

## CITY OF FAIR OAKS RANCH

# MUNICIPAL DEVELOPMENT DISTRICT MEETING

Wednesday, April 13, 2022 at 4:00 PM

Public Safety Building, 7286 Dietz Elkhorn, Fair Oaks Ranch

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## AGENDA

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### OPEN MEETING

1. Roll Call - Declaration of a Quorum.
2. Pledge of Allegiance

### CITIZENS and GUEST FORUM

*To address the Board, please sign the Attendance Roster located on the table at the entrance of the foyer of the Public Safety Building. In accordance with the Open Meetings Act, the MDD Board may not discuss or take action on any item which has not been posted on the agenda. Speakers shall limit their comments to five (5) minutes each.*

3. Citizens to be heard.

### CONSENT AGENDA

4. Approval of the January, 12, 2022 Regular MDD Board meeting minutes.

Roy Elizondo, MDD Secretary

### CONSIDERATION / ACTION ITEMS

5. Consideration and possible action approving a Resolution repealing Resolution 2013-01 and subsequent resolutions; and ratifying adopted amendments to the MDD Financial Management Policy.

Mike Lovelace, CPA, CMA, CISA, MDD Treasurer

6. Consideration and possible action approving a charter for a subcommittee to develop a proposed policy and process for small-scope / small-dollar grant proposals.

Laura Koerner, MDD President

7. Consideration and possible action approving a charter for a subcommittee to develop proposed objectives and operational framework for a marketing program.

Laura Koerner, MDD President

### REPORTS

8. Sales Tax Audit Update

Summer Fleming, MDD Investment Officer

9. Q2 FY2022 Financial Update and Investment Report

Summer Fleming, MDD Investment Officer

**ADJOURNMENT**

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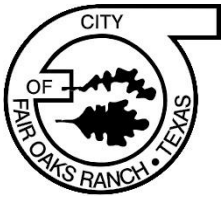
Signature of Agenda Approval: s/ Laura Koerner

Laura Koerner

I, Amanda Valdez, TRMC, Deputy City Secretary, certify that the above Notice of Meeting was posted on the outside bulletin board at the Fair Oaks Ranch City Hall, 7286 Dietz Elkhorn, Fair Oaks Ranch, Texas, and on the City's website [www.fairoaksranchtx.org](http://www.fairoaksranchtx.org), both places being convenient and readily accessible to the general public at all times.

As per Texas Government Code 551.045, said Notice was posted by 4:00 PM, April 10, 2022 and remained so posted continuously for at least 72 hours before said meeting was convened.

The Fair Oaks Ranch Public Safety Building is wheelchair accessible at the front entrance of the building from the parking lot. Requests for special services must be received forty-eight (48) hours prior to the meeting time by calling the City Secretary's office at (210) 698-0900. Braille is not available.



## CITY OF FAIR OAKS RANCH

# MUNICIPAL DEVELOPMENT DISTRICT MEETING

Wednesday, January 12, 2022 at 4:00 PM

City Hall Council Chambers, 7286 Dietz Elkhorn, Fair Oaks Ranch

## MINUTES

### OPEN MEETING

1. Roll Call - Declaration of a Quorum.

Present: President Laura Koerner, Vice President Nicholas DiCianni, Secretary Roy Elizondo, Rene Gallegos, Rachelle Garcia, and Steven Robertson.

Absent: Treasurer Mike Lovelace

With a quorum present, the meeting was called to order at 4:00 PM.

2. Pledge of Allegiance – The pledge of Allegiance was led by President Laura Koerner.

### CITIZENS and GUEST FORUM

3. Citizens to be heard – No guests spoke.

### CONSENT AGENDA

4. **Approval of the October 13, 2021 Regular MDD Board meeting minutes.**

MOTION: Made by Board Member Robertson, seconded by Vice President Nicholas DiCianni, to approve the Consent Agenda.

VOTE: 6-0; Motion Passed.

### CONSIDERATION / ACTION ITEMS

5. **Consideration and possible action to approve the MDD Audit Report (FY 2020-21).**

Ms. Janet Pittman, of ABIP, presented the results of the FY 2020-21 MDD audit, which resulted in an Unmodified Opinion. An Unmodified Opinion is the best possible result.

MOTION: Made by Secretary Roy Elizondo, seconded by Board Member Rachelle Garcia, to accept the MDD's 2020-2021 Audit Report.

VOTE: 6-0; Motion Passed.

6. **Consideration and possible action to accept amendments to the MDD Financial Management Policy.**

In the absence of Treasurer Lovelace, President Koerner, Treasurer Elizondo and MDD Investment Officer Fleming presented the work of the subcommittee to update the Policy.

MOTION: Made by Board Member Robertson, seconded by Vice President DiCianni, to accept the MDD Financial Management Policy.

VOTE: 6-0; Motion Passed.

**7. Consideration and possible action approving a Resolution authorizing representatives to TexPool, the District's investment pool.**

In the absence of Treasurer Lovelace, President Koerner and MDD Investment Officer explained the purpose of the resolution.

**MOTION:** Made by Vice President DiCianni, seconded by Board Member Robertson, to approve a Resolution listing authorized representatives to the MDD's investment pool.

**VOTE:** 6-0; Motion Passed.

**8. Consideration and possible action to create a fund for Boy Scout Eagle projects and Girl Scout Gold Award projects that meet the criteria for improving parks and public spaces.**

In the absence of Treasurer Lovelace, President Koerner opened the discussion regarding small-scope / small dollar project proposal processing. Based on the discussion, President Koerner elected to stand up a subcommittee to develop a proposed policy and process for small-scope / small-dollar grant proposals. President Koerner appointed Treasurer Lovelace, Member Garcia and Secretary Elizondo to the subcommittee. President Koerner requested that a charter for the subcommittee be presented for consideration at a future meeting. President Koerner will provide an outline for the charter to the subcommittee.

**9. Discussion regarding MDD marketing & project opportunities.**

In the absence of Treasurer Lovelace, President Koerner opened the discussion regarding marketing and project opportunities. Based on the discussion, President Koerner elected to stand up a subcommittee to develop proposed objectives and operational framework for a marketing program. President Koerner appointed Member DiCianni, Member Gallegos and Member Gallegos to the subcommittee. President Koerner requested that a charter for the subcommittee be presented for consideration at a future meeting. President Koerner will provide an outline for the charter to the subcommittee.

