3,844,936	\$ 922,807	\$ 314,373

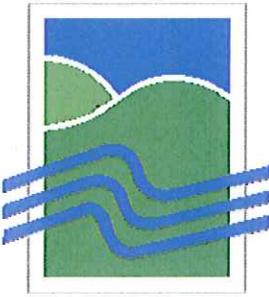
Cash Balance on 7/31/2011:

\$ 931,546

* Funding moved as payment becomes due

Unallocated cash available:

\$ 8,738



City of Kerrville
Director of Engineering
800 Junction Highway
Kerrville, Texas 78028-5069
830.792.8310 (O)
830.896.8793 (F)
mike.wellborn@kerrvilletx.gov

MEMORANDUM

TO: EIC Board

FROM: Michael Wellborn, P.E., Director of Engineering

DATE: August 11, 2011

SUBJECT: July, 2011 CIP Update for EIC Funded Projects

Harper Road Utility Extension (\$2,850,000.00) – The project construction contract was awarded to Nelson Lewis, Inc. in an amount not to exceed \$2,520,564.00 on June 22, 2010. Notice to Proceed letter issued on August 2, 2010. In addition to the construction contract, City Council awarded a separate contract to Raba Kistner Consultants, Inc to perform the required material testing for the project. The contract with the consultant is a not to exceed contract in an amount of \$67,840.00.

Nelson Lewis, Inc. has currently invoiced & been paid 95% of their construction contract. Raba Kistner has invoiced & been paid 24% of their material testing contract.

On May 10, 2011 City Council approved a \$183,000.00 change order to extend water & sewer to the west side of Harper Road; however, this extension is being funded through water & sewer debt and not EIC funds. This portion of the project is substantially complete.

Salvation Army Kroc Center Site Work & Drainage Improvements (\$570,000.00) – This project consists of constructing retaining walls, side walks, walking trails, fencing, replacement of sanitary sewer and other associated improvements related to the Salvation Army Kroc Center including site preparation, grading and drainage. The construction contract was awarded to Yantis Company (Contractor) during the May 12, 2009 City Council meeting in the amount of \$1,119,735.75. On June 8, 2010, Council authorized the increase of the Yantis Contract to the amount of \$1,173,959.55 and authorized the release of the remainder funds in the amount of \$44,317.46 to cover change orders. Additional railing was added to the project in March of this year and completed in July. Final acceptance has been issued to the Contractor and the project will be closed this fiscal year (FY11).

**ADMINISTRATIVE SERVICES CONTRACT BETWEEN CITY OF KERRVILLE, TEXAS AND
CITY OF KERRVILLE, TEXAS ECONOMIC IMPROVEMENT CORPORATION**

THIS CONTRACT is entered effective as of the 1st day of October, 2011, by and between the City of Kerrville, Texas, ("City") and the City of Kerrville, Texas Economic Improvement Corporation ("EIC") for and in consideration of the following promises and conditions:

ARTICLE I
SERVICES PROVIDED BY CITY

City agrees to provide the following services to the EIC subject to the limitations and conditions set forth below:

1. Engineering and Project Management Services: City agrees to provide engineering services, including, but not limited to, design, bid, and construction phases for EIC projects; provided, however, for projects which will require an expenditure of more than \$25,000.00 for construction, specialized engineering services and administration, or supervision and/or coordination of contracts between the EIC and consulting engineers, prior approval of the City Manager shall be required before commencement of such services. City further agrees to provide the necessary labor and overhead to conduct project management services for all projects which are authorized by the EIC to be funded in whole or in part by sales tax revenues generated pursuant to the authority of Chapters 501, 502, and 505 of the Texas Local Government Code, as amended.
2. Legal Services: City agrees the City Attorney will be the legal advisor of, and attorney for, the EIC, which representation will include review of documents, contracts, and other instruments as to form and legality, and conduct of legal research and, if requested, issuance of legal memoranda or opinions. In the provision of legal services by the City Attorney, the City Attorney shall provide such services only if the provision of legal services to the EIC does not unreasonably impair his ability to provide legal services to the City. Furthermore, in the event the City Attorney determines that a legal or ethical conflict exists between the City and the EIC, the EIC agrees that the City Attorney may continue to represent the City on such matter notwithstanding such conflict provided the City Attorney has made reasonable disclosure of the conflict to the president of the EIC. Notwithstanding this paragraph, EIC shall at all times retain the right to hire counsel of its own choice at EIC expense.
3. Financial Services: City agrees to provide accounting services, including, but not limited to, accounts receivable, accounts payable, investments, record keeping, and financial reporting and audit.
4. Administrative Services: City agrees to provide the services of the City Manager on an as needed basis for meetings and consultation. In addition, the City Manager's office shall provide secretarial and other clerical services, including, but not limited to, taking minutes and preparation of resolutions and correspondence related to the operation of the EIC.