**10. Consideration and possible action regarding upcoming Regular MDD Board Meeting Dates.**

**MOTION:** Made by Secretary Elizondo, seconded by Board Member Robertson, that the Board set the following dates for their known quarterly MDD regular meetings:

- April 13, 2022 at 4:00 PM
- July 13, 2022 at 4:00 PM
- October 12, 2022 at 4:00 PM
- January 11, 2023 at 4:00 PM

**VOTE:** 6-0; Motion Passed.

**REPORTS**

**11. MDD Future Sales Tax Projections and Project Funding.**

MDD Investment Officer, Summer Fleming, presented the projections for Sales Tax Revenue and Project Fund Balance for FY 2021-22.

**12. Quarterly Financial & Investment Report.**

MDD Investment Officer, Summer Fleming, presented the FY 2021-22 1st Quarter Financial & Investment Report.

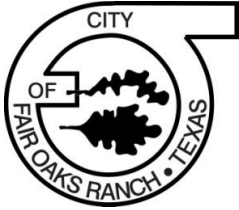
**ADJOURNMENT**

MDD President, Laura Koerner, adjourned the meeting at 5:14 PM.

ATTEST:

\_\_\_\_\_  
Laura Koerner, MDD President

\_\_\_\_\_  
Roy E. Elizondo, MDD Secretary



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**FAIR OAKS RANCH MUNICIPAL DEVELOPMENT DISTRICT  
CONSIDERATION ITEM  
CITY OF FAIR OAKS RANCH, TEXAS  
April 13, 2022**

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AGENDA TOPIC: Consideration and possible action approving a Resolution repealing Resolution 2013-01 and subsequent resolutions; and ratifying adopted amendments to the MDD Financial Management Policy

DATE: April 13, 2022

PRESENTED BY: Mike Lovelace, CPA, CMA, CISA, MDD Treasurer

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**INTRODUCTION/BACKGROUND:**

The Board of the MDD, at their January 12, 2022 regular meeting, voted 6-0 to adopt amendments to the Financial Management Policy. The Financial Management Policy was initially adopted by Resolution 2013-01 and subsequently amended by Resolution 2017-01, which added the Investment Policy as Appendix A to the Financial Management Policy.

**POLICY ANALYSIS/BENEFIT(S) TO CITIZENS:**

The Financial Management Policy must be formally amended through a Resolution, so the attached Resolution is repealing all subsequent resolutions and ratifying the January 12, 2022, adoption of the policy amendments.

**LONGTERM FINANCIAL & BUDGETARY IMPACT:**

N/A

**LEGAL ANALYSIS:**

Approved as to form.

**RECOMMENDATION/PROPOSED MOTION:**

I move to approve the Resolution repealing Resolution 2013-01 and subsequent resolutions; and adopting amendments to the MDD Financial Management Policy.

## A RESOLUTION

### **A RESOLUTION OF THE FAIR OAKS RANCH MUNICIPAL DEVELOPMENT DISTRICT RATIFYING AMENDMENTS TO THE FINANCIAL MANAGEMENT POLICY; AND ESTABLISHING AN EFFECTIVE DATE**

**WHEREAS**, Section 2256.005 of the Texas Government Code requires the governing body of a municipal development district to adopt a written investment policy; and

**WHEREAS**, on November 7, 2013, by Resolution 2013-01, the Fair Oaks Ranch Municipal Development District Board of Directors adopted a Financial Management Policy; and

**WHEREAS**, on April 10, 2017, by Resolution 2017-01, the Fair Oaks Ranch Municipal Development District Board of Directors adopted a new Investment Policy attached as Appendix A to the District's Financial Management Policy; and

**WHEREAS**, on January 12, 2022, the Fair Oaks Ranch Municipal Development District Board of Directors passed a motion to adopt amendments to the Financial Management Policy.

**WHEREAS**, in accordance with the District's policy, the Fair Oaks Ranch Municipal Development District Board of Directors finds the amendments to be in conformance with statutory requirements and consistent with prudent fiscal policy.

**NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE MUNICIPAL DEVELOPMENT DISTRICT OF THE CITY OF FAIR OAKS RANCH, TEXAS:**

**SECTION 1:** That the amendments to the Financial Management Policy are hereby ratified and the amended Financial Management Policy adopted as set forth in the attached **Exhibit A**.

**SECTION 2:** The amended Financial Management Policy shall be the official investment policy of the Fair Oaks Ranch Municipal Development District, effective immediately upon passage of this Resolution.

**SECTION 3:** The recitals contained in the preamble hereof are found to be true, and such recitals are hereby made a part of this Resolution for all purposes and are adopted as a part of the judgment and findings of the Board of Directors.

**SECTION 4:** All resolutions, or part thereof, which are in conflict or inconsistent with any provision of this Resolution are hereby repealed to the extent of such conflict, and the provisions of this Resolution shall be and remain controlling as to the matters resolved herein.

**SECTION 5:** This Resolution shall be construed and enforced in accordance with the laws of the State of Texas and the United States of America.

**SECTION 6:** If any provision of this Resolution or the application thereof to any person or circumstance shall be held to be invalid, the remainder of this Resolution and the

application of such provision to other persons and circumstances shall nevertheless be valid, and the Board of Directors hereby declares that this Resolution would have been enacted without such invalid provision.

**SECTION 7:** This Resolution shall take effect immediately from and after its adoption and is accordingly resolved.

**PASSED, APPROVED and ADOPTED this 13<sup>th</sup> day of April, 2022.**

ATTEST:

\_\_\_\_\_  
Laura Koerner, President

APPROVED AS TO FORM:

\_\_\_\_\_  
Roy Elizondo, Secretary

\_\_\_\_\_  
Denton Navarro Rocha Bernal & Zech,  
P.C., Attorney

**Exhibit A**

**FAIR OAKS RANCH MUNICIPAL DEVELOPMENT DISTRICT  
FINANCIAL MANAGEMENT POLICY**

- Resolution 2013-01 (November 7, 2013)
- Resolution 2017-01 (April 10, 2017) Appendix A to the District's Financial Management Policy
- Changes approved at the January 12, 2022 MDD Regular Meeting. Changes ratified by:
- Resolution 2022-01 (April 13, 2022)

January 12, 2022

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## I. PURPOSE STATEMENT

These policies are developed by the Municipal Development District Board to guide the Board in financial matters. The overriding goal of the Financial Management Policy is to enable the District to achieve a long-term stable and positive financial condition while conducting its operations consistent with state laws. The watchwords of the District's financial management include integrity, prudent stewardship, planning, accountability, and full disclosure.

The purpose of the Financial Management Policy is to provide guidelines for the District in planning and directing the Board's financial affairs.

The scope of these policies span accounting, investments, auditing, financial reporting, internal controls, budgeting, capital program including capitalization, revenue and cash management, expenditure control, debt management, and identity theft prevention.

## II. ACCOUNTING, AUDITING, AND FINANCIAL REPORTING

- A. **ACCOUNTING** - The Board will establish the chart of accounts and will properly record and report financial activity.
- B. **FUNDS** - Self-balancing groups of accounts are used to account for financial transactions in accordance with generally accepted accounting principles. Each fund is created for a specific purpose. Funds are created and fund names are changed by Board approval either during the year or in the Board's approval of the annual operating budget.
- C. **EXTERNAL AUDITING** - The District's financial statements will be audited annually by an outside independent auditor who will conduct the District's audit in accordance with generally accepted auditing standards, generally accepted government auditing standards and contractual requirements.
- D. **EXTERNAL AUDITORS RESPONSIBLE TO BOARD** - The external auditor is accountable to the Board and will have access to direct communication with the Board.
- E. **EXTERNAL AUDITOR ROTATION** - The District will not require external auditor rotation, but may circulate requests for proposal for audit services, periodically.
- F. **INTERNAL CONTROLS** - The Board is responsible for ensuring a strong internal controls environment.

## III. OPERATING BUDGET

- A. **PREPARATION** - The District's operating budget is the District's annual financial operating plan and the Board Treasurer is the Budget Officer. No later than July of each year, the Budget is submitted to the Board for changes prior to approval. Prior to the budget's fiscal year, the Budget must be approved by the Fair Oaks Ranch City Council.
- B. **REPORTING** - Periodic financial reports will be prepared in conformance with pertinent statutes, regulations and policies of the Board. Financial reports will be presented to the Board at each of its regularly called meetings and include current year revenue and expenditures and fund balances.
- C. **CONTROL** - Operating Expenditure Control is addressed in Section VI.
- D. **RECORD KEEPING** - All permanent historical budget documents will be filed with the Fair Oaks Ranch City Secretary for record keeping pursuant to State law and District resolution).

#### IV. FUND BALANCE / POLICY

- A. Fund balance shall mean the gross difference between fund assets and liabilities reflected on the balance sheet. The District shall report fund balances per GASB54 definitions on the balance sheet as follows:
  - 1. *Non-spendable* – Portion of total fund balance that is not in spendable form or required to be maintained intact. Example: Prepaids.
  - 2. *Restricted* – Portion of total fund balance constrained for specific purposes by such grantors, bondholders, higher level of government or by law.
  - 3. *Committed* – Portion of total fund balance constrained to specific purposes and amounts by the Board. Only the Board can release committed funds. Example: Grants awarded by the District.
  - 4. *Assigned* – Portion of total fund balance the Board designates for specific purposes as expressed by the Board. Example: Infrastructure Improvements.
  - 5. *Unassigned* – Portion of total fund balance not identified in one of the above categories.
- B. The fund balance will be managed carefully and used wisely by the Board.

#### V. REVENUE MANAGEMENT

- A. **SIMPLICITY** - The District will rely on local sales tax as its main source of recurring revenue.
- B. **ADMINISTRATION** - The benefits of a revenue will exceed the cost of producing the revenue. The cost of collection will be reviewed as appropriate for cost effectiveness as a part of the indirect cost, and cost of services analysis.
- C. **INTEREST INCOME** - Interest earned from investment of available monies, whether pooled or not, will be distributed to the funds in accordance with the operating budgets which, wherever possible, will be in accordance with the equity balance of the fund from which monies were provided to be invested.
- D. **REVENUE MONITORING** - Revenues actually received will be regularly compared to budgeted revenues and variances will be investigated.

#### VI. EXPENDITURE CONTROL

- A. **APPROPRIATIONS** - Budget adjustments must be approved by the Board and City Council.
- B. **PURCHASING** - The District will pay from receipts, invoices and disbursement vouchers that have the approval of the Board President, date of approval, total dollar amount (excluding tax), and general ledger account code. The President can authorize up to \$2,000 in addition to annual and District approved contracts, recurring charges, and approved budgetary items. All other disbursements exceeding \$2,000 require Board approval.
- C. **PROFESSIONAL SERVICES** - Professional services will be processed through a request for qualifications as defined by the Texas local government code. The Board President may execute any professional services contract, except for insurance, less than \$25,000 provided there is an appropriation for such contract.

- D. **ADMINISTRATIVE CHARGES** – An Interlocal Agreement with the City will be maintained whereby the District will pay a management fee to the City of Fair Oaks Ranch for administrative costs performed on the District’s behalf.
- E. **PROMPT PAYMENT** - All invoices will be paid 30 days of receipt in accordance with the prompt payment requirements of State law. Procedures will be used to take advantage of all purchase discounts where considered cost effective. However, payments will also be reasonably delayed to maximize the District’s investable cash, where such delay does not violate the agreed upon payment terms.
- F. **REIMBURSEMENTS** - The policy of the District is that employees/board members are to be reimbursed for necessary and reasonable district-related expenses incurred in the authorized conduct of business. All requests for reimbursement of expenses are subject to requirements of documentation and reasonableness, and will be honored in conformance with adopted policies, provided that the expenditure was properly authorized. See Appendix C for complete details.