ARTICLE II
COMPENSATION

In consideration of the provision by City to EIC of the services described in Article I, above, EIC agrees to pay to City the sum of \$100,000.00. It is agreed by the parties hereto that the compensation described in this Article II is equal to the reasonable value of the services anticipated to be provided by City

to the EIC. City shall deduct the payment required hereunder upon receipt of said sales tax revenues from the Comptroller of Public Accounts for the State of Texas.

ARTICLE III
TERM

The Term of this Contract shall commence on October 1, 2011, and end on September 30, 2012, subject to earlier termination as herein provided, and extension by agreement of the parties hereto.

ARTICLE IV
TERMINATION

This Contract may be terminated by the City or EIC for any reason, with or without cause, not earlier than thirty (30) days prior to delivery to the non-terminating party of a written notice of termination. EIC agrees to pay City the reasonable cost of services rendered by City up to the date of termination.

ARTICLE V
GOVERNING LAW

This Contract shall be governed by and construed in accordance with the laws of the State of Texas.

IN WITNESS WHEREOF, the parties hereto have executed this Contract in the year and as of the date indicated.

CITY OF KERRVILLE, TEXAS

CITY OF KERRVILLE, TEXAS ECONOMIC
IMPROVEMENT CORPORATION

By: _____
Jeffrey Todd Parton, City Manager

By: _____
Greg Appel, President

ATTEST:

ATTEST:

Brenda G. Craig, City Clerk

Tony Roberts, Secretary-Treasurer

APPROVED AS TO FORM:

Michael C. Hayes, City Attorney

Economic Improvement Corporation

**City of Kerrville, Texas
Investment Policy**

Adopted ~~December 2011~~ August 2011

1. General Policy

It is the policy of the Economic Improvement Corporation (the "EIC") of the City of Kerrville (the "City") to administer its funds and the investment of those funds, as its highest public trust. The funds shall be invested in a manner, which provides for the safety of principal through risk management and diversification while meeting all the cash needs. Investments should provide a reasonable investment return and the earnings will be used in a manner that best serves the interests of the EIC and the City.

This Policy is designed to be in conformance with the Public Funds Investment Act, Chapter 2256, Texas Government Code (the "Act"), and any applicable state and federal regulations, and applicable bond resolution requirements.

2. Scope

This Policy will govern the investment of all the financial assets (including, but not limited to the three funds: Sales Tax Improvement, EIC Debt Service and EIC Projects) of the EIC, with the exclusion of real-estate assets

3. Goals and Objectives

Investment of EIC funds shall be governed by the following investment objectives, in their order of priority:

a. Safety

Safety of principal is the foremost objective of the investment program. Investment shall be undertaken in a manner that seeks to ensure the preservation of capital and avoids security defaults or erosion of market values. To attain this objective, diversification will be used to limit potential losses on individual securities.

b. Liquidity

The investment portfolio will remain sufficiently liquid to enable EIC to meet all operating requirements that might be reasonable anticipated. Ongoing cash flow analysis will be used to identify changing liquidity needs and anticipate cash needs. A liquidity buffer of cash equivalent investments should be maintained to meet unanticipated liabilities.

To the extent possible, EIC will attempt to match its investment maturities with anticipated liabilities and cash flow requirements. EIC will not directly invest in any securities maturing more than two (2) years from the date of purchase.

To reflect overall cash flow requirements and risk tolerance levels of EIC, the weighted average maturity of the overall portfolio shall not exceed ~~one year~~ 185 days.

c. Diversification

In order to minimize investment and market risk, EIC will diversify its investments by security type and maturity. The portfolio will be designed to avoid unreasonable risks within one market sector or from an individual financial institution.

d. Yield

EIC's investment portfolio shall be designed with the objective of attaining a reasonable yield throughout budgetary and economic cycles, commensurate with investment risk constraints and the cash flow characteristics of the portfolio. The portfolio(s) risk shall be measured quarterly against a benchmark which is based on anticipated cash flow analysis and the authorized portfolio structure. The overall portfolio shall have a maximum weighted average maturity of 185 days. To measure the overall risk of the portfolio, a benchmark of the 26 week Constant Maturity Treasury Bill plus 10% shall be reported.