## VII. ASSET MANAGEMENT

- A. **INVESTMENTS** - Investments will be conducted in accordance with the Investment Policy attached as Appendix A.
- B. **CASH MANAGEMENT** - The District’s cash flow will be managed to maximize the cash available to invest.
- C. **FIXED ASSETS AND INVENTORY** - The assets will be reasonably safeguarded and properly accounted for.
- D. **CAPITALIZATION OF CAPITAL ASSETS** - The capitalization of capital assets will be conducted in accordance with the Capitalization of Capital Assets Policy attached as Appendix B.

## VIII. FINANCIAL CONDITION / DEBT MANAGEMENT

- A. **NO OPERATING DEFICITS** - Current operating expenditures will be paid with current operating revenues.
- B. **GENERAL** - The District’s borrowing practices, including issuing bonds, will be conducted in accordance with state law and the Board’s Rules of Procedure.
- C. **ANALYSIS OF FINANCING ALTERNATIVES** - The District will explore other financing alternatives in addition to long-term debt including leasing, grants and other aid, developer contributions, and use of reserves or current monies.

## IX. ANNUAL REVIEW

- A. The Financial Management Policy will be reviewed bi-annually or as needed by the Board President and Treasurer. Recommended amendments will be presented to the Board for approval.
- B. The Board, pursuant to Government Code §2256.005, shall adopt, annually, a resolution stating the Investment Policy has been reviewed and, record any changes made thereof.

## INVESTMENT POLICY

### I. Policy

It is the policy of the District to invest funds in a manner which will provide the highest, reasonable investment return with the maximum security of principal while meeting the daily cash flow demands of the District and conforming to all federal, state, and local statutes governing the investment of public funds. It is also the policy of the District that the administration of its funds and the investment of those funds shall be handled as its highest public trust.

The Investment Policy shall be adopted by Resolution as part of the Financial Management Policies. The policy shall be reviewed and adopted by Resolution annually by the Board of Directors.

### II. Purpose

The purpose of this policy is to comply with Chapters 2256 and 2257 of the Texas Government Code, which requires the adoption of a written investment policy regarding the investment of funds. The investment policy addresses the methods, procedures and practices that must be exercised to ensure effective and judicious fiscal management of the District's funds.

### III. Scope

This investment policy applies to all financial assets and funds of the District. Funds are defined in the District's audited Annual Financial Report. Funds are created by the Board unless specifically exempted by the Board and this policy.

### IV. General Objectives

The primary objectives, in priority order, of the District's investment activities shall be safety, liquidity, diversification, and yield.

**Safety** - Safety of the principal is the foremost objective of the District. Investments shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio.

**Liquidity** - The investment portfolio will remain sufficiently liquid to meet all operating requirements which might be reasonably anticipated.

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

**Yield** - The investment portfolio shall be designed with the objective of attaining a market rate of return, taking into account the investment risk constraints and liquidity needs. Market rate of return may be defined as the average yield of the current six-month US Treasury Bill. Return on investment is of secondary importance compared to the safety and liquidity objectives described above.

Effective cash management is recognized as essential to good fiscal management. Cash Management is defined as the process of managing monies in order to ensure maximum cash availability. The District will effectively collect account receivables, practice prudent investment of its available cash, disburse payments in accordance with invoice terms and manage banking services.

### V. Prudence

The standard of prudence to be used by investing officials shall be the "prudent person" rule and shall be applied in the context of managing an overall portfolio. This rule states that "Investments shall be made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion and

intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the expected income to be derived.”

**Limitation of Personal Liability** - Investment officials acting in accordance with this policy and in accord with the Prudent Person Rule shall be relieved of personal liability in the management of the portfolio provided that deviations from expectations for a specific security’s credit risk or market price change is reported in a timely fashion and the appropriate action is taken to control unfavorable developments.

**Ethics and Conflicts of Interest** - Officers and employees involved in the investment process shall refrain from personal business activity that could conflict with proper execution and management of the investment program, or that could impair their ability to make impartial investment decisions. Employees and investment officials shall disclose any material interests in financial institutions that conduct business with the District. An investment official who has a personal business relationship with an organization seeking to sell an investment to the District shall file a statement disclosing that personal business interest. An investment official who is related within the second degree by affinity or consanguinity to an individual seeking to sell an investment to the District shall file a statement disclosing the relationship. A statement required under this subsection must be filed with the Texas Ethics Commission.

#### **VI. Delegation of Authority**

The Board of Directors will appoint an Investment Officer. Responsibility for the operation of the investment program is hereby delegated to the Investment Officer, who shall act in accordance with established procedures and internal controls for the operation of the investment program consistent with this investment policy. The Investment Officer shall be responsible for all investment transactions undertaken and shall establish a system of controls to regulate the activities of subordinate officials. No person may engage in an investment transaction except as provided under the terms of this policy and established written procedures.

Training - Investment Officials (an Investment Committee made up of the President, Treasurer and Investment Officer) must complete at least 10 hours of investment training within 12 months of taking office or assuming duties, and shall attend a PFIA certified investment training course not less than once in a two year period.

#### **VII. Internal Controls**

The Board President 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 shall be designed to provide reasonable assurance that these objectives are met. The concept of reasonable assurance recognizes that (a) the cost of a control should not exceed the benefits likely to be derived and (b) the valuation of costs and benefits requires estimates and judgments by management.

#### **VIII. Safekeeping and Custody**

**Authorized Financial Dealers and Institutions** - The Investment Officer will maintain a list of financial institutions and security broker/dealers authorized to provide investment/depository services.

Those firms that request to become qualified bidders for securities transactions must provide one or more of the following as applicable: audited financial statements, proof of National Association of Security Dealers certification, trading resolution, proof of state registrations, certification of having read the entity's investment policy and depository contracts.

**Depository Agreement** - The District shall follow Section 105 of the Local Government Code when entering into a depository agreement for normal banking services including disbursements, collections, and safekeeping. Other banking institutions from which the District may purchase certificates of deposit will

also be designated as a depository.