4. Investment Strategy

All EIC funds are to be commingled in one portfolio for investment purposes and efficiency. The investment strategy of the portfolio has as its primary objective to assure that anticipated cash flows are matched and adequate liquidity maintained with minimal volatility. The portfolio will be structured with high credit quality, short and intermediate term securities to minimize market, liquidity, and credit risks. The maximum dollar weighted average maturity of the portfolio will be 185 days calculated on stated maturity dates.

5. Investment Officers

Under the Administrative Services Contract between EIC and the City, the Investment Officer designated for the City shall act as the Investment Officer of the EIC. The Board may designate additional qualified employees or an SEC Registered Investment Advisor, as Investment Officer(s). The designation of all Investment Officers shall be by Board resolution. Authority and designation as Investment Officer is effective until rescinded by the EIC, expiration of the officer's term, or until termination of employment.

All Investment Officer(s) shall be familiar with this Policy and its underlying procedures. No Investment Officer may engage in an investment transaction except as provided under the terms of this Policy and its supporting procedures.

A trading resolution is established by adoption of this Investment Policy authorizing the Investment Officer(s) to engage in investment transaction on behalf of the EIC. The persons so authorized to transact business are also authorized to approve wire transfers used in the process of investing.

Training

All Investment Officer(s) shall attend ten (10) hours of training in accordance with the Act within twelve (12) months of assuming responsibilities and attend (10) hours of training in each successive two-year period. Training costs shall be provided by the EIC with Board approved training courses. Training should include topics such as investment controls, security risk, market risks, diversification of the investment portfolio and compliance with State laws.

6. Standard of Care

The standard of care to be used by the Investment Officer(s) shall be the "prudent person standard" and shall be applied in the context of managing the overall portfolio, rather than a consideration as to the prudence of a single investment; and whether the investment decision was consistent with this Investment Policy. The standard states:

Investment shall be made with judgment and care, under prevailing circumstances, that a person of prudence, discretion, and intelligence would exercise in the management of their own affairs, not for speculation but for investment, considering the probable safety of the capital and the probable income to be derived.

Investment Officer(s) acting in accordance with the Investment Policy and exercising due diligence, shall be relieved of personal liability for an individual security's credit risk or market price change, provided that deviations from expectations are reported in a timely manner and appropriate action is taken to control adverse developments.

An investment officer who has any personal or business relationship with a business organization offering to engage in an investment transaction with the EIC shall file a statement disclosing that personal business interest to the Board.

7. Standard of Ethics

Investment Officer(s) shall act as custodians of the public trust and shall refrain from any transaction that might involve a conflict of interest or the appearance of a conflict of interest, or any activity that might otherwise discourage public confidence. Investment Office(s) shall refrain from personal business activity that could conflict with proper execution of the investment program or that could impair their ability to make impartial investment decisions.

An Investment Officer who has a personal or business relationship with an individual or organization seeking to sell an investment to the EIC shall file a disclosure statement with the Texas Ethics Commission and the Board.

8. Investment Advisors, Investment Pools, and Broker/Dealers

The EIC recognizes that all investment decisions regarding the portfolio are ultimately the responsibility of the Board. However, all investment advisors and broker/dealers conducting business with the EIC shall make every reasonable effort to adhere to the spirit, philosophy, and specific terms of this Investment Policy.

Broker/Dealers

A list of not less than five authorized broker/dealers (or banks) shall be maintained to assure a competitive process. The Investment Officer(s) will establish the criteria, monitor the service, and evaluate the broker/dealers based on their experience and responsiveness to the City's requests for service and information.

Financial Institutions and broker/dealers who desire to transact business with the EIC must supply the following documents to the Investment Officer or Investment Advisor (as applicable):

- Current year audited financial statements
- Financial Institutions Regulatory Agency (FINRA) certification and FINRA's Central Depository Registration (CRD) number.
- Proof of Texas State Securities registration.