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

## **IX. Authorized and Suitable Investments**

**Eligible Investments** - Assets of the District may be invested in the following instruments as authorized by the Public Funds Investment Act (Section 2256). Only those instruments listed in this section are authorized and will be used as needed to maintain an appropriate diversified portfolio:

- a. Local Government Investment Pools which meets the requirements of Chapters 2256.016-2256.019 of the Public Funds Act and are rated no lower than AAA or AAA- or an equivalent rating by at least one nationally recognized rating service.
- b. Obligations of the United States or its agencies and instrumentalities.
- c. Certificates of Deposit CDs issued by a depository institution that has its main office or a branch in Texas. The CD must be guaranteed or insured by the Federal Deposit Insurance Corporation or its successor or the National Credit Union Share Insurance Fund or its successor and secured by obligations in a manner and amount as provided by law.
- d. No-load Money Market Mutual Funds that 1) are registered and regulated by the Securities and Exchange Commission, 2) have a dollar weighted average stated maturity of 90 days or fewer, 3) seek to maintain a net asset value of \$1 per share, and 4) are rated no lower than AAA or an equivalent rating by at least one nationally recognized rating service. The City may not invest in money market mutual funds in the aggregate more than 80 percent of its monthly average fund balance.

**Collateralization** - Collateralization will be required on all funds on deposits with a depository bank, other than investments. To anticipate market changes and provide a level of security, the collateralization level will be not less than one hundred two percent (102%) of market value of principal and accrued interest.

## **X. Investment Parameters**

**Diversification** - See Section IV; General Objectives

**Maximum Maturities** - To the extent possible, the District shall attempt to match its investments with anticipated cash flow requirements. Unless matched to a specific cash flow, the District will not directly invest in securities maturing more than 13 months from the date of purchase. Reserve funds may be invested in securities up to 2 years if the maturity of such investments are made to coincide as nearly as practicable with the expected use of the funds.

## **XI. Investment Strategies**

The District maintains separate portfolios for individual funds that are managed according to the terms of this Policy. The investment strategy for portfolios established after the annual Investment Policy review and adoption will be managed to ensure that it will meet all the requirements established by the District's investment policy and the Public Funds Investment Act.

The District's portfolio is maintained to meet anticipated cash needs for operations, capital projects and debt service. In order to ensure the ability to meet obligations and to minimize potential liquidation losses, the dollar-weighted average stated maturity of the investment portfolio shall not exceed one (1) year. The objectives of this portfolio are to ensure safety of principal; ensure adequate investment liquidity; limit market and credit risk through diversification; and attain the best feasible yield in accordance with the

objectives and restrictions set for in this Policy.

## **XII. Reporting**

**Methods** - As required by Government Code 2256.023, on a quarterly basis, the Investment Officer shall prepare and submit to the Board, a written report of investment transactions that have occurred since the previous report and, the market value of current investments.

**Performance Standards** - The investment portfolio shall be managed in accordance with the objectives specified in this policy (safety, liquidity, diversification, and yield). The portfolio should obtain a market average rate of return during a market/economic environment of stable interest rates. The Investment Officer shall determine whether market yields are being achieved by comparing the portfolio market yield to the three (3) month U.S. Treasury Bill, the six (6) month U.S. Treasury Bill and the two (2) year U.S. Treasury Note.

## Appendix B

**CAPITALIZATION POLICY FOR CAPITAL ASSETS**

The purpose of this policy is to establish a capitalization policy for auditing purposes and, to set standards of accounting for City of Fair Oaks Ranch Municipal Development District according to Government Accounting Standards Board Statement 34 (and subsequent relevant guidance) with regard to categories and threshold amounts to be capitalized.

**SECTION 1.** Capital assets categories and thresholds are:

Land/land improvement	Any amount
Buildings/building improvements	\$25,000
Infrastructure	\$25,000
Personal property	\$ 5,000
Leasehold improvements	\$25,000

**SECTION 2.** For clarification purposes the above items are generally defined as, but not expressly limited to the following definitions:

Land is the purchase price or fair market value at time of gift, any commissions, professional fees, land excavation, fill, grading, drainage, demolition of existing building (less salvage), property removal (relocation or reconstruction) of others (railroad, telephone, and power lines), date of purchase accrued mortgage interest and any unpaid taxes and right of way cost. Land improvements are considered to be fencing, landscaping structure(s), parking lots, driveway, recreation areas, septic systems, and pavilions.

A building is a structure that is permanently attached to the land, has a roof, is partially or completely enclosed by walls. A building improvement must extend the life of the building or increase the value of the building. Examples of capitalized building improvements are structural changes & installation or upgrade of roofing, heating & cooling systems, electrical, etc.

Infrastructure is usually considered stationary and can be preserved for a significantly greater number years than most capital assets. They are often linear and continuous in nature. Infrastructure improvements should extend the useful life and /or increase the value by 25% of the original cost or life period. Examples of infrastructure are streets, curbs, gutters, sidewalks, fire hydrants, bridges, dam, drainage facility, radio tower, water main and distribution lines, light systems and signage.

Personal property is fixed or movable tangible assets to be used for operations that has a life beyond one year. Examples of personal property are vehicles, other motor vehicles, furnishings & equipment.

Leasehold improvements are the construction of new buildings or improvements made to existing structures by the lessee, who has the right to use these leasehold improvements over the term of the lease.

## **REIMBURSEMENTS**

### **GENERAL POLICY**

Travel expenses will be reimbursed for travel within the continental United States only. Reimbursement is based upon the most economical conveyance that is reasonably available. In some cases, the District may prepay such expenses as registration fees, hotel costs, and/or airline or other public transportation costs directly to the entity involved.

### **PROFESSIONAL MEMBERSHIPS AND SEMINARS**

Subject to the approval of the Board, membership to a professional association related to the District will be reimbursed for dues. Necessary travel expenses for meetings, conferences, or seminars judged to offer special training or information of value to the attendee, and if the meeting, conference or seminar is related to the District, reimbursement of authorized expenses will be made.

### **TRAVEL AUTHORIZATION AND REIMBURSABLE EXPENSES**

In and out of state travel is permissible provided that it is authorized in advance by the Board President and does not exceed budgetary limitations.

Travel. Necessary and authorized travel expenditures in the conduct of business will be reimbursed for actual costs of reasonable and documented expenses (furnished receipts). Reimbursable expenses will be for food, registration, lodging, parking, tolls, transportation, and reasonable gratuities. Conference registration checks will be made payable only to the organization sponsoring the conference. When private automobiles are used, reimbursement is allowed on the basis of actual mileage traveled at the prevailing federal per-mile rate for business use of a personal vehicle as noted by the Internal Revenue Service.