Broker/dealers shall provide timely trade documentation and confirmations.

Certification

Before transacting any business with the EIC, the Investment Officer shall present each broker/dealer with a current copy of the EIC's Investment Policy and an authorized representative of the firm shall, in writing, certify substantially to the effect that:

1. the broker/dealer has received and reviewed the Investment Policy, and
2. the firm has implemented reasonable procedures and controls to preclude investments with the EIC not authorized by the Policy.

The EIC shall not enter into any investment transaction with a broker/dealer prior to receiving the certification.

If material changes are made to the Investment Policy, an updated copy shall be provided to the authorized broker/dealer for re-certification.

Investment Advisor (Investment Manager)

The EIC may contract with another investing entity registered under the 15 U.S.C. Section 80b-1 et seq. to invest its funds. The Adviser will be held to the same standards of this Policy as the Investment Officer.

Investment advisors shall be registered with the U.S. Security and Exchange Commission and shall provide their SEC ADV Form to the EIC on an annual basis.

The EIC shall present investment advisors with a current copy of the Investment Policy and an authorized representative of the firm shall, in writing, certify substantially to the effect that:

1. the applicable advisors have received and reviewed the EIC's Investment Policy, and
2. the firm has implemented reasonable procedures and controls to preclude investments with the EIC not authorized by the Policy.

The EIC shall not enter into any investment transaction with an investment advisor prior to receiving the certification.

9. Authorized Investments

Authorized investments under this Policy shall be limited to the instruments listed below as further described by the Act.

- a. Obligations of the United States Government, its agencies and instrumentalities, excluding mortgage backed securities, with a stated final maturity not to exceed two (2) years.
- b. Obligations of the State of Texas, its agencies or political subdivisions, excluding mortgage backed securities, with a stated final maturity not to exceed two (2) years.
- c. FDIC insured certificates of deposit from banks doing business in Texas with a final stated maturity not to exceed twelve (12) months. Certificates of deposit shall be guaranteed or insured by the Federal Deposit Insurance Corporation or its successor.
- d. Share certificates of credit unions doing business in Texas and insured by the National Credit Union Share Insurance Fund or its successor and not to exceed twelve (12) months to maturity.

- e. AAA-rated, SEC registered money market mutual funds, striving to maintain a \$1 net asset value.
- f. Constant-dollar, AAA-rated Texas Local Government Investment Pools, approved by resolution of the Board and conforming in every respect to the Act.

The EIC investment in any investment pool shall not exceed ten percent of the total assets of the pool.

- g. Fully collateralized repurchase agreements transacted with a primary securities dealer as defined by the Federal Reserve, under a written Master Repurchase Agreement, with a defined termination date, secured by obligations as defined by this Policy held by an independent third party custodian approved by the EIC, and with a stated final maturity not to exceed one hundred eighty (180) days.

h. FDIC insured demand deposit accounts in banks doing business in Texas under a written depository agreement.

i. FDIC insured brokered certificates of deposit securities purchased from a broker or a bank in Texas, delivered versus payment to the City's safekeeping agent, not to exceed one year to maturity. Before purchase, the Investment Officer or Adviser must verify the FDIC status of the bank on www.2fdic.gov/idasp/main_bankfind.asp to assure that the bank is FDIC insured.

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Diversification by investment instrument shall not exceed the following guidelines for each type of instrument:

	Percentage of Portfolio (Maximum)
U.S. Treasury Obligations	80%
U.S. Government Agencies and Instrumentalities	100%
Local Government Investment Pool	10%
Fully Collateralized Certificates of Deposit	50%
Fully Collateralized Repurchase Agreements	
Money Market Mutual Funds	20%
State and municipal Obligations	20%

If additional types of securities are approved for investment by public funds by state statute, they will not be eligible for investment by the EIC until this policy has been amended and the amended version adopted by the Board.

Delivery versus Payment

All security transactions shall be transacted on a delivery versus payment (DVP) basis in order to ensure that the EIC has total control of its investments and its funds at all times.

Competitive Bidding

All investment transactions, including certificates of deposit, will be made on a competitive basis to assure that the EIC is receiving fair market prices.

10. Collateralization

The EIC is not a "public unit" as defined by FDIC regulations and is therefore not eligible to have pledged collateral from a bank. Bank time and demand deposits must be maintained under the FDIC insured limit, currently \$250,000 per bank holding company.