Overnight Travel. When travel is required for more than one consecutive day, thereby spending the night, hotel cost, and transportation will be submitted for reimbursement based on reasonableness of the expense and subject to the approval of the Board President. The District pays the single standard room hotel rate only. Parking and meals will be paid based on presentation of receipts and within a reasonable cost.

Expense Report. Within five days of the date the authorized travel was concluded, the attendee shall complete an expense report documenting actual expenses incurred on the trip which were not prepaid directly by the District to the entity involved. A reimbursement check will be issued as approved by the Board President.

### **USE OF PERSONAL VEHICLE**

Use of a personal vehicle is authorized when on official District business as determined by the Board President. Reimbursement will be for actual miles driven, as documented at the prevailing federal per-mile rate for business use of a personal vehicle as noted by the Internal Revenue Service. The shortest distance between points of departure and destinations for travel by personal vehicle is to be reported.

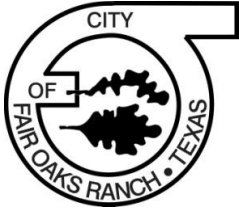
### **OTHER EXPENSES**

Other incidental expenses are governed under the terms defined in Section VI. B. of this document.

### **LIMITATIONS**

Costs of personal entertainment, amusements, social activities, spouse's or others' expenses, alcoholic beverages, traffic citations, or illegal activities are not reimbursable.

The District reserves the right to limit the availability of education/training reimbursement due to budgetary or other reasons.



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**FAIR OAKS RANCH MUNICIPAL DEVELOPMENT DISTRICT  
PRESENTATION ITEM  
CITY OF FAIR OAKS RANCH, TEXAS  
April 13, 2022**

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AGENDA TOPIC: Sales Tax Audit Update  
DATE: April 13, 2022  
PRESENTED BY: Summer Fleming, MDD Investment Officer

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**INTRODUCTION/BACKGROUND:**

Financial Integrity is a top priority in the City's strategic plan, which extends to include component units of the City such as the City of Fair Oaks Ranch Municipal Development District (MDD). The MDD collects ½ cent sales tax to finance projects that promote economic growth in the City. The MDD contracted with Avenu Insights & Analytics, LLC to perform a comprehensive audit of these revenue sources to ensure the MDD is receiving the proper amount due.

**POLICY ANALYSIS/BENEFIT(S) TO CITIZENS:**

Obtaining an audit of these revenue sources helps ensure the MDD is obtaining the maximum and proper amount of revenue for sales and use taxes.

**LONGTERM FINANCIAL & BUDGETARY IMPACT:**

There was no up-front cost for this contracted service. This fee will come from revenue increases received due to correction of past errors, as well as increases received due to the discovery and correction of errors for a 24-month period.

**LEGAL ANALYSIS:**

N/A

**RECOMMENDATION/PROPOSED MOTION:**

This presentation is for informational purposes only serving as an update to the services performed by Avenu Insights & Analytics, LLC.



# SALES/USE TAX UPDATE

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PRESENTED BY SUMMER FLEMING, INVESTMENT OFFICER

APRIL 13, 2022

# Recap of Process

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- In July 2021, MDD contracted with Avenu Insights & Analytics for a sales and use tax compliance review to detect, document and correct sales/use tax errors.
- Avenu Insights requested the confidential report from the Comptroller and performed an initial review in August 2021.
- Mix of taxpayers included residential and commercial businesses, but the majority were home business taxpayers. Cannot adequately review residential purchases from Amazon and other online purchases.
- Much of the communication is with the Comptroller verifying permit and reporting information.

# Results of the Initial Review

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- Only one error was found. The taxpayer was not correctly permitted within the District.
- The taxpayer's permit has been updated and the District can expect the money remitted by this taxpayer going back 4 years (per Statute).
- Avenu Insights will begin invoicing the District quarterly for their 35% commission on compliance from past periods (the 4 years back MDD will receive) and prospective compliance for the next 24 months.
- Based on the Districts size and frequency of changes in businesses, Avenu Insights will be doing another review in a couple months.



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**FAIR OAKS RANCH MUNICIPAL DEVELOPMENT DISTRICT  
PRESENTATION ITEM  
CITY OF FAIR OAKS RANCH, TEXAS  
April 13, 2022**

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AGENDA TOPIC: Q2 FY2022 Financial Update and Investment Report

DATE: April 13, 2022

PRESENTED BY: Summer Fleming, MDD Investment Officer

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**INTRODUCTION/BACKGROUND:**

Pursuant to Government Code Section 2256.023 and the MDD's Investment Policy Section 11, the Investment Officer is required, on a quarterly basis, to prepare and submit to the MDD Board a written report of investment assets and the market value of the current investments.

The attached presentation is being made to comply with the Q2 FY2022 reporting requirements.

**POLICY ANALYSIS/BENEFIT(S) TO CITIZENS:**

Frequent review and reporting of the MDD's assets and investment vehicles is both prudent and necessary to verify that the MDD's investment portfolio is being managed according to the investment policy.

**LONGTERM FINANCIAL & BUDGETARY IMPACT:**

The investment portfolio shall be managed in accordance with the objectives specified in the investment policy (safety, liquidity, diversification, and yield). The portfolio should obtain a market average rate of return during a market/economic environment of stable interest rates.

**LEGAL ANALYSIS:**

N/A

**RECOMMENDATION/PROPOSED MOTION:**

This presentation is for informational purposes only and to comply with requirements under Texas Government Code Section 2256.023 and the MDD's Investment Policy.

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# Fair Oaks Ranch Municipal Development District Quarterly Financial Report

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March 2022

## About This Quarterly Financial Report

This report has been prepared by the City of Fair Oaks Ranch Finance Department. The Quarterly Financial Report is intended to provide our users (internal and external) with information regarding the MDD's financial position. This report includes information for Q2 FY2022.

This report is presented in two sections.

1. The Financial Summary section reports the performance of the major operating funds of the MDD.
2. The Quarterly Investment Report provides a summary of MDD's investment portfolio, interest earnings and a brief market outlook.