Repurchase Agreement- Owned Collateral

Collateral under a master repurchase agreement is owned by the EIC under a buy-sell transaction. It will be held by an independent third party safekeeping agent approved by EIC under an executed Master Repurchase Agreement. Collateral with a market value totaling 102% of the principal and accrued interest is required and the counter-party is responsible for the monitoring and maintaining of collateral and margins at all times.

11. Safekeeping and Custody of EIC Owned Securities

The laws of the State, this Policy, and prudent treasury management require that all securities be settled on a delivery versus payment basis and be held in safekeeping by an independent third party financial institution approved ~~by the EIC~~ through the Administrative Services Contract. EIC, through the contract -shall contract with its banking services depository or another financial institution(s) as Custodian for the safekeeping of any securities owned. The designated Custodian will be responsible for the clearing and safekeeping of all security trades and will provide a monthly report of holdings. All securities held by the Custodian on behalf of the EIC shall be evidenced by a safekeeping receipt.

12. Internal Control

The Investment Officer(s) shall maintain a system of internal controls over the investment activities and subordinate employees. The control shall be designed to address fraud, employee error, misrepresentation by third parties, unanticipated market changes, and imprudent actions. Controls deemed most important would include: control of collusion, separation of duties, custody and safekeeping, delegation of authority, securities losses and remedial actions, and documentation on all transactions.

The quarterly investment reports shall be reviewed annually by the City's independent auditor as part of the City's annual audit process. Any irregularities shall be reported to the Board.

Cash Flow Forecasting

Cash flow forecasting is a control designed to protect and sustain cash flow requirements. The Investment Officer(s) will maintain a cash flow forecasting process designed to monitor and forecast cash positions for investment purposes.

Monitoring Credit Rating

The Investment Officer or investment adviser shall monitor, on no less than a weekly basis, the credit rating on all authorized investments in the portfolio based upon independent information from a nationally recognized rating agency. If any security falls below the minimum rating required by Policy, the Investment Officer shall notify the City Manager of the loss of rating, conditions affecting the rating and possible loss of principal with liquidation options available, within two weeks after the loss of the required rating.

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Monitoring FDIC Coverage

The Investment Officer or Investment Adviser 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 which places the City above the FDIC insurance level.

13. Reporting

Not less than quarterly, the Investment Officer(s) shall report to the Board regarding the EIC's investment activities for the quarter in compliance with the Act. The reports shall contain sufficient information to permit an informed outside reader to evaluate the performance of the investment program. At a minimum the report shall include:

- description of each investment and depository position,
- book and market values at the beginning and end of the reporting period
- the change in market value during the period
- book value and market value of each separately invested asset at the beginning and end of the reporting period market sector
- earnings for the period
- overall yield in comparison to its benchmark yield for the period
- maturity date of each separately invested asset that has a maturity date.

Market prices for market value calculations shall be obtained from independent sources. The quarterly report shall be signed by the Investment Officer and Investment Advisor, as applicable.

14. Depositories

The EIC, through the Administrative Services Contract will designate one banking institution through a competitive process as its central banking services provider at least every five (5) years or utilize the banking services under the existing City contract. This institution will be used for normal banking services including disbursement, deposits, and safekeeping of securities.

Other banking institutions from which the EIC may purchase certificates of deposit will also be designated as depositories.

15. Policies and Strategy Review

The Board shall review and adopt the Investment Policy and incorporated Investment Strategy not less than annually. The Board shall adopt a written instrument by resolution stating that it has reviewed the Policy and Strategy and the adopting resolution shall record any changes made.

APPENDIX A
CERTIFICATION OF BROKER/DEALER

I hereby certify that I have personally read and understand the investment policy of the Kerrville Economic Improvement Corporation (KEIC) and have implemented reasonable procedures and controls designed to fulfill these objectives and conditions. Transactions between this firm and the KEIC will be directed toward precluding imprudent investment activities and protecting the KEIC from credit and market risk.

This firm pledges due diligence in informing the KEIC of foreseeable risks associated with financial transactions connected to this firm.

I attest that I am a qualified representative of this firm, authorized to sign on its behalf.
Firm:

Signature

Name:

Title:

Date:

APPENDIX B
APPROVED BROKER/DEALERS

APPENDIX C
INVESTMENT STRATEGY
2011

Sales Tax Improvement Fund

All authorized investments permitted.