The Quarterly Financial Report is intended to provide our users with timely and relevant information. Please provide us with any comments or suggestions you may have. If you would like additional information, feel free to contact me.



Summer Fleming  
Investment Officer

7286 Dietz Elkhorn  
Fair Oaks Ranch, TX 78015  
210-698-0900

## Revenue and Expense Report

### March 31, 2022

	Budget	Projection	Year-to Date Actual	Percent of Budget	Actual vs Budget	Comments
<b>Revenues:</b>						
Local Sales Tax	395,000	419,126	209,226	53.0%	(185,774)	Tax collected through January sales.
Interest	1,500	750	301	20.1%	(1,199)	
<b>Total Revenue</b>	<b>396,500</b>	<b>419,876</b>	<b>209,527</b>	<b>52.84%</b>	<b>(186,973)</b>	
<b>Expenditures:</b>						
Supplies	250	250	-	0.00%	250	
Training/Seminars	500	500	-	0.00%	500	
Miscellaneous	100	100	-	0.00%	100	
Attorney	3,500	3,500	1,675	47.85%	1,825	
Auditor	5,000	4,100	4,100	82.00%	900	Annual audit complete.
Professional Services	33,450	33,450	30,190	90.25%	3,260	Annual management fee paid.
Insurance	50	50	50	100.00%	-	Annual insurance costs paid.
<b>Total Expenditures</b>	<b>42,850</b>	<b>41,950</b>	<b>36,015</b>	<b>84.05%</b>	<b>6,835</b>	
<b>Transfer To / (From) Fund Balance</b>	<b>353,650</b>	<b>377,926</b>	<b>173,512</b>	<b>49.06%</b>	<b>(180,137)</b>	

Note: Local Sales Tax is paid out two months in arrears, so the District has only received tax through January sales. Sales tax for February and March has been accrued based on projected sales.

# Fair Oaks Ranch MDD

## Financial Summary

### Municipal Development District Balance Sheet March 31, 2022

#### Assets

Frost Bank	63,455		
TexPool	1,838,377		
Accrued Receivables	58,927		
Total Cash & Investments		1,960,760	
<b>Total Assets</b>			1,960,759

#### Liabilities

Due to City of Fair Oaks	5,815		
Accounts Payable	-		
		5,815	

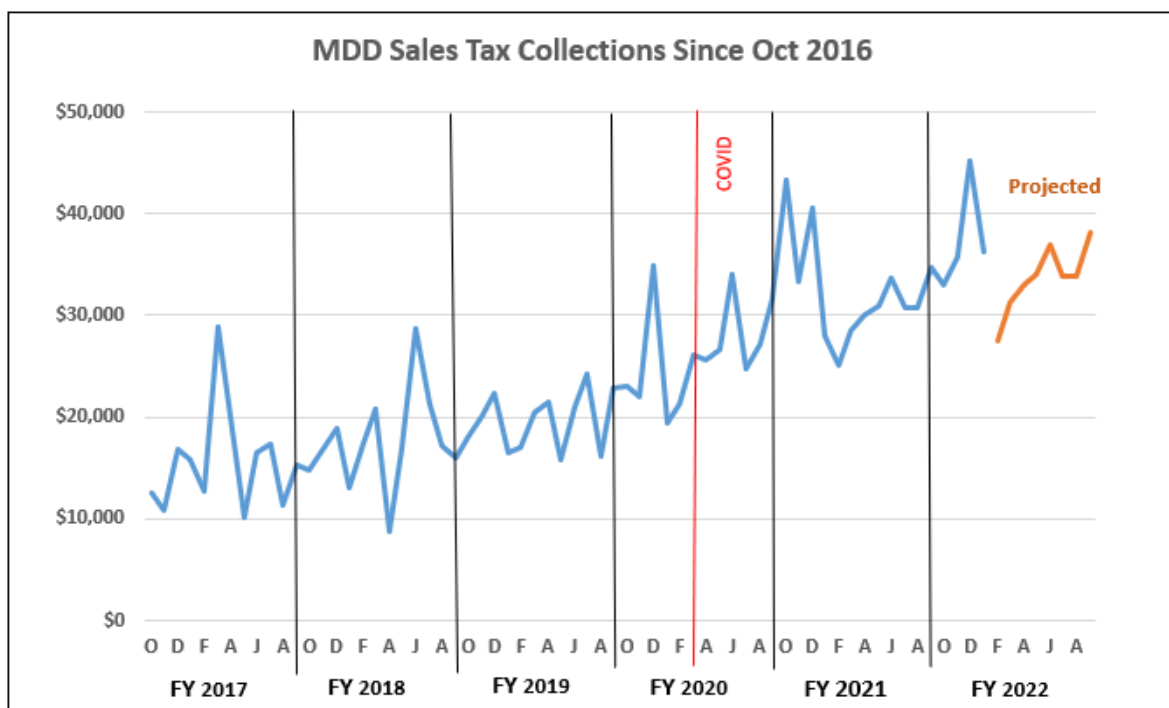
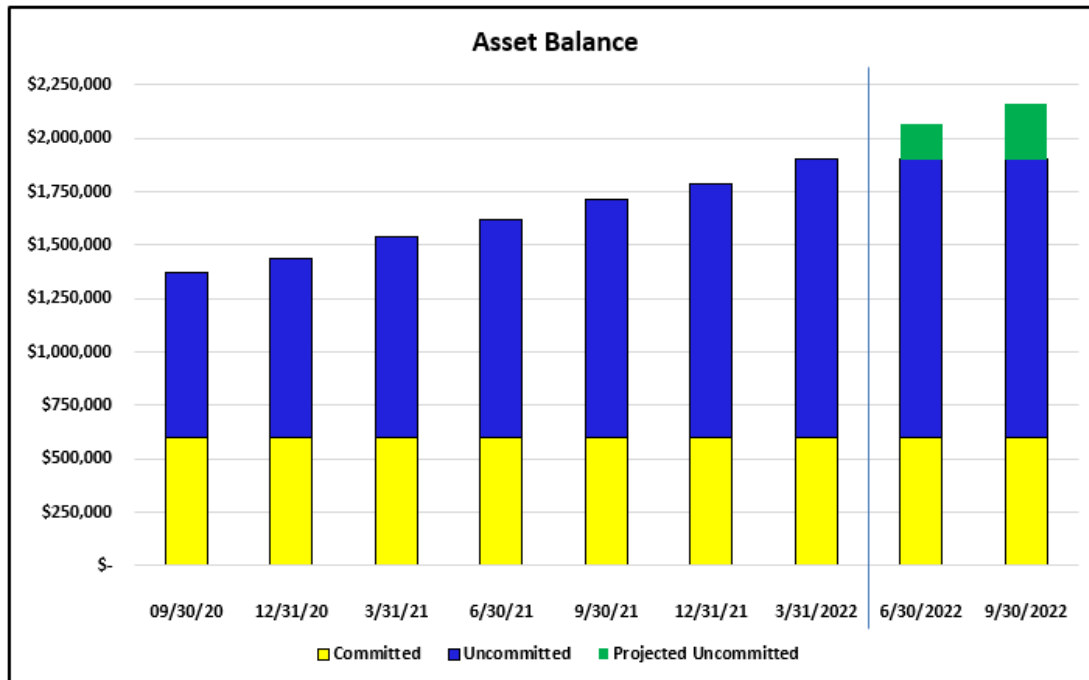
#### Fund Balance