Sales Tax Debt Service Fund

All authorized investments permitted. No funds shall be invested beyond the next upcoming annual principal payment due date for the bond issue.

Capital Projects Fund

All authorized investments permitted. No funds shall be invested beyond thirty days before the expected project completion date.

Economic Improvement Corporation

City of Kerrville, Texas Investment Policy

Adopted August 2011

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A trading resolution is established by adoption of this Investment Policy authorizing the Investment Officer(s) to engage in investment transaction on behalf of the EIC. The persons so authorized to transact business are also authorized to approve wire transfers used in the process of investing.

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Financial Institutions and broker/dealers who desire to transact business with the EIC must supply the following documents to the Investment Officer or Investment Advisor (as applicable):

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- Financial Institutions Regulatory Agency (FINRA) certification and FINRA's Central Depository Registration (CRD) number.
- Proof of Texas State Securities registration.

Broker/dealers shall provide timely trade documentation and confirmations.

Certification

Before transacting any business with the EIC, the Investment Officer shall present each broker/dealer with a current copy of the EIC's Investment Policy and an authorized representative of the firm shall, in writing, certify substantially to the effect that:

1. the broker/dealer has received and reviewed the Investment Policy, and
2. the firm has implemented reasonable procedures and controls to preclude investments with the EIC not authorized by the Policy.

The EIC shall not enter into any investment transaction with a broker/dealer prior to receiving the certification.

If material changes are made to the Investment Policy, an updated copy shall be provided to the authorized broker/dealer for re-certification.

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Investment advisors shall be registered with the U.S. Security and Exchange Commission and shall provide their SEC ADV Form to the EIC on an annual basis.

The EIC shall present investment advisors with a current copy of the Investment Policy and an authorized representative of the firm shall, in writing, certify substantially to the effect that:

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2. the firm has implemented reasonable procedures and controls to preclude investments with the EIC not authorized by the Policy.

The EIC shall not enter into any investment transaction with an investment advisor prior to receiving the certification.

9. Authorized Investments

Authorized investments under this Policy shall be limited to the instruments listed below as further described by the Act.

- a. Obligations of the United States Government, its agencies and instrumentalities, excluding mortgage backed securities, with a stated final maturity not to exceed two (2) years.
- b. Obligations of the State of Texas, its agencies or political subdivisions, excluding mortgage backed securities, with a stated final maturity not to exceed two (2) years.
- c. FDIC insured certificates of deposit from banks doing business in Texas with a final stated maturity not to exceed twelve (12) months. Certificates of deposit shall be guaranteed or insured by the Federal Deposit Insurance Corporation or its successor.
- d. Share certificates of credit unions doing business in Texas and insured by the National Credit Union Share Insurance Fund or its successor and not to exceed twelve (12) months to maturity.

- e. AAA-rated, SEC registered money market mutual funds, striving to maintain a \$1 net asset value.
- f. Constant-dollar, AAA-rated Texas Local Government Investment Pools, approved by resolution of the Board and conforming in every respect to the Act.

The EIC investment in any investment pool shall not exceed ten percent of the total assets of the pool.

- g. Fully collateralized repurchase agreements transacted with a primary securities dealer as defined by the Federal Reserve, under a written Master Repurchase Agreement, with a defined termination date, secured by obligations as defined by this Policy held by an independent third party custodian approved by the EIC, and with a stated final maturity not to exceed one hundred eighty (180) days.
- h. FDIC insured demand deposit accounts in banks doing business in Texas under a written depository agreement.
- i. FDIC insured *brokered certificates of deposit* securities purchased from a broker or a bank in Texas, delivered versus payment to the City's safekeeping agent, not to exceed one year to maturity. Before purchase, the Investment Officer or Adviser must verify the FDIC status of the bank on www.2fdic.gov/idasp/main_bankfind.asp to assure that the bank is FDIC insured.

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Diversification by investment instrument shall not exceed the following guidelines for each type of instrument:

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All investment transactions, including certificates of deposit, will be made on a competitive basis to assure that the EIC is receiving fair market prices.

10. Collateralization

The EIC is not a "public unit" as defined by FDIC regulations and is therefore not eligible to have pledged collateral from a bank. Bank time and demand deposits must be maintained under the FDIC insured limit, currently \$250,000 per bank holding company.