Fund Balance	100,000		
Infrastructure Improvements - Assigned	1,081,432		
Infrastructure Improvements - Committed	600,000		
Total Fund Balance		1,781,432	
 Total Revenues	 209,527		
Total Expenses	36,015		
Excess Revenue over Expenses		173,512	
<b>Total Liabilities &amp; Fund Equity</b>			1,960,759

# Fair Oaks Ranch MDD

## Investment Report

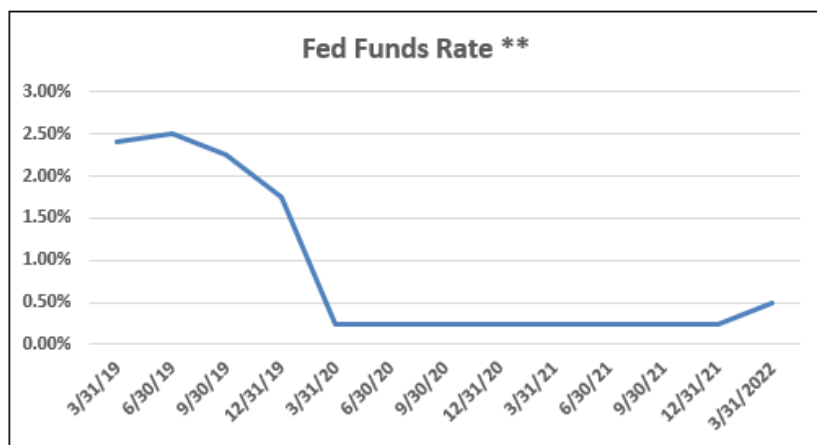
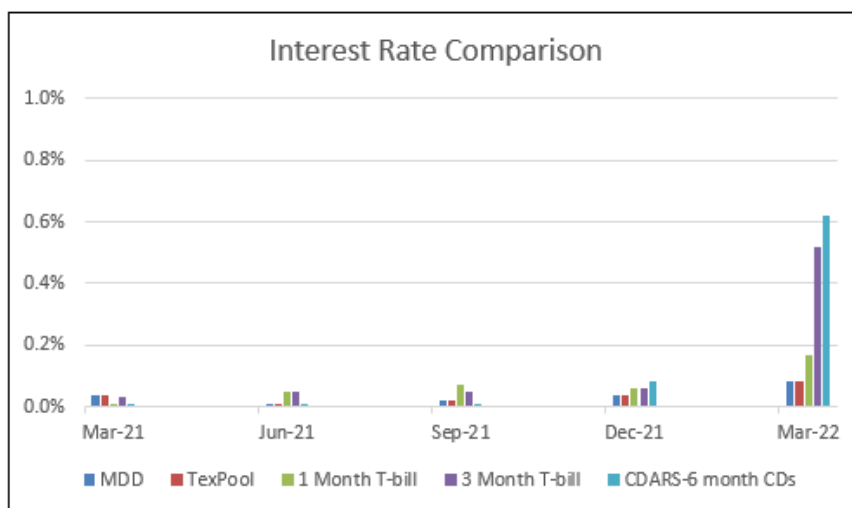
Investment Inventory 1/1/2022 - 3/31/2022									
Security	Yield	Beg Bal	Transfers In/Out	Interest Earnings	Ending Bal	Ending Market	Interest Accrued	Weighted Avg Maturity*	Maturity Date
Frost Bank - Operating Account	0.001%	63,454	-	2	63,456	63,456	-	-	-
TexPool	0.085%	1,720,914	117,321	382	1,838,616	1,838,616	-	33 days	-
<b>TOTAL</b>		<b>1,784,368</b>	<b>117,321</b>	<b>384</b>	<b>1,902,072</b>	<b>1,902,072</b>			



## Fair Oaks Ranch MDD Investment Report

### Interest Rate Comparison

Month	MDD	TexPool	1 Month T-bill	3 Month T-bill	CDARS-6 month CDs
Mar-21	0.04%	0.04%	0.01%	0.03%	0.01%
Jun-21	0.01%	0.01%	0.05%	0.05%	0.01%
Sep-21	0.02%	0.02%	0.07%	0.05%	0.01%
Dec-21	0.04%	0.04%	0.06%	0.06%	0.08%
Mar-22	0.08%	0.09%	0.17%	0.52%	0.62%



### Key Trends:

- The Fed raised the target for the fed funds rate by a quarter-point to 0.25%-0.5% during its March 2022 meeting for the first time in three years and signaled ongoing rate hikes ahead.
- With rate hikes at each of the six remaining meetings this year, the fed funds rate is expected to reach 1.9% by year's end.

This report is in compliance with the MDD's Investment Policy Section 11 and Texas Government Code Section 2256.023.

\* Per the MDD's investment policy, there will not be direct investment in securities maturing more than 36 months from the date of purchase. The Weighted Average Maturity of these investments is in compliance with the City's policy.

\*\* Leading indicator of rate changes to come, not an investment option for the MDD.