Repurchase Agreement- Owned Collateral

Collateral under a master repurchase agreement is owned by the EIC under a buy-sell transaction. It will be held by an independent third party safekeeping agent approved by EIC under an executed Master Repurchase Agreement. Collateral with a market value totaling 102% of the principal and accrued interest is required and the counter-party is responsible for the monitoring and maintaining of collateral and margins at all times.

11. Safekeeping and Custody of EIC Owned Securities

The laws of the State, this Policy, and prudent treasury management require that all securities be settled on a delivery versus payment basis and be held in safekeeping by an independent third party financial institution approved through the Administrative Services Contract. EIC, through the contract shall contract with its banking services depository or another financial institution(s) as Custodian for the safekeeping of any securities owned. The designated Custodian will be responsible for the clearing and safekeeping of all security trades and will provide a monthly report of holdings. All securities held by the Custodian on behalf of the EIC shall be evidenced by a safekeeping receipt.

12. Internal Control

The Investment Officer(s) shall maintain a system of internal controls over the investment activities and subordinate employees. The control shall be designed to address fraud, employee error, misrepresentation by third parties, unanticipated market changes, and imprudent actions. Controls deemed most important would include: control of collusion, separation of duties, custody and safekeeping, delegation of authority, securities losses and remedial actions, and documentation on all transactions.

The quarterly investment reports shall be reviewed annually by the City's independent auditor as part of the City's annual audit process. Any irregularities shall be reported to the Board.

Cash Flow Forecasting

Cash flow forecasting is a control designed to protect and sustain cash flow requirements. The Investment Officer(s) will maintain a cash flow forecasting process designed to monitor and forecast cash positions for investment purposes.

Monitoring Credit Rating

The Investment Officer or investment adviser shall monitor, on no less than a weekly basis, the credit rating on all authorized investments in the portfolio based upon independent information from a nationally recognized rating agency. If any security falls below the minimum rating required by Policy, the Investment Officer shall notify the City Manager of the loss of rating, conditions affecting the rating and possible loss of principal with liquidation options available, within two weeks after the loss of the required rating.

Monitoring FDIC Coverage

The Investment Officer or Investment Adviser 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 which places the City above the FDIC insurance level.

13. Reporting

Not less than quarterly, the Investment Officer(s) shall report to the Board regarding the EIC's investment activities for the quarter in compliance with the Act. The reports shall contain sufficient information to permit an informed outside reader to evaluate the performance of the investment program. At a minimum the report shall include:

- description of each investment and depository position,
- book and market values at the beginning and end of the reporting period
- the change in market value during the period
- book value and market value of each separately invested asset at the beginning and end of the reporting period market sector
- earnings for the period
- overall yield in comparison to its benchmark yield for the period
- maturity date of each separately invested asset that has a maturity date.

Market prices for market value calculations shall be obtained from independent sources. The quarterly report shall be signed by the Investment Officer and Investment Advisor, as applicable.

14. Depositories

The EIC, through the Administrative Services Contract will designate one banking institution through a competitive process as its central banking services provider at least every five (5) years or utilize the banking services under the existing City contract. This institution will be used for normal banking services including disbursement, deposits, and safekeeping of securities.

Other banking institutions from which the EIC may purchase certificates of deposit will also be designated as depositories.

15. Policies and Strategy Review

The Board shall review and adopt the Investment Policy and incorporated Investment Strategy not less than annually. The Board shall adopt a written instrument by resolution stating that it has reviewed the Policy and Strategy and the adopting resolution shall record any changes made.

To: Gregg Appel, President
Kerrville Economic Improvement Corporation

From: Bob Miller

Subject: Resignation from the Board of Directors

With this letter I am submitting my resignation from the Board of Directors of the Kerrville Economic Improvement Corporation effective October 1st, 2011. I have really enjoyed my tenure on the EIC Board but it is time for me to concentrate on some other activities.

The current makeup of the EIC is a very positive professional group of people dedicated to the future of Kerrville. I am especially pleased with the younger face of the EIC and believe it is appropriate for the Board makeup to be the same people who will live with the decisions they make for Kerrville. I believe that you are the perfect person to fill the slot of President of the EIC and wish you much success in this endeavor.

I will copy Mayor Wampler with this letter.

Thank you


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